



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.1

Meeting Date: May 3, 2012

Subject: **Approve Resolution No. 2701: Authorizing the Issuance and Sale of Not to Exceed \$130,000,000 Refunding General Obligation Bonds and Approving Forms of Documents and Actions of Officers of the District Necessary in Connection Therewith**

- 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. 2701 authorizing the issuance and sale of refunding bonds and approving forms of documents and actions of officers of the district necessary in connection with the refunding of General Obligation bonds.

Background/Rationale: At an election held in 1999, more than two-thirds of voters approved a bond issuance of \$195 million for facility and infrastructure needs. Four series of bonds were sold with optional redemptions which allow the district to call the bonds earlier than their stated maturities. In 2002, the voters passed a Proposition 39 election for \$225 million. The Series A bonds were sold with an optional redemption which allows the district to call the bonds earlier than their stated maturity.

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

At the February 3, 2011 Board meeting, the district approved the refunding of some of the district's General Obligation bonds. This transaction, like the current one, refunded bonds in order to allow a savings to the taxpayers in the form of debt service relief. The attached documents provide authorization to move forward with the refunding. The cost of issuance will be taken into consideration as part of the financing.

Financial Considerations: Savings from this refunding would benefit taxpayers and there is no impact to the general fund.

Documents Attached:

1. Executive Summary
2. Authorizing Resolution
3. Preliminary Official Statement
4. Paying Agent Agreement
5. Bond Purchase Contract
6. Escrow Agreement
7. Continuing Disclosure Certificate

Estimated Time: 15 minutes

Submitted by: Patricia A. Hagemeyer, Chief Business Officer

Approved by: Jonathan P. Raymond, Superintendent

Board of Education Executive Summary

Administrative Services

Approve Resolution No. 2701: Issuance and Sale of Not to Exceed \$130,000,000 Refunding General Obligation Bonds
May 3, 2012



I. Overview/History:

The district received authorization at an election held on October 19, 1999, by more than two-thirds of the votes cast by eligible voters, to issue General Obligation bonds in an aggregate principal amount not to exceed \$195 million. The district completed the full amount of the authorization in four series of bonds in 2004. All the bonds were sold with optional redemptions, which allows the district to call the bonds earlier than their stated maturities for (a) economic reasons, namely to take advantage of lower interest rate environments, and/or (b) for non-economic reasons such as to restructure bonds.

Since early 2012, the interest rate environment has been very low. This environment allows the district an opportunity to issue refunding bonds by calling the existing bonds and issuing new bonds at a lower interest rate reducing debt service and creating tax savings to the district taxpayers. Preliminary numbers indicate that a refunding of all or part of the five bond issuances (Election of 1999, 2001 Series B, 2002 Series C, 2004 Series D, 2001 refunding, Election of 2002 Series A) produce savings on a present value basis ranging from six to eleven percent of the par amount of the bonds. This equates to approximately \$650,000 a year on a future value basis or over \$10 million over the life of the bonds. Three percent is the industry benchmark for minimum savings for a refunding. If the savings of any maturity falls below the three percent minimum, those bonds will not be refunded. The final maturity of the bonds cannot be extended which means the longest maturity for the refunding bonds will be 2031. Below are the bonds eligible to be refunded:

Election	Series	Date issued	Call date	Type of Refunding
1999	B	2001	7/1/2012	Current
	C	2002	7/1/2012	Current
	D	2004	7/1/2013	Advance
	Refunding	2001	7/1/2012	Current
2002	A	2003	6/25/2012	Current

Board of Education Executive Summary

Administrative Services

Approve Resolution No. 2701: Issuance and Sale of Not to Exceed \$130,000,000 Refunding General Obligation Bonds
May 3, 2012

II. Driving Governance:

- California Government Code sections 53550 and 53552 state that General Obligation bonds may be refunded without a vote of the voters provided that the term is not extended and the debt service costs are not increased
- California Government Code section 53559 states that the county director of finance will continue to administer the tax levy for debt service for the bonds

III. Budget:

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

Economic savings generated by a bond issuance refunding would benefit taxpayers. Refunding of bonds produce a present value basis ranging from six to eleven percent of the par amount of the bonds to be refunded. Each maturity of each series of bond must meet the three percent savings requirement to be refunded.

IV. Goals, Objectives and Measures:

As part of the district's fiduciary responsibility to taxpayers, staff and the district's financial advisor from KNN will present the refunding opportunity.

V. Major Initiatives:

- Debt service savings for the taxpayers
- No financial impact to the general fund

VI. Results:

Recognizing its responsibility to taxpayers, the district is developing an overall financial long-term plan for the district that includes regular review of opportunities to reduce General Obligation bond debt service. Additionally, as part of the plan, the district will continue to return to the Board to discuss other aspects of the plan such as the refinancing of Certificates of Participation.

Board of Education Executive Summary

Administrative Services

Approve Resolution No. 2701: Issuance and Sale of Not to Exceed \$130,000,000 Refunding General Obligation Bonds
May 3, 2012

VII. Lessons Learned/Next Steps:

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

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

RESOLUTION NO. 2701

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$130,000,000 REFUNDING BONDS AND APPROVING FORMS OF DOCUMENTS AND ACTIONS OF OFFICERS OF THE DISTRICT NECESSARY IN CONNECTION THEREWITH.

WHEREAS, this Board of Education (the "Board") of the Sacramento City Unified School District (herein called the "District"), of the County of Sacramento, California (the "County"), has heretofore issued or caused to be issued "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B" (the "1999 Series B Bonds"), its "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C" (the "1999 Series C Bonds"), its "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D" (the "1999 Series D Bonds"), its "Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001" (the "2001 Refunding Bonds"), its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A" (the "2002 Series A Bonds"), and its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005" (the "Series 2005 Bonds") (the outstanding portions of the 1999 Series B Bonds, the 1999 Series C Bonds, the 1999 Series D Bonds, the 2001 Refunding Bonds, the 2002 Series A Bonds and the Series 2005 Bonds collectively referred to herein as the "Outstanding Bonds");

WHEREAS, this Board has determined, and does hereby declare, that it is necessary and desirable and that the prudent management of the fiscal affairs of the District requires that all or a portion of the Outstanding Bonds now be refunded (such bonds to be refunded are referred to herein as the "Prior Bonds");

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code") and other applicable law, and pursuant to the respective paying agent agreements or resolutions under which each series of the Outstanding Bonds was issued, the District is authorized to issue refunding bonds (the "Refunding Bonds") to refund all or a portion of the District's Outstanding Bonds, and to sell its Refunding Bonds at public sale or on a negotiated sale basis;

WHEREAS, this Board has determined that because of the need for flexibility in timing and structuring the sale of the Refunding Bonds in order to achieve maximum interest cost savings, it is desirable to sell the Refunding Bonds on a negotiated basis;

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

WHEREAS, this Board acknowledges that the issuance of Refunding Bonds to refinance any of the Prior Bonds more than 90 days in advance of the date of redemption thereof shall preclude any advance refunding of the portion of the Refunding Bonds issued for such purpose;

WHEREAS, the Director of Finance of the County of Sacramento (the “Director of Finance”) has been requested to act as Paying Agent (herein called the “Paying Agent”) with respect to the Refunding Bonds, and Wells Fargo Bank, N.A., will act as Escrow Agent (the “Escrow Agent”) with respect to the Prior Bonds;

WHEREAS, the District proposes to execute and deliver an Escrow Agreement to the Escrow Agent directing the creation of an escrow fund for deposit of proceeds of sale of the Refunding Bonds for the purpose of paying and redeeming the Prior Bonds;

WHEREAS, there have been submitted and are on file with the Secretary of this Board proposed forms of a Preliminary Official Statement, a Bond Purchase Contract, a Paying Agent Agreement, an Escrow Agreement, and a Continuing Disclosure Certificate, all with respect to the Refunding Bonds proposed to be issued and sold, and the Superintendent of the District has examined or caused to be examined each document and has approved the forms thereof, and has recommended that this Board approve and direct the completion, where appropriate, and the execution of the documents and the consummation of such financing;

WHEREAS, this Board desires that the Director of Finance of the County of Sacramento should collect a tax on all taxable property within the District sufficient to provide for payment of the Refunding Bonds, and intends by the adoption of this Resolution to notify the Board of Supervisors, the Director of Finance, and other officials of the County of Sacramento, that they should take such actions as shall be necessary to provide for the levy and collection of such a tax and payment of the Refunding Bonds and such portion, if any, of the Outstanding Bonds as shall remain outstanding following the issuance of the Refunding Bonds;

WHEREAS, this Board has previously appointed the firm of Orrick, Herrington & Sutcliffe LLP as bond counsel in connection with the issuance and sale of the Refunding Bonds;

NOW, THEREFORE, the Board of Education of Sacramento City Unified School District does hereby RESOLVE, DETERMINE AND ORDER, as follows:

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

Section 2. Authorization of Refunding Bonds and of Redemption of Prior Bonds; Application of Proceeds of Sale. The Board hereby authorizes the sale and issuance of one or more series of refunding bonds of the District and the provisional designation of said bonds as the “Sacramento City Unified School District 2012 General Obligation Refunding Bonds” (herein called the “Refunding Bonds”) in an aggregate principal amount not to exceed \$130,000,000, which amount shall be finally determined by the Superintendent of the District, the Chief Business Officer of the District, or such other officer of the District designated for the purpose (each, an “Authorized District Representative”), in accordance with the provisions of Section 7 hereof and with the general laws of the State of California.

Proceeds from the sale of the Refunding Bonds are hereby authorized to be applied only as permitted by Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, including to acquire escrow securities or otherwise to pay or provide for payment of the principal of the Prior Bonds upon redemption thereof; to pay all expenses incident to the calling, retiring or paying of the Prior Bonds and to the issuance of the Refunding Bonds, including: charges of the Paying Agent in connection with the issuance and payment of the Refunding Bonds; charges of the Escrow Agent in connection with the redemption of the Prior Bonds; interest upon the Prior Bonds from the dated date of the Refunding Bonds to the maturity or earlier redemption date of the Prior Bonds; any premium payable upon the redemption of the Prior Bonds; and the costs of any bond insurance or other credit enhancement with respect to the Refunding Bonds. The Board hereby further determines that all interest or other gain derived from the investment of proceeds of the Refunding Bonds may be applied to pay such costs of issuance of the Refunding Bonds.

Section 3. Terms of Refunding Bonds. The maximum nominal annual interest rate on the Refunding Bonds shall be the statutory limit of 12%, payable as described in the Paying Agent Agreement referred to in Section 4 hereof. The Refunding Bonds shall mature on a date or dates, in such of the years, beginning no earlier than August 1, 2012 and concluding no later than the final maturity of the Prior Bonds, as shall be specified in the Bond Purchase Contract described in Section 7 hereof. No Refunding Bonds shall have principal maturing on more than one principal maturity date; however it shall not be necessary that a portion of the aggregate principal amount mature in each year.

The Refunding Bonds shall be issued as current interest Refunding Bonds.

The aggregate principal amount of the Refunding Bonds, the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity thereof, the initial and semiannual interest payment dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, shall be as specified in the Bond Purchase Contract.

Section 4. Paying Agent Agreement. The form of instrument entitled "Paying Agent Agreement," tentatively dated as of June 1, 2012, by and between the District and the Director of Finance of the County of Sacramento, as Paying Agent, in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized District Representative in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. All other terms of the Refunding Bonds required by Sections 53553 and 53554 of the Government Code and not otherwise specified herein shall be as specified in the Paying Agent Agreement.

Section 5. Escrow Agreement. The form of instrument entitled "Escrow Agreement," tentatively dated as of June 1, 2012, by and between the District and Wells Fargo Bank, N.A., as Escrow Agent, in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with

terms as shall be agreed to by the Authorized District Representative in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Official Statement. The Official Statement relating to the Refunding Bonds, in substantially the form on file with the Secretary of the Board (the “Official Statement”), is hereby approved as the Official Statement of the District with respect to the Refunding Bonds, with such changes, additions and corrections as the Authorized District Representative may hereafter approve, and the Underwriter is hereby authorized to prepare and distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Refunding Bonds. The Authorized District Representative is hereby authorized to certify on behalf of the District that the preliminary form of the 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 to sign said Official Statement in its final form, including the final pricing information, and to furnish the Underwriter with copies thereof, and the initial purchaser is hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Refunding Bonds.

Section 7. Bond Purchase Contract; Sale of Refunding Bonds. The form of proposed Bond Purchase Contract is hereby approved and adopted as the contract for purchase and sale of the Refunding Bonds in substantially the form on file with the Secretary of the Board, and the Authorized District Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as the Authorized District Representative shall have agreed to in accordance with this Resolution, and with such other changes therein as the Authorized District Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided that (i) the total net interest cost to maturity on the Refunding Bonds plus the aggregate principal amount of the Refunding Bonds shall be less than the total net interest cost to maturity on the Prior Bonds plus the aggregate principal amount of the Prior Bonds; (ii) the present value of the debt service savings with respect to the Prior Bonds shall be at least 3% of the aggregate principal amount of such Prior Bonds; (iii) the underwriters’ discount shall not exceed 0.5% of the aggregate principal amount of the Refunding Bonds; and (iv) the Refunding Bonds shall otherwise conform to the limitations specified herein and imposed by the general laws of the State.

Section 8. Request for Necessary County Actions. (a) The Board of Supervisors, the Director of Finance, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of a property tax on all taxable property of the District sufficient to provide for payment of all principal of, redemption premium, if any, and interest on the Refunding Bonds as the same shall become due and payable, and to apply moneys in the District’s Interest and Sinking Fund as necessary to the payment of the Refunding Bonds, pursuant to the Paying Agent Agreement, and to the payment of any Prior Bonds which are to remain outstanding, pursuant to the respective paying agent agreement under which such bonds were issued. The Secretary of the Board is hereby authorized and directed to deliver certified copies of this Resolution to the Clerk of the

Board of Supervisors of the County and the Director of Finance of the County. The Board hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the District shall reasonably request.

(b) The Board of Supervisors and the Director of Finance and other officials of the County, are hereby requested to take and authorize such actions as may be necessary, upon, but only upon, the issuance of the Refunding Bonds, to discontinue the levy of property taxes on all taxable property of the District for the payment of the Prior Bonds, pursuant to Section 53561 of the Government Code.

Section 9. Notice of Redemption of Prior Bonds. The Escrow Agent is hereby authorized and directed to give notice of redemption of the Prior Bonds to be redeemed as shall be required by the Escrow Agreement and pursuant to the terms of the Prior Bonds, as applicable.

Section 10. Continuing Disclosure. The form of instrument entitled, "Continuing Disclosure Certificate," in substantially the form on file with the Secretary of the Board, is hereby approved and authorized. The Authorized District Representative is hereby authorized and directed on behalf of the District to execute and deliver such Continuing Disclosure Certificate in substantially said form, with such changes thereto as deemed necessary in order to permit the Underwriter to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 11. Appointment of Bond Counsel and Financial Advisor. The appointment of Orrick, Herrington & Sutcliffe LLP as bond counsel and disclosure counsel, and the appointment of KNN Public Finance, a Division of Zions National Bank as financial advisor with respect to the Refunding Bonds is hereby reaffirmed.

Section 12. Authorization of Further Actions. (a) Stone & Youngberg, a Division of Stifel Nicolaus and Morgan Stanley & Co., Inc. (together the "Underwriter"), bond counsel, financial advisor and the appropriate District officials are hereby authorized and directed to continue to prepare the necessary legal documents to accomplish said financing and the other transactions authorized herein, and to take any and all necessary actions in connection therewith.

(b) The officers and employees of the District are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. The President of the Board, the Superintendent of the District, the Secretary of the Board, and the other officers and employees of the District (as further instructed by the Superintendent) are hereby authorized and directed to provide for the purchase of escrow securities, to engage certified public accountants to verify the sufficiency of funds deposited in escrow, to execute and deliver any and all notices, certificates and representations, including signature certificates, no-litigation certificates, tax certificates, certificates relating to continuing disclosure obligations, notices to the California Debt and Investment Advisory Commission, and certificates concerning the Official Statement describing

the Refunding Bonds, and to enter into such agreements or contracts, including as may be necessary to obtain bond insurance with respect to the Refunding Bonds, paying agent services or verification agent services with respect to the Refunding Bonds, or escrow agent services with respect to the Prior Bonds, as such officers deem necessary and desirable to accomplish the purposes of this Resolution.

Section 14. Ratification of Actions. All actions heretofore taken by the officers and agents of the District with respect to the sale, execution and delivery of the Refunding Bonds, the acquisition of escrow securities, and the other transactions authorized and contemplated herein, are hereby approved, confirmed and ratified.

Section 15. Indemnification. The District shall indemnify and hold harmless, to the extent permitted by law, the County and its officers and employees (“Indemnified Parties”), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the Refunding Bonds, except with respect to such actions which said Indemnified Parties are exclusively authorized and required to perform on behalf of the District pursuant to law. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

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

PASSED AND ADOPTED this day, May 3, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

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

ATTEST:

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

CLERK'S CERTIFICATE

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

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on May 3, 2012, and entered in the minutes thereof, 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 have carefully compared the same with the original minutes of said meeting on file and of record in my office. 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 May, 2012.

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

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "___"

Fitch: "___"

Standard & Poor's: "___"

(See "MISCELLANEOUS—Ratings" herein.)

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



\$(PAR AMOUNT)*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2012 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery**Due: July 1, as shown on the inside cover**

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

The Sacramento City Unified School District 2012 General Obligation Refunding Bonds (the "Bonds"), in the aggregate principal amount of \$_____, are being issued by the Sacramento City Unified School District (the "District") located in the County of Sacramento (the "County"), pursuant to a resolution adopted by the Board of Education of the District on May 17, 2012 and a Paying Agent Agreement, dated as of June 1, 2012, by and between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), for the purpose of providing funds (i) to refund [a portion of the District's remaining outstanding General Obligation Bonds, Election 1999, Series B; General Obligation Bonds, Election 1999, Series C; General Obligation Bonds, Election 1999, Series D; General Obligation Refunding Bonds, Series 2001; General Obligation Bonds, Election of 2002, Series A; and General Obligation Bonds, Election of 2002, Series 2005 (collectively, the "Prior Bonds")], and (ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

[The Bonds will be issued as current interest bonds. Interest on the Bonds is payable commencing on [July 1, 2012], and [July] 1 and [January] 1 to maturity. Principal of the Bonds is payable on [January] 1 and [July] 1 in each of the years and in the amounts set forth in the Maturity Schedule on the inside cover of this Official Statement.] Payments of principal of and interest on the Bonds will be made by the Paying Agent to The Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Payment of Principal and Interest" and "APPENDIX F—BOOK-ENTRY ONLY SYSTEM" herein.

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

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

MATURITY SCHEDULE

See Inside Cover

The Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriters by Kutak Rock, Denver, Colorado. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2012.

[STONE & YOUNGBERG]

[MORGAN STANLEY]

This Official Statement is dated _____, 2012.

* Preliminary, subject to change.

MATURITY SCHEDULE

[\$[PAR AMOUNT]*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2012 GENERAL OBLIGATION REFUNDING BONDS

Maturity	Principal Amount	Interest Rate	Yield [†]	CUSIP [‡] (_____)
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				
January 1, 20__				
July 1, 20__				

\$ _____ % Term Bonds due [July] 1, 20__ Yield[†] _____ % CUSIP[‡] _____

* Preliminary, subject to change.

† Prices or yields certified by the Underwriter. The District takes no responsibility therefor.

‡ Copyright, 2012, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau and are provided solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Bonds as a result of various subsequent actions.

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

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

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, CALIFORNIA**

BOARD OF EDUCATION

Diana Rodriguez
President (Area 5)

Darrel Woo
Vice President (Area 6)

Jeff Cuneo
Second Vice President (Area 2)

Gustavo Arroyo
Member (Area 4)

Ellyne Bell
Member (Area 1)

Patrick Kennedy
Member (Area 7)

Donald Terry
Member (Area 3)

Isaac Gardon
Student Member

ADMINISTRATION

Jonathan P. Raymond
Superintendent and Board Secretary

Patricia A. Hagemeyer
Chief Business Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Financial Advisor

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

Escrow Agent and Costs of Issuance Custodian

Wells Fargo Bank, National Association
San Francisco, California

Paying Agent

County of Sacramento
Sacramento, California

Verification Agent

Causey Demgen & Moore Inc.
Denver, Colorado

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[\$[PAR AMOUNT]*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2012 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover and appendices hereto (the “Official Statement”), is provided to furnish information in connection with the Sacramento City Unified School District 2011 General Obligation Refunding Bonds (the “Bonds”), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the Sacramento City Unified School District (the “District”), the District has no obligation to update the information in this Official Statement. See “OTHER LEGAL MATTERS—Continuing Disclosure” herein.

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

Quotations from and summaries and explanations of the Bonds, the Paying Agent Agreement providing for the issuance of the Bonds, and the Constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, Constitutional provisions and statutes for the complete provisions thereof.

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 (the “Education Code”). See “THE BONDS—Authority for Issuance; Purpose” herein. The District’s estimated average daily attendance for fiscal year 2011-12 is 41,598 and the District’s 2011-12 budgeted general fund expenditures are projected at approximately \$418 million as of the second interim report for fiscal year 2011-12 (the “Second 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 4,447 students. As of June 30, 2011, the District employed approximately 4,678 employees which include 2,504 certificated (credentialed teaching) employees, 1,954 classified (noninstructional) employees and 220 management 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 held among voters who reside in each of seven trustee areas. See “APPENDIX A—DISTRICT FINANCIAL AND OPERATING INFORMATION” herein.

The day-to-day operations are managed by a Board-appointed Superintendent of Schools (the “Superintendent”). Jonathan P. 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

* Preliminary, subject to change.

Schools in North Carolina. Patricia A. Hagemeyer is currently employed by the District as the Chief Business Officer. She has worked for the District for 31 years in a variety of business positions.

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

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the "Government Code"), and applicable provisions of the Education Code and other applicable provisions of law. The Bonds are authorized by a resolution adopted by the Board on _____, 2012, and issued pursuant to a Paying Agent Agreement dated as of _____, 2012 (the "Paying Agent Agreement"), between the District and the County, as paying agent (the "Paying Agent"). The Government Code permits the issuance of bonds payable from *ad valorem* property taxes without a vote of the electors solely in order to refund other outstanding bonds, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds being refunded.

The bonds to be refunded constitute a portion of the remaining Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B (the "Series 1999B Bonds"), Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C (the "Series 1999C Bonds"), Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D (the "Series 1999D Bonds"), Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001 (the "Series 2001 Bonds"); Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A (the "2002 Series A Bonds") and Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005 (the "Series 2005 Bonds", and together with the Series 1999B Bonds, the Series 1999C Bonds, the Series 1999D Bonds, the Series 2001 Bonds and the 2002 Series A Bonds, the "Prior Bonds").

The Series 1999B Bonds, the Series 1999C Bonds and the Series 1999D Bonds were authorized to be issued at an election held on October 19, 1999, by more than two-thirds of the votes cast by eligible voters within the District. The Series 1999B Bonds were originally issued in the aggregate principal amount of \$45,000,000. The Series 1999C Bonds were originally issued in the aggregate principal amount of \$45,000,000. The Series 1999D Bonds were originally issued in the aggregate principal amount of \$55,000,000.

The 2002 Series A Bonds and the Series 2005 Bonds were authorized to be issued at an election held on November 5, 2002, by 55% or more of the votes cast by eligible voters within the District. The 2002 Series A Bonds were originally issued in the aggregate principal amount of \$80,000,000. The Series 2005 Bonds were originally issued in the aggregate principal amount of \$80,000,000.

The Series 2001 Bonds were issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and applicable provisions of the Education Code and other applicable provisions of law. The Series 2001 Bonds were authorized by a resolution adopted by the Board on May 7, 2001. The Series 2001 Bonds were originally issued in the aggregate principal amount of \$52,310,000.

Proceeds of the Bonds will be applied (i) to refund the Prior Bonds and (ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

Form and Registration

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Bonds will

initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Registered ownership of the Bonds may not be transferred except as described in APPENDIX F. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See “APPENDIX F—BOOK-ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

The Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, on [January] 1 and [July] 1 of each year, commencing on [_____] 1, 20__] (each, an “Interest Payment Date”), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on _____, 2012, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the “Record Date”) and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

Principal will be payable on [January] 1 and [July] 1 of each year, commencing on [_____] 1, 20__], or upon redemption prior to maturity, upon surrender of Bonds at such office of the Paying Agent as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the “Interest and Sinking Fund”) within the County Treasury, consisting of *ad valorem* property taxes collected and held by the Treasurer-Tax Collector of the County (the “Treasurer-Tax Collector”), together with any net premium and accrued interest received upon issuance of the Bonds.

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

Redemption

Optional Redemption of Bonds. The Bonds maturing on or before [July 1, 20__] are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after [July 1, 20__] are subject to redemption prior to maturity on or after [July 1, 20__], at the option of the District, from any source of available funds, as a whole or in part on any date on or after [July 1, 20__]. The Bonds shall be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on [July 1, 20__], are also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount of the

Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium:

<u>Mandatory Sinking Fund Redemption Date (July 1)</u>	<u>Principal Amount to be Redeemed</u>
----------------------------------------------------------------	--------------------------------------------

[†] Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of the Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

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

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

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

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

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

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

Defeasance of Bonds

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

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

Unclaimed Moneys

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

PLAN OF REFUNDING

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the "Escrow Fund") to be created and maintained by Wells Fargo Bank, National Association, acting as escrow agent (the "Escrow Agent") under that certain Escrow Agreement, dated as of [June] 1, 2012 (the "Escrow Agreement"), by and between the District and the Escrow Agent, and applied to pay all principal of and redemption premium on the Prior Bonds on the date designated for their redemption, [July 1, 20__]. [Causey Demgen & Moore Inc, Denver, Colorado], a Certified Public Accountant licensed to practice in the State of California, acting as verification agent (the "Verification Agent") with respect to the Escrow Fund, has verified the mathematical accuracy of the

computations relating to the sufficiency of the moneys proposed to be deposited in the Escrow Fund for the payment and redemption on that date of all said Prior Bonds.

A portion of the proceeds of the Bonds shall be deposited with Wells Fargo, N.A. (the “Costs of Issuance Custodian”) and used to pay costs associated with the issuance of the Bonds and the refunding of the Prior Bonds. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred to the County Treasurer for deposit in the District’s Interest and Sinking Fund in the County Treasury, and applied only for payment of principal of and interest on outstanding bonds of the District. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. See “APPENDIX E—COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT.”

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount	\$
Original Issue Premium	
Total Sources:	\$

Uses of Funds

Deposit to Escrow Fund	\$
Underwriters’ Discount	
Costs of Issuance ⁽¹⁾	
Total Uses:	\$

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

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SCHEDULED DEBT SERVICE

The District's semi-annual debt service payments are summarized in the table below.

**Semi-Annual Debt Service Payments
2012 General Obligation Refunding Bonds**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Annual Debt Service</u>
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Total:

Combined Debt Service

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

The scheduled debt service for the Bonds is as follows, assuming no optional redemptions prior to maturity:

Total Annual Debt Service

Year Ending July 1	The Bonds	Other Outstanding Bonds	Total Annual Debt Service
TOTAL			

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

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

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2011-12 assessed value of approximately \$25.7 billion. All property (real, personal and intangible) is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below under the heading, "State-Assessed Property."

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

Under Proposition 13, an amendment to the State Constitution adopted in 1978, the assessed value of *ad valorem* property was established as 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. Assessed 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, market forces, or other factors. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property. Similar property that has recently been acquired may have a substantially higher assessed value reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index would not otherwise permit a full 2% increase in assessed valuation of property that does not change ownership. 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 older residential properties are transferred and reassessed upon such transfer.

Classification of Locally Taxed Property. Locally taxed 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.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

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 District’s outstanding general obligation bonds. State law requires that the assessment roll be finalized by August 20 of each year. The following table shows recent history of taxable assessed valuation.

**Sacramento City Unified School District
Summary of Assessed Valuation
Fiscal Year 2001-02 Through Fiscal Year 2011-12**

<u>Fiscal Year</u>	<u>Local Secured⁽¹⁾⁽²⁾</u>	<u>Annual % Change</u>	<u>Unsecured</u>	<u>Annual % Change</u>	<u>Total Valuation</u>	<u>Annual % Change</u>
2000-01	\$14,522,163,413	–	\$1,106,482,004	–	\$15,628,645,417	–
2001-02	15,352,589,511	5.72%	1,129,899,774	2.12%	16,482,489,285	5.46%
2002-03	16,636,601,130	8.36	1,142,896,806	1.15	17,779,497,936	7.87
2003-04	17,609,772,937	5.85	1,085,893,787	(4.99)	18,695,666,724	5.15
2004-05	19,042,393,551	8.14	1,132,092,441	4.25	20,174,485,992	7.91
2005-06	21,247,993,997	11.58	1,115,575,659	(1.46)	22,363,569,656	10.85
2006-07	23,784,064,837	11.94	1,240,099,083	11.16	25,024,163,920	11.90
2007-08	25,614,602,693	7.70	1,271,566,642	2.54	26,886,169,335	7.44
2008-09	26,670,786,355	4.12	1,369,019,604	7.66	28,039,805,959	4.29
2009-10	25,306,528,076	(5.12)	1,436,477,398	4.93	26,743,005,474	(4.62)
2010-11	25,005,170,720	(1.19)	1,379,440,206	(3.97)	26,384,610,926	(1.34)
2011-12	24,367,435,850	(2.55)	1,381,399,468	0.14	25,748,835,318	(2.41)

⁽¹⁾ Net assessed valuation including the valuation of homeowners’ exemptions.

⁽²⁾ Includes the secured assessed valuation of utility property and excludes the unitary assessed valuation of utility property as determined by the State Board of Equalization.

Source: California Municipal Statistics, Inc.

As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2011-12 assessment roll, the District’s gross bonding capacity is \$643.7 million, and its net bonding capacity is \$[273.8] million, prior to the issuance of the Bonds. Refunding bonds, including the Bonds, may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District’s bonding capacity.

State-Assessed Property. Under the 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 Sacramento County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also independently authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Proposition 8, adopted in 1978, amended Article XIII A of the State Constitution and added Section 51(a)(2) to the Revenue and Tax Code. Proposition 8 permits the County Assessor to reduce the full cash value of real property for property tax purposes to reflect substantial damages, destruction or other factors causing a decline in value. The District can not predict how changing economic conditions may affect real property values in the future, and can not predict how the County Assessor may respond to such conditions, or whether the County Assessor would reduce the full cash value of real property pursuant to Proposition 8 as discussed above. Declines in the full cash value of real property, including those caused by Proposition 8 reductions, would cause an increase in the tax rate. The District can not predict if or when such increases in the tax rate may occur. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Director of Finance 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.

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The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 3-005). TRA-3-005 comprises approximately 27.5% 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**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12⁽¹⁾</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Los Rios Community College District	.0066	.0074	.0124	.0090	.0192
Sacramento Unified School District	<u>.0890</u>	<u>.0938</u>	<u>.0911</u>	<u>.0979</u>	<u>.0982</u>
Total	\$1.0956	\$1.1012	\$1.1035	\$1.1069	\$1.1174

⁽¹⁾ Total 2010-11 assessed valuation of TRA 3-005 is \$7,079,363,426.

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 *et seq.* 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 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 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 2009-10**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	\$23,657,125.00	\$495,983.00	2.10%
2006-07	20,063,598.41	712,321.26	3.55
2007-08	22,499,937.00	899,744.00	4.00
2008-09	24,538,884.00	761,754.00	3.10
2009-10	22,583,246.00	572,615.00	2.54

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of [_____] 1, 2012, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

Direct and Overlapping Bonded Debt

[To Come]

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
2011-12 Taxable Assessed Valuation and Parcels by Land Use ⁽¹⁾**

	2011-12 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$ 10,857,199	0.04%	19	0.02%
Commercial	5,516,728,772	22.65	3,562	3.50
Vacant Commercial	141,795,634	0.58	520	0.51
Industrial	1,301,090,685	5.34	1,276	1.25
Vacant Industrial	46,079,685	0.19	290	0.29
Recreational	65,926,980	0.27	75	0.07
Government/Social/Institutional	194,512,028	0.80	322	0.32
Miscellaneous	<u>2,250,485</u>	<u>0.01</u>	<u>176</u>	<u>0.17</u>
Subtotal Non-Residential	\$7,279,241,468	29.88%	6,240	6.14%
Residential:				
Single Family Residence	\$13,281,565,776	54.52%	82,950	81.57%
Condominium/Townhouse	241,900,606	0.99	1,790	1.76
Mobile Home	40,394,418	0.17	1,246	1.23
Mobile Home Park	40,759,447	0.17	34	0.03
2-4 Residential Units	1,190,655,995	4.89	6,392	6.29
5+ Residential Units/Apartments	1,628,781,302	6.69	1,450	1.43
Hotel/Motel	473,934,844	1.95	54	0.05
Miscellaneous Residential	69,606,148	0.29	339	0.33
Vacant Residential	<u>113,993,456</u>	<u>0.47</u>	<u>1,197</u>	<u>1.18</u>
Subtotal Residential	\$17,081,591,992	70.12%	95,452	93.86%
Total	\$24,360,833,460	100.00%	101,692	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Largest Taxpayers

The 20 largest taxpayers in the District, ranked by aggregate assessed value of taxable property, as shown on the 2011-12 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, 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 2011-12, no single taxpayer owned more than 0.85% of the total taxable property in the District.

Sacramento City Unified School District Major Taxpayers 2011-12

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total ⁽¹⁾
1.	Hines Sacramento Wells Fargo Center	Office Building	\$206,543,650	0.85%
2.	Campbell Soup Supply Co. LLC	Industrial	139,006,200	0.57
3.	300 Capitol Associates NF LP	Office Building	114,727,450	0.47
4.	621 Capitol Mall LLC	Office Building	113,819,929	0.47
5.	Downtown Plaza LLC	Shopping Center	97,564,740	0.40
6.	CIM & 980 9 th Street Sacramento LP	Office Building	94,707,820	0.39
7.	CIM & J Street Hotel Sacramento LP	Hotel	89,257,915	0.37
8.	Sacramento Equities REIT	Office Building	81,805,660	0.34
9.	500 Capitol Mall LLC	Office Building	76,046,517	0.31
10.	McClatchy Newspapers	Newspaper	73,749,960	0.30
11.	1415 Meridian Plaza LLC/Valley View Investors	Office Building	73,651,635	0.30
12.	Procter & Gamble Manufacturing Co.	Industrial	72,629,154	0.30
13.	Capitol Regency LLC	Hotel	70,634,127	0.29
14.	Hines VAF II Sacramento Properties LP	Office Building	69,272,251	0.28
15.	AREF Sacramento LP	Office Building	68,370,013	0.28
16.	M&H Realty Partners IV LP	Undeveloped	65,489,647	0.27
17.	1325 J Street LLC	Office Building	65,334,239	0.27
18.	Hines REIT 1515 S. Street LP	Office Building	60,911,586	0.25
19.	C Street Business Park LLC	Office Building	55,905,842	0.23
20.	GPT Properties Trust	Office Building	55,615,656	0.23
	Total Major Taxpayers		\$1,745,043,991	7.16%

(1) 2011-12 local secured assessed valuation: \$24,360,833,460

Source: California Municipal Statistics, Inc.

TAX MATTERS

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, 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. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

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

OTHER LEGAL MATTERS

Legal Opinion

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

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2011-12 fiscal year (which is due no later than March 27, 2013) and to provide notice of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). *The District has not failed to comply in all material respects with its previous undertakings with regard to the Rule to file annual reports or notices of material events in at least the last five years, the period covered the Rule.*

No Litigation

No litigation is pending or, to the best knowledge of the District, threatened, concerning the validity of the Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds, the political existence of the District, the title to their offices of District or County officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those

offices. A certificate (or certificates) to that effect will be furnished to the original purchasers at the time of the original delivery of the Bonds.

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

MISCELLANEOUS

Ratings

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

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. KNN Public Finance, a division of Zions First National Bank, is acting as Financial Advisor with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being purchased by Stifel Nicolaus & Company Incorporated, DBA Stone & Youngberg, a Division of Stifel Nicolaus, on behalf of itself and Morgan Stanley & Co. LLC (collectively, the "Underwriters") pursuant to the terms of a bond purchase contract, dated _____, 2012 (the "Purchase Contract"), by and between the District and the Underwriters, at a price of \$_____ (consisting of the par amount of the Bonds \$_____, plus/less original issue premium/discount of \$_____, and less Underwriters' discount of \$_____). Pursuant to the Purchase Contract, the obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions to be satisfied by the District. The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the District.

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

[Stone & Youngberg LLC has entered into an agreement (the "Distribution Agreement") with First Republic Securities Company LLC, Member FINRA/SIPC, a subsidiary of First Republic Bank, for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement, if applicable to the Bonds, Stone & Youngberg LLC will share a portion of its underwriting compensation with respect to the Bonds with First Republic Securities Company LLC.]

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its efforts selling the Bonds.

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Additional Information

Quotations from and summaries and explanations of the Bonds, the Paying Agent Agreement, the Escrow Agreement 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. This Official Statement and its distribution have been duly authorized and approved by the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Officer

APPENDIX A

DISTRICT FINANCIAL AND OPERATING INFORMATION

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

FINANCIAL AND DEMOGRAPHIC INFORMATION

General

The Sacramento City Unified School 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 (the "Education Code"). See "THE BONDS—Authority for Issuance; Purpose" in the Official Statement. The District's estimated average daily attendance for fiscal year 2011-12 is 41,598 and the District's 2011-12 budgeted general fund expenditures are approximately \$418 million as of the second interim report for fiscal year 2011-12 (the "Second 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. independent charter schools also operate in the District for a total of twelve charter schools serving kindergarten through grade 12 (grades K-12) with a total estimated enrollment of 4,447 students. As of June 30, 2011, the District employed approximately 4,678 employees which include 2,504 certificated (credentialed teaching) employees, 1,954 classified (noninstructional) employees and 220 management personnel.

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

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Jonathan Raymond was appointed Superintendent on July 23, 2009, and his term commenced on August 21, 2009. Mr. Raymond previously served as chief accountability officer for Charlotte-Mecklenburg Schools in North Carolina. Patricia Hagemeyer is currently employed by the District as the Chief Business Officer. She has worked for the District for 31 years in a variety of business positions.

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.

The District’s undeficitated base revenue limit per A.D.A. is projected to be \$6,494 for fiscal year 2011-12, compared to an amount of \$6,351 for 2010-11. 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**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
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 ⁽¹⁾

⁽¹⁾ Projected from 2011-12 Second 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 (the “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 26% of the District’s aggregate revenue limit income, and are budgeted to be approximately \$57 million, or 14.6% of total general fund revenue in fiscal year 2011-12. 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. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—*Tax Levies, Collections and Delinquencies*” herein. 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” herein.

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 typically 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 typically 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 typically 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 typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a basic aid district.

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

The District has budgeted State funds for special (categorical) programs in fiscal year 2011-12 at approximately \$104 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 budgeted at approximately \$6.2 million, or about 1.6% of general fund revenue in fiscal year 2011-12. In addition, the District has budgeted State aid in fiscal year 2011-12 at approximately \$162 million.

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 Second Interim Report and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2011-12 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Effect of Redevelopment Project Area. Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, 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. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

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.

For basic aid districts, the State will not make the district whole for loss of tax increment to the redevelopment agency unless and only to the extent that such loss reduces the district's local property tax revenues below the district's revenue limit. In addition, the basic aid district may be entitled to a pass-through payment from the redevelopment agency: for any redevelopment project plan adopted or amended after 1993, a basic aid district is entitled to its pre-plan share of taxes collected district-wide, plus the lesser of (i) property tax revenues from the incremental growth in assessed valuation in that part of the district not included in the project area, and (ii) property tax revenues on 80% of the incremental growth in assessed valuation within the project area. For any redevelopment plan adopted before 1994 and not subsequently amended, either a revenue limit district or a basic aid district may continue to receive pass-through payments at the level negotiated with the redevelopment agency instead of the statutory pass-through; such payments do not count against the district's revenue limit for State aid

purposes, but must generally be used for capital facilities improvements. Although there are redevelopment agencies within the District’s territory, the District does not receive any tax-increment pass-through payments.

The 2011-12 State budget (the “2011-12 State Budget”) dissolves redevelopment agencies and community development agencies, as of February 1, 2012, and designates successor agencies to wind down the affairs of the dissolved redevelopment agencies. At this time the District cannot predict what effect the dissolution of redevelopment agencies will have on the District’s property tax receipts. For more information on the dissolution of redevelopment agencies, see “—State Funding of Education; State Budget Process—*Dissolution of Redevelopment Agencies*” below.

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 fiscal year 2011-12 budget, the District estimates that it will expend approximately \$334.6 million in salaries and benefits, or approximately 80% of its general fund expenditures. This amount represents an increase of 1.4% from the \$330 million the District expended in fiscal year 2010-11.

Labor Relations. Approximately 4,550 employees are represented by various labor organizations as shown in the table below. The remaining employees are not represented by any formal bargaining unit.

**Sacramento City Unified School District
Labor Organizations**

<u>Labor Organization</u>	<u>Employees Represented</u>	<u>Contract Expiration</u>
Sacramento City Teacher’s Association	2,504	June 30, 2014 with reopeners
Service Employees International Union	1,823	June 30, 2013 with reopeners
United Professional Educators	128	open
Teamsters	75	June 30, 2013 with reopeners
Classified Supervisors Association	20	June 30, 2013 with reopeners
Total	<u>4,550</u>	

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 \$15.3 million for fiscal year 2010-11 and is projected at \$13.9 million in fiscal year 2011-12.

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 2010-11, the contribution percentage was 10.707%. For fiscal year 2011-12, the contribution percentage is 10.923%. In the current budget year, the total contribution is projected at \$5.1 million, compared to a fiscal year 2010-11 General Fund expense of \$6.4 million.

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, 2011,” Note 9.

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 2010-11, the District funded \$19.1 million in pay-as-you-go expenditures. The District’s 2011-12 projected pay-as-you-go expenditures for post-retirement benefits is \$19.8 million.

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2011, was \$7.8 million.

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 2007-08 through fiscal year 2011-12 (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, 2011, 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 Board of Education 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 2011-12, the District budgeted an unrestricted general fund reserve of 2.1%, or approximately \$9 million. Substantially all funds of the District are required by law to be deposited with and invested by the Treasurer-Tax Collector of the County on behalf of the District, pursuant to law and the investment policy of the County. See “APPENDIX E—COUNTY OF SACRAMENTO INVESTMENT POLICES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT.”

**Sacramento City Unified School District
General Fund
Revenues, Expenditures and Fund Balances
Fiscal Year 2007-08 Through Fiscal Year 2011-12**

	2007-08 Actual ⁽¹⁾	2008-09 Actual ⁽¹⁾	2009-10 Actual ⁽¹⁾	2010-11 Actual ⁽¹⁾	2011-12 Budget ⁽²⁾
<u>Revenue/Receipts</u>					
Revenue Limit Sources:					
State Aid	\$186,266,511	\$176,744,988	\$154,299,252	\$165,947,805	\$162,286,172
Property Taxes	61,870,624	63,408,608	60,544,496	56,618,816	57,150,843
Federal Revenue	47,833,768	61,239,195	57,663,445	72,051,245	55,307,918
Other State Revenue	105,751,979	93,574,884	113,183,976	109,156,582	104,434,691
Other Local Revenue	12,968,783	10,288,472	9,442,044	9,136,901	12,453,506
TOTAL	<u>\$414,691,665</u>	<u>\$405,256,147</u>	<u>\$395,133,213</u>	<u>\$412,911,349</u>	<u>\$391,633,130</u>
<u>Expenditures/Disbursements</u>					
Certificated Salaries	187,557,101	180,615,397	172,906,681	\$175,556,153	\$171,399,934
Classified Salaries	58,972,049	57,306,438	54,043,150	52,390,166	51,607,671
Employee Benefits	91,952,532	95,823,370	95,971,539	102,090,242	111,595,978
Books and Supplies	17,437,487	13,957,476	12,699,281	16,484,359	24,962,361
Services/Other Operating Expenditures	56,116,472	58,232,043	58,552,553	56,372,037	54,837,941
Capital Outlay	2,275,060	1,508,402	645,994	2,358,049	3,675,474
Other Outgo	42,935	27,720	18,318	27,684	-
Transfers of Indirect/Direct Support Costs	-	-	-	-	(1,810,410)
Debt Service	1,819,229	3,079,680	2,328,317	576,329	2,169,042
TOTAL	<u>\$416,172,865</u>	<u>\$410,550,526</u>	<u>\$397,165,833</u>	<u>\$405,855,019</u>	<u>\$418,437,990</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,481,200)	(5,294,379)	(2,032,620)	7,056,330	(26,804,860)
<u>Other Financing Sources/ (Uses)</u>					
Transfers In/ Other Sources	4,017,169	7,340,438	4,848,912	\$12,364,418	\$2,930,254
Transfers Out/ Other Uses	(1,700,000)	-	(16,191,057)	(9,397,892)	-
Proceeds from capitalized lease obligations	-	-	47,411	15,977	-
TOTAL	<u>\$2,317,169</u>	<u>\$7,340,438</u>	<u>\$(11,294,734)</u>	<u>\$2,982,503</u>	<u>\$2,930,254</u>
Excess of Revenue/Other Sources Over (Under) Expenditures/Other Uses	835,969	2,046,059	(13,327,354)	10,038,833	(23,874,606)
FUND BALANCE, BEGINNING OF YEAR	<u>34,805,917</u>	<u>35,641,886</u>	<u>37,687,945</u>	<u>24,360,591</u>	<u>34,399,424</u>
FUND BALANCE, END OF YEAR	\$35,641,886	\$37,687,945	\$24,360,591	\$34,399,424	\$10,524,818

⁽¹⁾ District's audited financial statements for fiscal years ending June 30, 2008, 2009, 2010 and 2011.

⁽²⁾ Second Interim Report for fiscal year 2011-12.

Note: Amounts may not add up due to rounding.

Source: The District.

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.

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due Date</u>
12/01/05	\$25,000,000	4.50%	3.150%	12/01/06
12/14/06	24,475,000	4.00	3.300	12/14/07
11/28/07	30,000,000	3.75	3.270	11/28/08
05/01/11	50,000,000	2.25	1.875	11/02/11
04/05/12	75,000,000	2.00	0.480	10/01/12

General Obligation Bonds. On October 19, 1999, voters in the Sacramento City Unified School District approved a bond measure authorizing the district to issue \$195,000,000 in general obligation bonds, colloquially known as "Measure E" bonds. The District sold \$50,000,000 of the Measure E bonds on February 10, 2000, \$45,000,000 of the Measure E bonds on March 27, 2001, \$45,000,000 of the Measure E bonds on May 7, 2002, and \$55,000,000 of the Measure E bonds on August 1, 2004.

On November 5, 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 March 1, 2003.

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

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Due Dates</u>
2001 Refunding Bonds	09/15/2001	\$52,310,000		2.2%-5%	2011-2029
1999 Series B	04/01/2001	45,000,000	\$37,090,000	4.0-5.0	2011-2031
1999 Series C	05/01/2002	45,000,000	39,680,000	4.0-5.0	2011-2031
1999 Series D	08/01/2004	55,000,000	50,150,000	2.5-5.125	2011-2029
2002 Series A	03/01/2003	80,000,000	45,265,000	4.0-5.0	2011-2027
2002 Series 2005	07/01/2005	80,000,000	44,905,000	4.0-5.0	2011-2030
2002 Series 2007	11/14/2007	64,997,996	75,730,000	3.5-5.0	2011-2033
2011 Refunding Bonds	06/30/2011	79,585,000	57,262,966	3.0-5.5	2012-2030

- Bonds to be refunded.

Approximately \$320,987,966 of the District's general obligation bonds remain outstanding, upon which principal payments of \$[_____] will come due in fiscal year 2011-2012. A portion of the remaining outstanding (i) Series 2001 Bonds, (ii) Series 1999B Bonds, and (iii) Series 1999C Bonds will be refunded with proceeds from the Bonds.

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. See the table above for a description of principal and interest owed on all bonds outstanding.

Certificates of Participation.

On April 18, 2001, Certificates of Participation ("COPs") of \$43,580,000 were issued with fixed 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 COPs 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. With the payment of \$29,230,000 to the Escrow Agent to advance refund and defease the District's 1998 Series A COPs and the 1999 Series D COPs, the District's 1998 Series A COPs and the 1999 Series D COPs are considered to be defeased. The 2002 Variable Rate COPs were remarketed on March 14, 2011 in the aggregate principal amount of \$48,020,000. 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
2012	\$3,036,795
2013	3,055,895
2014	3,071,175
2015	3,083,075
2016	3,101,495
2017-2021	15,832,325
2022-2026	17,528,750
2027-2031	22,065,000
Thereafter	<u>33,025,000</u>
Total payments	\$103,799,510
Less: Interest Portion	<u>(20,914,510)</u>
Net Minimum Payments	<u>\$82,885,000</u>

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. See the table above for a description of principal and interest owed on all bonds outstanding.

Restricted Maintenance Reserve Account

As a condition to receiving State modernization or construction funds, the District has agreed 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 2011-12, the District has funded a maintenance reserve contribution of approximately \$10.2 million or 2.4% of the general fund expenditures.

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. In June 2004, the Board of Education terminated its relationship with the California Administrative Services Authority ("CASA"), also a JPA. CASA was intended to offer an alternative retirement system for certain District personnel. As a result of its participation in CASA, the District may owe up to \$2.5 million to the State Department of

Education to refund unearned “PERS Reduction” income received, and up to \$3.2 million to the Social Security Administration in unpaid employer and employee contributions. Litigation resulting from the District’s participation of CASA is ongoing, and the full extent of its liability is not yet known. For more information, see “APPENDIX B—FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011,” Notes 11 and 12.

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, and thus effectively reduce revenues available for students enrolled in District schools. 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 high 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 2011-12, the District expects to make in-lieu payments in an amount equal to approximately \$5.2 million.

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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, 2011, the schedule of lease payments was as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Payments</u>
2012	\$16,696
2013	16,696
2014	16,696
2015	<u>2,553</u>
Total Payments	\$52,641
Less: Interest Portion	<u>(3,206)</u>
Net Minimum Lease Payments	<u>\$49,435</u>

CASA Pension Program and Pension Program Revenue Bonds

Formation of CASA and the Pension System. In June 2000, the District entered into a joint exercise of powers agreement with the Yolo County Office of Education to form CASA, a State “joint powers authority,” in order to provide administrative services to its members and to offer an alternative retirement system to replace CalPERS and Social Security for certain electing District classified personnel. See “District Expenditures—Retirement Programs” above. In order to participate in the CASA retirement system, District employees took a leave of absence from the District to become employed by CASA, and were contracted back to the District to work in their old positions and functions. Under applicable laws, so long as a public employer offers an acceptable alternative to, and does not participate in, CalPERS and Social Security, neither the employer nor its employees are required to contribute to those systems. By recapturing the Social Security contributions, CASA expected to be able to afford enhanced retirement benefits compared to CalPERS, and thus to attract and retain highly qualified staff for the District.

On April 1, 2004, the Board notified CASA that it intended to terminate the District’s Operating Agreement under which CASA provided staff services to the District, effectively returning those employees to District employment as of July 1, 2004. The District no longer has any employees working for or through CASA.

[Investigation of CASA and Potential District Liability. On December 16, 2003, MGT of America (“MGT”) issued its report regarding the District’s potential exposure as a result of its participation in CASA. In addition to the amount requested by CalPERS, MGT identified that the District could owe up to \$2.5 million to the State Department of Education to refund unearned “PERS Reduction” income received on account of District employees transferred to CASA employment, and \$3.2 million to the Social Security Administration in unpaid employer and employee contributions.

Since July 1, 2004, the District has resumed making ordinary contributions to CalPERS and Social Security for its former CASA employees. In a settlement agreement with CalPERS reached in January 2007, the District has also agreed to enroll former CASA employees retroactively into CalPERS for the time they were employed by CASA. The retroactive adjustments have been completed and payment to CALPERS for the additional service credit has been made.]

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 2011-12. The District projects receipt of about \$164 million in revenue limit funding from the State in fiscal year 2011-12. The District also projects receipt of approximately \$103.8 million in State categorical funding in fiscal year 2011-12. Total State funding accounts for about 68.3% 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 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. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White* decision to have any long-term effect on its operating budgets.

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by

enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

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

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 is 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 Fiscal Year 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. The California Redevelopment Association (CRA) and several local redevelopment agencies sued the State over this latter diversion, and the lawsuit was decided against the redevelopment agencies on May 1, 2010.

Passage of Proposition 22 (and of Proposition 1A before it) will generally have the effect of constricting State funding for education by reducing the State’s options for enhancing its revenues.

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the “2011-12 State Budget”) on June 30, 2011. The 2011-12 State Budget closes a \$26.6 billion budget gap with \$15.0 billion in expenditure reductions, \$0.9 billion in targeted revenue increases, \$8.3 billion in an improvement in the State’s revenue outlook and \$2.9 billion in new loans and transfers.

The 2011-12 State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at similar levels for fiscal year 2011-12 as is in effect for fiscal year 2010-11. However, if revenues are projected to fall short by more than \$2 billion of the

revenues forecasted in the 2011-12 State Budget, then an additional \$1.9 billion in education reductions would be implemented – shortening the school year by seven days, eliminating the home-to-school transportation program and reducing community college apportionments.

The 2011-12 State Budget, as enacted, slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 (\$48.7 billion) from fiscal year 2010-11 (\$49.7 billion). Such funding reflects an increase in general fund revenues in fiscal year 2011-12, the expiration of a variety of short-term tax increases and the rebenching of Proposition 98 guarantee for revenue and program shifts (as further described below).

Under Proposition 98, K-14 education is guaranteed the same percentage of State general fund revenue that was provided in fiscal year 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted or “rebenched” to accurately reflect the base year distribution of State revenues to K-14 education. In fiscal year 2011-12, there are four new rebenching impacts:

- An increase of \$578.1 million to ensure that the Proposition 98 guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in fiscal year 2010-11, reducing the amount of revenue that is counted as general fund with the State appropriation limit for the purposes of the Proposition 98 calculation.
- An increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee. The 2011-12 State Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.
- A decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The 2011-12 State Budget shifts the child care program fund source from Proposition 98 general fund to non-Proposition 98 general fund. The part-day preschool programs are still funded within Proposition 98.
- A decrease of \$1.7 billion to ensure that the total Proposition 98 guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The 2011-12 State Budget requires local agencies to provide remittances totaling \$1.7 billion in fiscal year 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency.

In addition to the above adjustments, Proposition 98 is decreased \$2.1 billion as a result of the reduction in general fund sales tax revenue related to the realignment of public safety programs to counties.

Certain adjustments to Proposition 98 expenditures adopted as part of the 2011-12 State Budget included (i) the deferral of \$2.1 billion in K-12 education funding, deemed necessary to maintain funding for K-12 education programs at the fiscal year 2010-11 funding level, and (ii) a decrease of \$62.3 million of part-day State preschool expenditures, including a decrease of \$16.1 million to reduce income eligibility to 70% of the State median income, and a decrease of \$46.2 million to reduce provider contracts across-the-board.

The 2011-12 State Budget includes the following significant Proposition 98 general fund policy and workload adjustments:

- Shift in mental health services from counties to school districts. The 2011-12 State Budget rebenches the Proposition 98 guarantee and provides an increase of \$221.8 million Proposition 98 general fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The 2011-12 State Budget also reflects the repeal of the AB 3632 mandate. Additionally, the 2011-12 State Budget includes \$2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning these services from counties to schools, and for Office of Administrative Hearings caseload resulting

from increased AB 3632 mental health service related disputes. The 2011-12 State Budget continues to provide \$98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the 2011-12 State Budget provides \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted for mental health services.

- Funding for new charter schools. A total of \$11 million to provide charter schools that commenced operations between fiscal year 2008-09 and fiscal year 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.
- Extension of flexibility for K-12 school districts. The 2011-12 State Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements and local budget reserve requirement.

In addition to the above, a decrease of \$180.4 million to child care and development programs was enacted, reflecting the following: (i) a decrease of \$37.4 million to reduce license-exempt provider rates from 80% to 60% of licensed rates for voucher-based programs; (ii) a decrease of \$12.4 million to reduce income eligibility to 70% of the State median income; and (iii) a decrease of \$130.7 million to reflect an across the board reduction in provider contracts.

The 2011-12 State Budget also makes a one-time change to the A.B. 1200 (see, “—District Budget Process and County Review”) reporting process by requiring K-12 districts to adopt a one-year budget for Fiscal Year 2011-12 and not the standard current budget plus two subsequent years. It further specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled).

The complete 2011-12 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.

Trigger of Automatic Cuts. On December 13, 2011, Governor Brown announced that State revenues had fallen \$2.2 billion below projections made at the adoption of the 2011-12 State Budget, thus triggering certain automatic spending reductions discussed above. Reductions in education spending amounted to approximately \$330 million. The majority of reductions (\$248 million) will affect the State’s home-to-school transportation funding. Additional reductions of approximately \$79.6 million will affect Proposition 98 apportionments. Shortly after the reductions to the home-to-school transportation program were announced by Governor Brown, the Los Angeles Unified School District filed a lawsuit against the State to challenge such transportation cuts. On February 10, 2012, Governor Brown signed into law Senate Bill No. 81 (“SB 81”) which restored the \$248 million in transportation cuts made in December 2011. SB 81, instead of eliminating school bus transportation funding for the remainder of the fiscal year, implements an across-the-board reduction affecting all school districts. The District anticipates reductions of approximately \$123,466 as a result of these triggers. The District anticipated the possibility of trigger reductions and will use budget reserves cover the shortfall.

Proposed 2012-13 State Budget. The Governor officially released his proposed fiscal year 2012-13 State budget (the “2012-13 Proposed State Budget”) on January 5, 2012. The 2012-13 Proposed State Budget projects that the State will face a budget gap of \$9.2 billion in fiscal year 2012-13, which is less than the \$26.6 billion budget gap encountered for fiscal year 2011-12 but more than the approximate \$5 billion that was projected when the 2011-12 State Budget was signed. The 2012-13 Proposed State Budget provides that the \$9.2 billion budget gap is the result of a carryover deficit of \$4.1 billion from fiscal year 2011-12 and an operating deficit, absent any solutions,

of \$5.1 billion. The carryover deficit of \$4.1 billion from fiscal year 2011-12 is, according to the 2012-13 Proposed State Budget, a result of several developments, including a \$1.9 billion deficit that carried over from the prior fiscal year and court orders and delayed federal approval related to several cuts in the 2011-12 State Budget.

The 2012-13 Proposed State Budget indicates that a total of \$10.3 billion in cuts, taxes and other revenues will be necessary to close the \$9.2 billion budget gap and to build a \$1.1 billion reserve. The 2012-13 Proposed State Budget reduces expenditures by \$4.2 billion, including substantial cuts to major programs, such as a \$946 million cut to CalWORKs, \$447 million cut to subsidized child care, \$842 million cut to Medi-Cal and \$302 million reduction to the Cal Grant program. The 2012-13 Proposed State Budget also plans for a \$544 million savings from the elimination of supplemental funding for schools associated with the elimination of the sales tax on gasoline together with certain other Proposition 98 adjustments. The 2012-13 Proposed State Budget proposes a total of \$6.1 billion in new revenues.

In addition to balancing the budget, the 2012-13 Proposed State Budget aims to set forth a path to meet the State's long-term fiscal challenges. The 2012-13 Proposed State Budget recognizes that the State's debt, deferrals and budgetary obligations will total \$33 billion at the end of fiscal year 2011-12. Under the 2012-13 Proposed State Budget, for the first time in the past decade, the budget is projected to be balanced on an ongoing basis and the \$33 billion amount is projected to be paid off by fiscal year 2015-16.

The 2012-13 Proposed State Budget assumes the passage of the Governor's proposed initiative for increased taxes at the November 2012 election, which initiative increases the income tax on the State's wealthiest earners and temporarily increases the sales tax by 0.5%. This initiative is projected by the 2012-13 Proposed State Budget to generate an additional \$6.9 billion in revenues in fiscal year 2012-13, which amount results in a net benefit to the State general fund of \$4.4 billion after accounting for the increased Proposition 98 minimum guarantee. If the Governor's proposed initiative is not approved, the 2012-13 Proposed State Budget specifies a trigger package of cuts to take effect on January 1, 2013, consisting of \$5.4 billion in additional cuts, including a \$4.8 billion cut to schools and community colleges through the reduction in the Proposition 98 guarantee, a \$200 million cut to the State's public university systems and a \$125 million cut to the State's court system.

As it relates to K-12 education, the 2012-13 Proposed State Budget recognizes that Proposition 98 funding for K-12 education significantly declined from an all time high of \$56.6 billion in fiscal year 2007-08 to \$47.6 billion in fiscal year 2011-12. The 2012-13 Proposed State Budget, assuming approval of the Governor's proposed tax initiatives, provides Proposition 98 funding of \$52.5 billion for K-12 education, an increase of \$4.9 billion from the previous fiscal year. When accounting for all state, federal and local property tax resources, total funding for K-12 education is projected to be \$67.1 billion in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be \$10,610 in fiscal year 2011-12 and \$11,246 in fiscal year 2012-13, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2012-13 Proposed State Budget are \$7,815 in fiscal year 2012-13, up significantly from the \$7,096 per-pupil provided in fiscal year 2011-12. For fiscal year 2011-12, K-12 A.D.A. is estimated to be 5,950,041, an increase of 2,673 from fiscal year 2010-11. The 2012-13 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 20,734 to 5,970,775 in fiscal year 2012-13.

In addition to the projected, and assumed, new revenues, the 2012-13 Proposed State Budget proposes (i) a series of rebenchings of the Proposition 98 guarantee, which rebenchings are projected to provide for \$373 million of State general fund savings, (ii) a Proposition 98 general fund reduction of \$171 million to special education and community college apportionments in fiscal year 2011-12 to offset the increased property taxes resulting from the elimination of redevelopment agencies, and (iii) an increase of more than \$2.3 billion in Proposition 98 general fund to reduce inter-year budgetary deferrals for school districts and community colleges.

Certain major workload adjustments for K-12 programs included in the 2012-13 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2012-13 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2012-13. The projected COLA for fiscal year 2012-13 is 3.17%, which would have provided a \$1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment.

- Local Property Tax Adjustment. An increase of \$196 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of lower offsetting property tax revenues, and an increase of \$627 million for school district and county office of education revenue limits in fiscal year 2012-13 as a result of reduced offsetting property tax revenues.
- Average Daily Attendance. A decrease of \$694 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected A.D.A. from the 2011-12 State Budget, and an increase of \$158 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of projected growth in A.D.A. for fiscal year 2012-13.
- K-14 Mandates Funding. An increase of \$110.1 million to support a new block grant program for K-14 mandates. The 2012-13 Proposed State Budget provides a total of \$200 million to fund a mandates block grant incentive program for K-14, while eliminating almost half of the current K-14 mandates. Incentives are created for schools to continue to comply with remaining previously mandated activities.
- Redevelopment Agency Elimination. An increase of \$1.1 billion in offsetting local property taxes for fiscal year 2012-13 due to the elimination of redevelopment agencies.
- Unemployment Insurance. An increase of \$21.8 million in fiscal year 2012-13 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- Charter Schools. An increase of \$50.3 million in Proposition 98 general fund for charter school categorical programs due to charter school growth. The 2012-13 Proposed State Budget proposes to improve in general the operational and financial playing field for charter schools through a series of changes.
- Reduce Child Care Costs. A decrease of \$446.9 million in non-Proposition 98 general fund and \$69.9 million in Proposition 98 general fund to State Department of Education child care programs to reflect changes to reimbursement rates, and to reflect the alignment of eligibility for low-income working family child care services with federal welfare-to-work work participation requirements.
- Transitional Kindergarten. A decrease of \$223.7 million Proposition 98 general fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year. These savings will be used to support existing education programs.
- Child Nutrition Program. A decrease of \$10.4 million in non-Proposition 98 general fund in fiscal year 2012-13 to reflect the elimination of supplemental reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers. And an increase of \$37.2 million for fiscal year 2012-13 in State Department of Education federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

In addition, the 2012-13 Proposed State Budget proposes a new weighted pupil funding formula that will provide significant and permanent additional flexibility to school districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to school based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funding will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years. The programs that will be replaced by the new formula will immediately be made completely flexible for use in supporting any locally determined education purpose. The 2012-13 Proposed State Budget also adds a system of accountability measures that will be the basis for evaluating and rewarding

school performance under this new finance model, which includes the current quantitative, test-based accountability measures and locally developed assessments and qualitative measures.

The complete 2012-13 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 2012-13 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 2012-13 Proposed State Budget entitled "The 2012-13 Budget: Overview of the Governor's Budget" on January 11, 2012 (the "2012-13 Budget Overview") in which the LAO disagreed with the \$9.2 billion budget gap estimated by the 2012-13 Proposed State Budget and projected a \$12.8 billion budget gap, a \$3.6 billion difference. This difference is mainly due to the different forecasts of personal income tax revenues, particularly for high-income tax filers. If the LAO's estimates are closer to the target than that in the 2012-13 Proposed State Budget, the State Legislature would have to pursue billions of dollars more in budget-balancing solutions. Further, the 2012-13 Budget Overview recognizes that the State's budget is already dependent on volatile income tax payments by the State's wealthiest individuals and raises concern that the 2012-13 Proposed State Budget is centered on the plan to have these wealthiest individuals pay more taxes, making the State more dependent on this uncertain revenue source.

In the 2012-13 Budget Overview, although the LAO disagrees with the projections provided by the 2012-13 Proposed State Budget, the LAO does agree that the 2012-13 Proposed State Budget, whether with the Governor's proposed tax initiatives or with the trigger package of cuts, would move the State's budget closer to balance over the next several years. The 2012-13 Budget Overview recommends the State Legislature adopt the basic restructuring approaches to the K-12 finance system, community college categorical funding model and education mandate system included in the 2012-13 Proposed State Budget regardless of the State's revenue situation, albeit with a few modifications to specific proposals such as the amount of mandates block grant funding provided or the specific mix of mandated programs that are eliminated versus made discretionary. The 2012-13 Budget Overview also recommends that the State Legislature adopt the proposal in the 2012-13 Proposed State Budget to avoid initiating major new programs beginning in fiscal year 2012-13, such as the transitional kindergarten program. While the 2012-13 Budget Overview finds that there are advantages to the proposed changes and reductions for CalWORKs and subsidized child care, it recognizes that there are potential trade-offs such as the negative impact on many of the State's low-income families.

The LAO believes that the Proposition 98 proposal in the 2012-13 Proposed State Budget generates significant uncertainty for schools districts as it is based upon revenues that would not materialize until midyear with a severe trigger package of cuts in case such revenues, dependent on the Governor's proposed tax initiatives, ultimately do not materialize. Such a scenario, according to the 2012-13 Budget Overview, would force school districts to adopt budgets assuming the \$2.4 billion in programmatic cuts and implement adjustments and reductions that the 2012-13 Proposed State Budget sought to avoid. In contrast, school districts that build budgets assuming the tax initiatives would be adopted could face very difficult midyear fiscal situations if the projected revenues do not materialize. The 2012-13 Budget Overview provides that the State Legislature should consider the unintended consequences of the trigger approach in the 2012-13 Proposed State Budget and be very deliberate in structuring a trigger package, as it in essence would determine the size and quality of the State's K-14 education program in fiscal year 2012-13. The LAO recommends that the State Legislature be cautious when considering the size of the trigger reduction, determining the specific K-14 reductions to impose in advance and designing tools to help school districts respond given the constraints they face in making midyear adjustments.

The 2012-13 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 2012-13 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2012-13 Proposed State Budget, or subsequent budgets,

will have on its finances and operations. The final fiscal year 2012-13 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

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 has been enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of \$1.4 billion are deferred and the October 2011 payment of \$2.4 billion is deferred. In September 2011, \$700 million of the July deferral is to be paid, in January 2012, \$4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, \$1.4 billion is to be deferred and paid in April 2012. 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 increase the size or frequency of its cash flow borrowings in fiscal year 2011-12 and in future years.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) and Assembly Bill No. 27 (First Extraordinary Session) (“AB1X 27”), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27’s provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the “Court”) challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). The Court subsequently stayed the implementation of a portion of AB1X 26 and all of AB1X 27 pending its decision in *Matosantos*. On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*.

After *Matosantos*, AB1X 26 continues to suspend most redevelopment agency activities and continues to prohibit redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts. On February 1, 2012, when redevelopment agencies are dissolved, AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its “enforceable obligations.” For this purpose, AB1X 26 defines “enforceable obligations” to include “bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency” and “any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.” AB1X 26 specifies that only payments included on an “enforceable obligation payment schedule” adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to AB1X 26.

AB1X 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. However, until a successor agency adopts a “recognized obligation payment schedule” the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. The initial enforceable obligation payment schedule will be the enforceable obligation payment schedule adopted by the former redevelopment agency. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, 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 AB1X 26. AB1X 26 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.

It is likely that there will be additional legislation proposed and/or enacted to “clean up” various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. No assurances can be given as to the effect of any such future proposed and/or enacted legislation on the Notes.

Potential State Initiatives. Several potential State initiatives relating to increasing taxes to increase funding for public education have been submitted to the Attorney General’s office as an initial step to appear on the 2012 ballot. These initiatives include, among others, a plan supported by Governor Brown to increase the sales tax and income tax to increase funding for education and local jails, a plan that extends sales tax to services, reduces income and corporate taxes and raises taxes on out-of-state firms in order to reduce the State’s deficit and increase funding to public education and universities and a plan that raises income taxes on certain taxpayers in order to increase funding to public education and local governments for public safety and infrastructure. Supporters of these potential State initiatives are currently gathering signatures in order for such initiatives to qualify for the 2012 ballot. It is not known which, if any, of these initiatives or any alternatives to these initiatives will qualify for the 2012 ballot or if any will become law and thus increasing funding for public education and, in turn, the District.

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 2011-12 and in future fiscal years. Continued State budget shortfalls in fiscal year 2011-12 and future fiscal years could have a material adverse financial impact on the District.

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Review

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's 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 with the County Office of Education a qualified certification for all recent certification reports starting in 2008, [including the second interim report for fiscal year 2011-12.]

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 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, 2011, 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 XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A 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 XIII A 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 XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A 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 XIII A 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 XIII A.

Article XIII C and Article XIII D 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 XIII C and XIII D 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 XIII C 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 XIII C also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C 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 Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIII C 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 XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D 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 Bonds.

The interpretation and application of Proposition 218 continues to be considered and determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIII C of the Constitution. The proposition defines “tax” as used within Article XIII C 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 XIII B of the California Constitution. In addition to the limits Article XIII A 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 XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, 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 XIII B 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 2010-11, the District had an appropriations limit of \$237,389,496 and appropriations subject to the limit of \$233,222,740. For fiscal year 2011-12, the District’s appropriations limit is budgeted at 244,224,025.

Future Initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process.

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Governing Board
Sacramento City Unified School District
Sacramento, California

Sacramento City Unified School District
2011 General Obligation Refunding Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento City Unified School District (the "District"), which is located in the County of Sacramento, California (the "County"), in connection with the issuance by the District of \$ _____ aggregate principal amount of bonds designated as "Sacramento City Unified School District 2011 General Obligation Refunding Bonds" (the "Bonds"). The Bonds are authorized by a resolution adopted by the Board of Education of the District on May 17, 2012 (the "District Resolution"), and issued pursuant to a Paying Agent Agreement dated as of June 1, 2012 (the "Paying Agent Agreement") between the District and Wells Fargo Bank, National Association (the "Paying Agent").

In such connection, we have reviewed the Paying Agent Agreement, the Resolution, the tax certificate for the Bonds of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County, and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Paying Agent Agreement, the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Paying Agent Agreement, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Our services did not include financial or other non legal advice. We also express no opinion regarding the accreted value tables or calculations set forth or referred to in any of the Bonds issued as capital appreciation bonds or convertible capital appreciation bonds, or in the Paying Agent Agreement. Finally, we undertake no

responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.
2. The Paying Agent Agreement has been duly and legally executed and delivered by, and constitutes a valid and binding obligation of, the District.
3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from the State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Sacramento City Unified School District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Sacramento City Unified School District 2012 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued as authorized by a resolution adopted by the Board of Education of the District on May 17, 2012, and in accordance with the terms of a Paying Agent Agreement, dated as of June 1, 2012 (the "Paying Agent Agreement"), by and between the District and the Director of Finance of the County of Sacramento, as paying agent (the "Paying Agent"). The District covenants and agrees as follows:

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

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

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

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

"Dissemination Agent" shall mean the 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.

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

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

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

"Participating Underwriter" shall mean Morgan Stanley & Co., Inc. and Stone & Youngberg, A Division of Stifel Nicolaus or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the District ending June 30, 2012, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date

required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

(c) If the Paying Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Paying Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

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

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

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

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

- * Adopted budget of the District for the current fiscal year, or a summary thereof, and any interim budget reports approved as of the date of filing of the Annual Report.
- * District average daily attendance.
- * District outstanding debt.
- * Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.
- * Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. 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 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

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

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

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

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

statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

Date: _____, 2012

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

CONTINUING DISCLOSURE EXHIBIT A

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

Name of District: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2012 GENERAL
OBLIGATION REFUNDING BONDS
Date of Issuance: _____, 2012

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

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____ [to be signed only if filed]

APPENDIX E

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

The following information has been furnished by the Director of Finance, County of Sacramento. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Director of Finance, 700 H. Street, Suite 1710, Sacramento, California 95814.

The Board of Supervisors (the “Board”) of the County last adopted an investment policy (the “County Investment Policy”) in 2011. State law requires the Board to approve any changes to the investment policy. The Board is currently reviewing changes to the County Investment Policy and is expected to approve them in the near future.

See following page.

**COUNTY OF SACRAMENTO
SUMMARY OF INVESTMENTS**

See following page.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

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.

PAYING AGENT AGREEMENT

by and between the

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SACRAMENTO COUNTY, CALIFORNIA

and

COUNTY OF SACRAMENTO,
as Paying Agent

Dated as of June 1, 2012

Relating to the

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012 GENERAL OBLIGATION REFUNDING BONDS

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PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, made and entered into as of June 1, 2012, by and between the Director of Finance of the COUNTY OF SACRAMENTO, as paying agent (the "Paying Agent"), and the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"),

W I T N E S S E T H:

WHEREAS, the Board of Education (the "Board") of the Sacramento City Unified School District of the County of Sacramento, California (herein called the "District"), has heretofore issued its "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B" (the "1999 Series B Bonds") of which \$_____ remain outstanding, its "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C" (the "1999 Series C Bonds") of which \$_____ remain outstanding, its "Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D" (the "1999 Series D Bonds") of which \$_____ remain outstanding, its "Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001" (the "2001 Refunding Bonds") of which \$_____ remain outstanding, its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A" (the "2002 Series A Bonds") of which \$_____ remain outstanding, and its "Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005" (the "Series 2005 Bonds") of which \$_____ remain outstanding (the outstanding portions of the 1999 Series B Bonds, the 1999 Series C Bonds, the 1999 Series D Bonds, the 2001 Refunding Bonds, the 2002 Series A Bonds and the Series 2005 Bonds collectively referred to herein as the "Outstanding Bonds");

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, the District is authorized to issue refunding bonds to refund all or a portion of the Outstanding Bonds;

WHEREAS, the Board has determined, by its Resolution No. ____, adopted on May [3], 2012 (the "Resolution"), that it is necessary and desirable that a portion of the Outstanding Bonds be refunded (such refunded portion being referred to herein as the "Prior Bonds"), and has authorized by said Resolution the issuance and sale of its "Sacramento City Unified School District 2012 General Obligation Refunding Bonds" (herein called the "Refunding Bonds") and the execution and delivery of this Paying Agent Agreement on behalf of the District;

WHEREAS, the District has found and determined and by execution hereof so represents that the issuance of the Refunding Bonds and the defeasance or refunding of the Prior Bonds will result in a net savings in the total interest cost to maturity of the Prior Bonds, including costs of issuance of the Refunding Bonds, pursuant to Section 53552 and 53556 of the California Government Code, and that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been

performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement;

NOW, THEREFORE, in order to secure the payment of the Refunding Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Refunding Bonds contained, and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the District and the Paying Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

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

“Authorized District Representative” shall mean the Superintendent of the District, the Chief Business Officer of the District, or any other designee of the Superintendent or the Board, acting with the authority of the Superintendent.

“Board” shall mean the Board of Education of the District.

“Bondowner,” “Bondholder,” “Owner,” or “Holder” shall mean the person in whose name any Refunding Bond shall be registered.

“Bonds” shall mean the Refunding Bonds.

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

“Certificate of the District” See “Request of the District” defined herein.

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

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

“Cost Administrator” shall mean Wells Fargo Bank, National Association, as cost administrator pursuant to an Agreement for Services as Cost Administrator, between the District and Wells Fargo Bank, National Association, dated as of June __, 2012.

“County” shall mean the County of Sacramento, State of California.

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

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

“Escrow Agent” shall mean Wells Fargo Bank, National Association, as initial escrow agent under the Escrow Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place in accordance with the Escrow Agreement.

“Escrow Agreement” shall mean that certain agreement dated as of June 1, 2012, by and between the District and the Escrow Agent, regarding the outstanding Prior Bonds.

“Escrow Fund” shall mean that certain fund created and maintained by the Escrow Agent pursuant to the Escrow Agreement to provide for the payment of all amounts due with respect to the Prior Bonds.

“Holder” See “Bondowner” defined herein.

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

“Interest Payment Date” shall mean January 1 and July 1 of each year. The first Interest Payment Date shall be [January 1, 2013].

“Law” shall mean Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable law.

“Order of the District” See “Request of the District” defined herein.

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

“Owner” See “Bondowner” defined herein.

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

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

“Prior Bonds” shall mean that certain portion of the outstanding bonds of the District designated: “Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B” (the “1999 Series B Bonds”), “Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C” (the “1999 Series C Bonds”), “Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D” (the “1999 Series D Bonds”), “Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001” (the “2001 Refunding Bonds”), “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A” (the “2002 Series A Bonds”), and “Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005” (the “Series 2005 Bonds”) which are being refunded through the issuance of the Refunding Bonds, as described in the Escrow Agreement.

“Record Date” shall mean the 15th day of the month preceding any Interest Payment Date. The first Record Date shall be [December 15, 2012].

“Refunding Bonds” shall mean the Sacramento City Unified School District 2012 General Obligation Refunding Bonds, issued hereunder.

“Redemption Date” shall mean any date on which the Refunding Bonds or any of them are called for redemption, as provided in Article IV hereof.

“Request of the District,” “Certificate of the District,” or “Order of the District” shall mean a written request, certificate or order, respectively, authorized and signed by an Authorized District Representative.

“State” shall mean the State of California.

“Tax Certificate” shall mean the Tax Certificate concerning certain matters pertaining to the use of proceeds of the Refunding Bonds, executed and delivered by the District on the date of issuance of the Refunding Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

ARTICLE II

THE REFUNDING BONDS

SECTION 2.01 Authorization; Date; Payment of Principal and Interest; Denominations. The Refunding Bonds shall be issued for the purpose of providing funds to pay and redeem the Prior Bonds, and to pay costs incurred in connection with the issuance, sale and delivery of the Refunding Bonds. The Refunding Bonds shall be issued by the District under and subject to the terms of this Paying Agent Agreement and the Law, and shall be designated as the “Sacramento City Unified School District 2012 General Obligation Refunding Bonds,” and shall be in the aggregate principal amount of \$_____.

The Refunding Bonds shall be dated as of June __, 2012. The Refunding Bonds shall bear interest at the respective rates shown in the table in this Section 2.01 below, payable on each Interest Payment Date, until payment of the principal amount thereof. Each Refunding Bond authenticated and registered on any date prior to the close of business on the first Record Date shall bear interest from the date of said Refunding Bond. Each Refunding Bond authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Refunding Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Refunding Bond, interest is in default on outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds. Interest on the Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Refunding Bonds shall be issued in fully registered form, without coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof, provided that no Refunding Bond shall mature on more than one maturity date.

The Refunding Bonds shall mature on the dates, in the principal amounts, and bear interest at the annual rates of interest, shown below:

Maturity (July 1)	Principal Amount	Interest Rate
----------------------	---------------------	---------------

The principal and any premium of the Refunding Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the office of the Paying Agent designated for the purpose pursuant to Section 6.01(b).

The interest on the Refunding Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the Owner

thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a Business Day. Payment of the interest on any Refunding Bond shall be made by check or draft mailed by first class mail on each Interest Payment Date (or on the following Business Day, if the Interest Payment Date does not fall on a Business Day) to such Owner at such Owner's address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose; or upon written request of the Owner of Bonds aggregating not less than \$1,000,000 in principal amount, given no later than the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Refunding Bonds, payment shall be made thereto by wire transfer as provided in Section 2.04(d) hereof.

SECTION 2.02 Form and Registration of Refunding Bonds. (a) The Refunding Bonds, the Paying Agent's certificate of authentication and registration, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement (provided that if a portion of the text of any Refunding Bond is printed on the reverse of the bond, the following legend shall be printed on the bond: "THE PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.").

(b) The Refunding Bonds when issued shall be registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one bond for each of the maturities of the Refunding Bonds, in the principal amounts set forth in the table in Section 2.01. The Depository Trust Company is hereby appointed depository for the Refunding Bonds and registered ownership of the Refunding Bonds may not thereafter be transferred except as provided in Sections 2.04 and 2.05 hereof.

SECTION 2.03 Execution and Authentication of Refunding Bonds. The Refunding Bonds shall be signed by the manual or facsimile signature of the President or any member of the Board and the Secretary of the Board or his or her designee. The Refunding Bonds shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent.

Only such of the Refunding Bonds as shall bear thereon a certificate of authentication and registration in the form given in Appendix A hereto, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Refunding Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

SECTION 2.04 Book-Entry System. (a) The Refunding Bonds shall be initially issued and registered as provided in Section 2.02(b) hereof. Registered ownership of the Refunding Bonds, or any portion thereof, may not thereafter be transferred except:

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

(ii) To any substitute depository not objected to by the District, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the District to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

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

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent, together with a Request of the District, a new Refunding Bond for each maturity shall be executed and delivered pursuant to the procedures described in the third paragraph of Section 2.05 hereof in the aggregate principal amount of the Refunding Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent together with a Request of the District, new Refunding Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.01 and the receipt of such a Request of the District, and thereafter, the Refunding Bonds shall be transferred pursuant to the provisions set forth in Section 2.05 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of fewer than 60 days.

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

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

SECTION 2.05 Transfer of Refunding Bonds upon Termination of Book-Entry System. In the event that, at any time, the Refunding Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.04 hereof, then the procedures contained in this Section 2.05 shall apply.

Any Refunding Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.07 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Refunding Bond to the Paying Agent for cancellation at the office of the Paying Agent designated for that purpose, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Refunding Bond or Bonds shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.03 hereof) and the Paying Agent shall authenticate and deliver a new Refunding Bond or Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate or rates of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

SECTION 2.06 Exchange of Refunding Bonds. Refunding Bonds may be exchanged at the office of the Paying Agent designated for that purpose, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Refunding Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or Redemption Date to and including such Interest Payment Date or Redemption Date.

SECTION 2.07 Bond Register. (a) The Paying Agent will keep or cause to be kept, at the place it shall designate for the purpose, sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times be open to inspection by the District and the County, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as hereinbefore provided.

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

ARTICLE III

ISSUANCE OF THE REFUNDING BONDS

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

SECTION 3.02 Application of Proceeds of Sale of Refunding Bonds. Upon the delivery of the Refunding Bonds to the initial purchaser thereof and the receipt from said initial purchaser of the purchase price of the Refunding Bonds in the amount of \$_____ (consisting of the par amount thereof, plus the original issue premium of \$_____, less the underwriters' discount of \$_____), the District shall cause said amounts to be deposited with the Escrow Agent in the "funding fund" for the Refunding Bonds, and the Escrow Agent shall deposit (or transfer) said amount as follows:

- (i) \$_____ to the Escrow Fund created pursuant to the Escrow Agreement;
- (ii) \$_____ to the Costs of Issuance Account, which is hereby created and which shall be held and administered by the Cost Administrator.

Amounts deposited in the Costs of Issuance Account shall be paid on the written Order of the District. On the 180th day following the date of issue of the Refunding Bonds, or upon prior written Order of the District, the Cost Administrator shall transfer any remaining amounts in the Costs of Issuance Fund to the Director of Finance for deposit in the Interest and Sinking Fund of the District.

ARTICLE IV

REDEMPTION OF THE REFUNDING BONDS

SECTION 4.01 Terms of Redemption. (a) Optional Redemption. Refunding Bonds maturing on or before July 1, 20__, are not subject to redemption prior to their respective stated maturity dates. Refunding Bonds maturing on and after July 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after July 1, 20__. Refunding Bonds shall be redeemed at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The \$_____ Refunding Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a

redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
-------------------------------------------------------	------------------------------------

† Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of the Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

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

(d) Notice of Redemption. Notice of redemption of any Refunding Bonds shall be given by the Paying Agent. Notice of any redemption of Refunding Bonds shall be mailed postage prepaid, not less than 20 nor more than 45 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books described in Section 2.07, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall contain all of the following information:

- (i) the date of such notice;
- (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds;
- (iii) the redemption date;
- (iv) the redemption price;
- (v) the dates of maturity of the Refunding Bonds to be redeemed;
- (vi) (if less than all of the Refunding Bonds of any maturity are to be redeemed) the distinctive numbers of the Refunding Bonds of each maturity to be redeemed;

- (vii) (in the case of Refunding Bonds redeemed in part only) the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed;
- (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed;
- (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the office of the Paying Agent designated by the Paying Agent for such purpose; and
- (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date.

(e) Effect of Notice. A certificate of the Paying Agent or the District that notice of call and redemption has been given to Owners and to the appropriate securities depositories and information services as herein provided shall be conclusive as against all parties. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption. Inclusion of CUSIP numbers in any notice of redemption shall not constitute a representation by the District or the Paying Agent as to the accuracy thereof and the notice may so state.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose as described in subsection (g) of this Section, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to the Interest and Sinking Fund or the escrow fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

(f) Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the interest and sinking fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond of

notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

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

(h) Redemption Fund. Prior to or on the redemption date of any Refunding Bonds there shall be available in the Interest and Sinking Fund of the District, or held in trust for such purpose as provided by law, moneys for the purpose and sufficient to redeem, at a price equal to 100% of the principal amount thereof, without premium, the Refunding Bonds designated in said notice of redemption. Such moneys so set aside in any such escrow fund shall be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all moneys in the Interest and Sinking Fund of the District shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund of the District, unless otherwise provided for to be paid from such escrow. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Interest and Sinking Fund of the District or otherwise held in trust for the payment of redemption price of the Refunding Bonds, said moneys shall be held in or returned or transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; provided, however, that if said moneys are part of the proceeds of bonds of the District, said moneys shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

(i) Defeasance of Refunding Bonds. If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Refunding Bonds all of the principal, interest and premium, if any, represented by Refunding Bonds at the times and in the manner provided herein and in the Refunding Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners shall cease to be entitled to the obligation to levy taxes for payment of the Refunding Bonds as described in Section 5.02 hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder and under the Refunding Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Refunding Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of Section 6.06 hereof shall apply in all events.

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

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.01 Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Refunding Bonds, the District will cause moneys to be deposited with the Paying Agent sufficient to pay the principal and the interest (and premium, if any) to become due in respect of all Refunding Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Refunding Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed.

SECTION 5.02 Obligation to Levy Taxes for Payment of Bonds. The Paying Agent hereby acknowledges, both in the capacity of Paying Agent hereunder and in the capacity of Director of Finance, that pursuant to the general laws of the State of California, the obligation to levy and collect taxes for the payment of the Refunding Bonds, and to pay principal and interest on the Refunding Bonds when due, are legal obligations of the County and the Director of Finance and shall be performed by the Director of Finance. The District shall take all steps required by law and by the County to ensure that the Board of Supervisors shall annually levy a tax upon all taxable property in the District sufficient to redeem the Refunding Bonds, and to pay the principal, redemption premium, if any, and interest thereon as and when the same become due. The District is not obligated to pledge and pledges no moneys hereunder other than as provided for and required by the Law.

SECTION 5.03 Validity of Refunding Bonds. The recital contained in the Refunding Bonds that the same are regularly issued pursuant to the Law shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

SECTION 5.04 Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

SECTION 5.05 Tax Covenants. (a) The District covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Refunding Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District covenants that it will comply with the requirements of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Refunding Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Paying Agent or the Director of Finance on behalf of the District, the District shall so instruct the Paying Agent or Treasurer in writing.

(c) Notwithstanding any provision of this Section, if the District shall obtain and provide to the Paying Agent or the Director of Finance, as appropriate, an Opinion of 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 federal income tax of interest on the Refunding Bonds, the Paying Agent and Treasurer may conclusively rely on such Opinion of Counsel in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01 Appointment; Acceptance; Designated Office.

(a) Appointment and Acceptance of Duties. The Director of Finance is hereby appointed Paying Agent, and hereby accepts and agrees to perform the duties and obligations of the Paying Agent, registrar and transfer agent specifically imposed upon it by this Paying Agent Agreement, and no implied duties shall be read into this Paying Agent Agreement against the Paying Agent.

The Paying Agent is hereby authorized and hereby agrees to pay or redeem the Refunding Bonds when duly presented for payment at maturity, or on prior redemption, and to cancel all Refunding Bonds upon payment thereof. The Paying Agent shall keep accurate records of all funds administered by it and of all Refunding Bonds paid and discharged.

(b) Office of the Paying Agent. The Paying Agent, and any successor Paying Agent, shall designate each place or places where it will conduct the functions of transfer, registration, exchange, payment, and surrender of the Bonds. If no office is so designated for a particular purpose, such functions shall be conducted at the Office of the Director of Finance or the principal corporate trust office of any successor Paying Agent.

SECTION 6.02 Protection of Paying Agent. The Paying Agent hereby agrees, provided sufficient immediately available funds have been provided to it for such purpose by or on behalf of the District, to use the funds deposited with it solely for payment of the principal of and interest on the Refunding Bonds as the same shall become due or become subject to earlier redemption.

SECTION 6.03 Reliance on Documents, Etc.

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Paying Agent by the District.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Refunding Bond, but is protected in acting upon receipt of Refunding Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Bondowner or agent of the Bondowner.

(e) The Paying Agent may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

(g) [The Paying Agent shall be afforded the same rights, protections, immunities, indemnities and standard of care hereunder (including, without limitation, with respect to investments) as accorded to it under the Agreement to Provide Registrar and Paying Agent Services for Fully Registered Municipal Bonds dated as of June __, 2012, between the District and the Paying Agent.]

SECTION 6.04 Recitals of District. The recitals contained herein and in the Refunding Bonds shall be taken as the statements of the District, and the Paying Agent assumes no responsibility for their correctness.

SECTION 6.05 Paying Agent May Own Bonds. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Refunding Bonds with the same rights it would have if it were not the Paying Agent for the Refunding Bonds.

SECTION 6.06 Money Held by Paying Agent; Unclaimed Moneys. Money held by the Paying Agent hereunder may be commingled with other funds held by the Paying

Agent, but shall be separately accounted for. Except as otherwise provided herein, the Paying Agent shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

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

SECTION 6.07 Other Transactions. The Paying Agent may engage in or be interested in any financial or other transaction with the District.

SECTION 6.08 Interpleader. The Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

SECTION 6.09 Indemnification. The District shall indemnify the Paying Agent, its officers, directors, employees, and agents for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Refunding Bonds (except any loss, liability or expense as may be adjudicated by a court of competent jurisdiction to be attributable to the Paying Agent's negligence or willful misconduct), including without limitation the cost and expense (including its counsel fees and disbursements, including the allocated costs and disbursements of internal counsel) of defending itself against any claim or liability (except such action as may be brought against the Paying Agent by the District, unless the Paying Agent did not commit willful misconduct or negligence) in connection with the exercise or performance of any of its powers or duties under this Paying Agent Agreement. The provisions of this Section 6.09 shall survive termination of this Paying Agent Agreement and shall continue for the benefit of any Paying Agent after its resignation as Paying Agent hereunder.

ARTICLE VII

MISCELLANEOUS

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

SECTION 7.02 Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Paying Agent Agreement, failure of the

District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

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

If to the District:

Sacramento City Unified School District
5735 47th Ave
Sacramento, California 95824
Attn: Chief Business Officer

If to the Paying Agent:

Director of Finance
County of Sacramento
700 "H" Street, Room 3650
Sacramento, California 95814

If to the County:

Director of Finance
County of Sacramento
700 "H" Street, Room 3650
Sacramento, California 95814

SECTION 7.04 Governing Law. This Paying Agent Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this PAYING AGENT AGREEMENT, relating to the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2012 GENERAL OBLIGATION REFUNDING BONDS, to be duly executed by their officers duly authorized as of the date first written above.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized District Representative

COUNTY OF SACRAMENTO, as Paying Agent

By _____
Director of Finance
County of Sacramento

Approved as to form and legality:

By _____
County Counsel

under the authority of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

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

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

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

The Bonds are subject to optional and mandatory sinking fund redemption on the terms and subject to the conditions specified in the Paying Agent Agreement and as shown in the attached Redemption Schedule. If this bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond, that this bond is in the form prescribed by order of this Board duly made and entered on its minutes and shall be payable out of the Interest and Sinking Fund of the District, and the money for the payment of the principal of this bond, premium, if any, and the payment of interest hereon, shall be raised by taxation upon the taxable property of said District.

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

IN WITNESS WHEREOF, the Board of Education of the Sacramento City Unified School District has caused this Sacramento City Unified School District 2012 General Obligation Refunding Bond to be signed by facsimile signatures of its President and of the Secretary of the Board.

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

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

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Sacramento City Unified School District 2012 General Obligation Refunding Bonds described in the within-mentioned Paying Agent Agreement authenticated and registered on _____.

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

By _____
Authorized Officer

DTC LEGEND

Unless this bond 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 bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

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

I.D. Number

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

Dated: _____

Signature Guarantee: _____

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

BOND PURCHASE CONTRACT

\$ _____
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012 GENERAL OBLIGATION REFUNDING BONDS

May ____, 2012

Board of Education
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as representative (the "Representative") of itself and Morgan Stanley & Co., Incorporated (collectively, the "Underwriters") acting on their own behalf and not as the District's (as defined herein) fiduciary or agent, hereby offers to enter into this Bond Purchase Contract (the "Purchase Contract") with the Board of Education of the Sacramento City Unified School District (the "District"), acting through its Authorized District Representative (as such term is defined in the hereinafter defined Resolution). The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Underwriters 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 Contract will be binding upon the District and the Underwriters.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriters hereby agree to purchase from the District for offering to the public, and the District hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Sacramento City Unified School District 2012 General Obligation Refunding Bonds (the "Refunding Bonds"), at the purchase price of \$_____, which has been computed as the aggregate principal amount of the Refunding Bonds (\$_____) [plus/less] net original issue [premium/discount] thereon (\$_____), less Underwriters' discount (\$_____). The present value of the debt service savings with respect to the Prior Bonds (defined below) is ____% of the aggregate principal amount of such Prior Bonds, and the Underwriters' discount is ____% of the aggregate principal amount of the Refunding Bonds.

The Refunding Bonds are being issued in order to effect the refunding of all or a portion of the District's currently outstanding General Obligation Bonds Election of 1999, Series B (the "1999 Series B Bonds"); General Obligation Bonds, Election of 1999, Series C (the "1999 Series C Bonds"); General Obligation Bonds, Election of 1999, Series D (the "1999 Series D Bonds"); General Obligation Refunding Bonds, Series 2001 (the "2001 Refunding Bonds"); General Obligation Bonds, Election of 2002, Series A (the "2002 Series A Bonds"); and General Obligation Bonds, Election of 2002, Series 2005 (the "Series 2005 Bonds" and together with the

1999 Series B Bonds, the 1999 Series C Bonds, the 1999 Series D Bonds, the 2001 Refunding Bonds and the 2002 Series A Bonds, the “Prior Bonds”). The net proceeds of the Refunding Bonds will be deposited into an Escrow Fund (the “Escrow Fund”) established pursuant to that certain Escrow Agreement dated as of June 1, 2012 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”). The sufficiency of the amounts deposited in the Escrow Fund and the investment earnings thereon to pay the interest on the Prior Bonds through the applicable redemption dates and the redemption prices of the Prior Bonds on their respective redemption dates will be verified in a verification report (the “Verification Report”) prepared by Causey Demgen & Moore Inc., certified public accountants, as verification agent (the “Verification Agent”).

The District acknowledges and agrees that (a) the purchase and sale of the Refunding Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriters, (b) in connection therewith and with the discussion, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are acting solely as a principal and not as an agent or a fiduciary of or a financial advisor to the District, (c) the Underwriters have not assumed (individually or collectively) an advisory or fiduciary responsibility in favor of the District with respect to (i) the offering of the Refunding Bonds or the process leading thereto (whether or not the Underwriters have advised or are currently advising the District on other matters), or (ii) any other obligation of the District except the obligations expressly set forth in this Purchase Contract, and (d) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Refunding Bonds.

2. The Refunding Bonds. The Refunding Bonds shall be issued pursuant to Section 53583 et seq. of the Government Code of the State of California, and in accordance with a Resolution of the Board of Education of the District (the “Board”), adopted on May [17], 2012 (the “Resolution”), and pursuant to the terms of that certain Paying Agent Agreement dated as of June 1, 2012 (the “Paying Agent Agreement”), to be entered into by and between the District and the County of Sacramento, as paying agent (the “Paying Agent”) with respect to the Refunding Bonds. The Refunding Bonds shall conform in all respects to the terms and provisions set forth in the Resolution, the Paying Agent Agreement and in Appendix A to this Purchase Contract. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

The Refunding Bonds shall be dated their date of delivery, shall mature on [July] 1 and [January 1] in each of the years, in the principal amounts and bear interest at the rates shown in Appendix A. Interest on the Refunding Bonds shall be payable on [July 1], 201[2], and thereafter on [July] 1 and [January] 1 in each year until maturity or prior redemption.

The Refunding Bonds shall be subject to optional and mandatory sinking fund redemption on the terms and on the dates shown in Appendix A.

The Refunding Bonds shall otherwise be as described in the Preliminary Official Statement of the District with respect thereto, dated May __, 2012 (the “Preliminary Official Statement”).

One fully registered certificate for each maturity of the Refunding Bonds will be prepared and delivered as described in Section 8 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY (“DTC”), and will be made available to the Underwriters for inspection at such place as may be mutually agreed to by the Representative and the District, not less than three business days prior to the Closing Date, as defined in Section 3 below. The Representative shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Refunding Bonds, but neither the failure to print such number on any Refunding Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Refunding Bonds in accordance with the terms of this Purchase Contract.

3. **Offering.** The Underwriters hereby certify that they have made a bona fide public offering of all the Refunding Bonds as of the date hereof at the initial public offering prices shown in the table attached to Appendix A hereto. Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering prices or yields as they deem necessary in connection with the marketing of the Refunding Bonds. On or prior to June __, 2012 (the “Closing Date”), the Underwriters shall provide the District with information regarding the prices at which a representative portion of each maturity of the Refunding Bonds was sold to the public, in such form as Bond Counsel (as hereinafter defined) may reasonably request, for purposes of determining the yield on the Refunding Bonds.

The District hereby ratifies, approves and confirms the distribution and use of this Purchase Contract, the Resolution, the Paying Agent Agreement, the Escrow Agreement and the Preliminary Official Statement, in connection with the public offering and sale of the Refunding Bonds by the Underwriters. The Resolution, this Purchase Contract, the Paying Agent Agreement, the Escrow Agreement, the Preliminary Official Statement and the Official Statement (as hereinafter defined) are collectively referred to as the “Legal Documents.” The District does not object to distribution of the Preliminary Official Statement and the Official Statement in electronic form.

The Underwriters hereby represent that they have received and reviewed the Preliminary Official Statement, and hereby agree that they will provide, consistent with the requirements of Municipal Securities Rulemaking Board (“MSRB”) Rule G-32, for the delivery of a copy of the final Official Statement describing the Refunding Bonds, dated the date hereof (the “Official Statement”), to each customer who purchases any Refunding Bonds through the End of the Underwriting Period (as hereinafter defined), and to file or cause to be filed on or before the Closing Date a copy of the Official Statement to (i) the MSRB or its designee (including MSRB’s Electronic Municipal Market Access System) or (ii) other repositories approved from time to time by the Securities and Exchange Commission (either in addition to or in lieu of the filing referred to above), and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Refunding Bonds, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission (“Rule 15c2-12”). If an amended Official Statement is prepared in accordance with Section 4(g) of this Purchase Contract during the “New Issue Disclosure Period,” and if required by an applicable Securities and Exchange Commission Rule or MSRB rule, the Underwriters also shall make the required filings of the amended Official Statement.

The “New Issue Disclosure Period” is used as defined in MSRB Rule G-32 and shall end on the twenty-fifth day after the Closing Date.

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

The District will deliver to the Underwriters within seven business days from the date hereof, as many copies of the Official Statement as the Representative shall reasonably request (not to exceed 150), signed by the Authorized District Representative, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Representative, which approval shall not be unreasonably withheld, in order to permit the Underwriters to comply with paragraph (b)(4) of Rule 15c2-12 and with the rules of the MSRB. The District hereby authorizes the Underwriters to use and distribute the Official Statement in connection with the offering and sale of the Refunding Bonds.

4. **Representations and Agreements of the District.** The District represents to and agrees with the Underwriters that, as of the date hereof and as of the Closing Date:

(a) The District is a school district duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The District has full legal right, power and authority to adopt the Resolution, to enter into the Legal Documents, and to observe and perform the District’s covenants and agreements contained herein and therein.

(c) The District has duly adopted the Resolution in accordance with the laws of the State of California; 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 of its covenants and agreements contained in the Refunding Bonds and the Legal Documents; and the District has complied, and will on the Closing Date be in compliance in all respects, with its obligations in connection with the issuance of the Refunding Bonds contained in the Legal Documents and the Refunding Bonds.

(d) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Refunding Bonds or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(e) The Preliminary Official Statement has been “deemed final” by the District as of its date within the meaning 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 does not, and the Official Statement as of its date and as of the Closing Date will not, and if supplemented or amended, as of the date of any such supplement or amendment, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; excluding in each case any information contained therein relating to DTC or its book-entry only system; CUSIP numbers of the Refunding Bonds; information contained therein describing the investment policy of the County of Sacramento (the “County”), its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance of the County (the “Director of Finance”)); information provided by the Underwriters regarding CUSIP numbers or the prices or yields at which the Refunding Bonds were re-offered to the public, as to all of which the District expresses no view.

(g) The District agrees that, for a period of 25 days after the “End of the Underwriting Period” (or such other period as may be agreed to by the District and the Representative), if any event of which it has actual knowledge occurs which might cause the information in the Official Statement as then in existence to contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, the District shall promptly notify the Underwriters in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the reasonable opinion of the Representative, to amend or supplement the Official Statement so that the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, and if the Representative shall have so advised the District, the District shall forthwith cooperate with the Representative in the prompt preparation and furnishing to the Underwriters, at the expense of the District, of a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance satisfactory to the Representative, which will so amend or supplement the Official Statement so that, as amended or supplemented, it will not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading. The District shall promptly advise the Underwriters of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Refunding Bonds.

For purposes of this Agreement, the “End of the Underwriting Period” is used as defined in Rule 15c2-12 and shall occur on the later of (i) the Closing Date; or (ii) when the Underwriters no longer retain an unsold balance of the Refunding Bonds; unless

otherwise advised in writing by the Representative to the District on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriters, the District may assume that the End of the Underwriting Period is the Closing Date.

(h) The District will undertake, pursuant to the Paying Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A form of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Except as otherwise described in the Official Statement, the District has not failed to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

(i) The issuance of the Refunding Bonds, and the execution, delivery and performance of the Legal Documents and the Refunding Bonds, and the compliance with the provisions hereof and thereof, do not conflict with or constitute on the part of the District a violation of or material default under the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(j) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the title of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Refunding Bonds, the application of the proceeds of the sale of the Refunding Bonds, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Refunding Bonds, or the pledge thereof, or the levy of any taxes contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Refunding Bonds or the Legal Documents, contesting the powers of the District or the Legal Documents or the entitlement of the officers of the District who have signed the Refunding Bonds and the various certificates and agreements of the District relating to the issuance and sale of Refunding Bonds, to their respective offices; or (iii) in which a final adverse decision could (A) materially adversely affect the operations of the District or the consummation of the transactions contemplated by the Legal Documents; (B) declare the Legal Documents to be invalid or unenforceable in whole or in material part; or (C) adversely affect the exclusion of the interest paid on the Refunding Bonds from gross income for federal income tax purposes and the exemption of such interest from State of California personal income taxation.

(k) Between the date hereof and the Closing Date, without the prior written consent of the Representative, the District will not have issued, nor will the County have issued in the name and on behalf of the District, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(l) The District has, and has had, no financial advisory relationship with either of the Underwriters with respect to the Refunding Bonds, nor with any investment firm controlling, controlled by or under common control with the Underwriters.

(m) The District has not received a negative certification in its most recent interim report pursuant to Section 42130 et seq. of the California Education Code.

(n) Any certificates signed by any officer of the District and delivered to the Underwriters shall be deemed a representation and warranty by the District to the Underwriters, but not by the person signing the same, as to the statements made therein.

(o) The financial statements of the District contained in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of operations of the District as of the dates and for the periods therein set forth, and, since the date thereof, there has been no material adverse change in the financial position or results of operations of the District.

(p) The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of taxes for the payment of the Refunding Bonds.

5. Representations and Agreements of the Underwriters. The Underwriters represent to and agree with the District that, as of the date hereof and as of the Closing Date:

(a) The Representative is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it, and the undersigned officer of the Representative is duly authorized to sign this Purchase Contract on behalf of the Underwriters and to bind the Underwriters hereby.

(b) The Underwriters are in compliance with MSRB Rule G-37 with respect to the District and are not prohibited thereby from acting as underwriters with respect to securities of the District.

(c) The Underwriters have not paid or agreed to pay, nor will either of them pay or agree to pay, any entity, company, firm, or person (including, but not limited to, the District's municipal financing consultant, or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for the Underwriters, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Contract.

(d) Neither of the Underwriters has, or has had, any financial advisory relationship, as that term is defined in Section 53590(c) of California Government Code, with the District with respect to the Refunding Bonds, and no investment firm controlling, controlled by or under common control with either of the Underwriters has, or has had, any such financial advisory relationship.

(e) The Underwriters have reasonably determined that the District's undertaking pursuant to Section 4(h) and Section 6(a)(xii) hereof to provide continuing

disclosure with respect to the Refunding Bonds is sufficient to effect compliance with Rule 15c2-12.

6. Conditions to Closing.

(a) The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriters' obligations under this Purchase Contract are, and shall be subject at the option of the Underwriters, to the receipt of the following documents, in each case satisfactory in form and substance to the Representative:

(i) a certificate, signed by an official of the District, confirming to the Underwriters that the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the time of Closing (as hereinafter defined) did not and does not, to the best of the knowledge of said official, contain any untrue statement of a material fact or omit a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Refunding Bonds to rely upon the Official Statement in connection with the resale of the Refunding Bonds; excluding in each case any information contained therein relating to DTC or its book-entry only system; information contained therein describing the investment policy of the County, its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance); information provided by the Underwriters regarding the underwriting of the Refunding Bonds, the CUSIP numbers or the prices or yields at which the Refunding Bonds were re-offered to the public, as to all of which the District expresses no view;

(ii) a certificate, signed by an official of the County, confirming to the Underwriters that (A) assuming due authorization, execution and delivery by the District, the Paying Agent Agreement has been duly authorized, executed and delivered by the County and constitutes the legal, valid and binding obligation of the County and is enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as its enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought and (B) the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the time of Closing did not and does not, to the best of the knowledge of said official, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made

therein, in the light of the circumstances under which they were made, not misleading;

(iii) a certificate, signed by an official of the District (or an opinion of counsel to the District), confirming to the Underwriters that, as of the date of this Purchase Contract and on the Closing Date, there is no litigation pending, with service of process completed, or, to the best of the knowledge of said person, threatened, concerning the validity of the Refunding Bonds, the levy of taxes to repay the Refunding Bonds or the application of tax proceeds to that purpose, the corporate existence of the District, or the entitlement of the officers of the District who have signed the Refunding Bonds and the various certificates and agreements of the District relating to the issuance and sale of Refunding Bonds, to their respective offices;

(iv) a certificate or certificates, signed by an official of the District, confirming to the Underwriters that as of the Closing Date all of the representations of the District contained in this Purchase Contract are true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in the Legal Documents and all certificates and other documents delivered to the Underwriters at the Closing pursuant hereto shall be true, complete and correct in all material respects on the Closing Date; and the District is in compliance with each of the agreements made by it in this Purchase Contract, and that the Resolution is in full force and effect and has not been amended, modified or rescinded;

(v) the Verification Report of the Verification Agent, verifying the sufficiency of the deposit in the Escrow Fund and the investment earnings thereon to provide for payment of the interest on and redemption prices of the Prior Bonds, in compliance with applicable laws of the State of California;

(vi) the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Refunding Bonds (“Bond Counsel”), addressed to the District, approving the validity of the Refunding Bonds, substantially in the form set forth as Appendix C to the Official Statement, together with a reliance letter from Bond Counsel addressed to the Underwriters to the effect that the Underwriters may rely upon the approving opinion described above;

(vii) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the District and the Underwriters, to the effect that:

(A) the statements in the Official Statement on the cover page thereof and under the captions “THE BONDS,” “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” and “TAX MATTERS,” to the extent they purport to summarize certain provisions of the Resolution, the Refunding Bonds and the opinion of Bond Counsel, are accurate in all material respects;

(B) assuming due authorization, execution and delivery by all the other parties thereto, the Continuing Disclosure Certificate, the Paying Agent Agreement, the Escrow Agreement and this Purchase Contract have each been duly authorized, executed and delivered by the District and constitute legal, valid and binding obligations of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and

(C) the Refunding Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution and the Paying Agent Agreement are each exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(viii) an opinion of Orrick, Herrington, & Sutcliffe LLP, Disclosure Counsel ("Disclosure Counsel"), dated the Closing Date and addressed to the District and the Underwriters, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, KNN Public Finance (the "Financial Advisor"), the Underwriters and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement as of its date contained, or as of the Closing Date contains, any untrue statement of a material fact or as of its date omitted, or as of the Closing Date, omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion need be expressed as to any financial, demographic, numerical or statistical data contained in the Official Statement nor as to Appendices B, E or F to the Official Statement);

(ix) An opinion, dated the Closing Date and addressed to the Underwriters, of Kutak Rock LLP, counsel for the Underwriters, to the effect that:

(A) the Refunding Bonds are exempt securities under the Securities Act of 1933, as amended, and it is not necessary, in connection with the offering and sale of the Refunding Bonds, to register the Refunding Bonds under the Securities Act of 1933, as amended, and neither the Resolution nor the Paying Agent Agreement need be qualified under the Trust Indenture Act of 1939, as amended;

(B) the Continuing Disclosure Certificate satisfies Section (b)(5)(i) of Rule 15c2-12; and

(C) based upon its participation in the preparation of the Preliminary Official Statement and Official Statement as counsel for the Underwriters and its participation at conferences at which the Preliminary Official Statement and Official Statement were discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date and as of the Closing Date contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement, the information contained in Appendices B, C, D, E, and F thereto, and the information regarding The Depository Trust Company and its book-entry system, in each case as to which no view need be expressed).

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

(xi) the receipts of the Escrow Agent and the Director of Finance confirming payment by the Underwriters of the respective portions of the purchase price of the Refunding Bonds;

(xii) an executed copy of the Continuing Disclosure Certificate of the District, in substantially the form attached to the Preliminary Official Statement;

(xiii) a copy of the adopted Resolution, together with a certificate of the Secretary of the Board to the effect that such copy is a true and correct copy of the Resolution, and that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date;

(xiv) a copy of the resolution adopted by the Board of Supervisors of the County approving the appointment of the Director of Finance as Paying Agent under the Paying Agent Agreement (the "County Resolution"), together with a certificate of the County Clerk or deputy thereto to the effect that such copy is a true and correct copy of the County Resolution, and that the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date;

(xv) an executed copy of the Paying Agent Agreement;

(xvi) an executed copy of this Purchase Contract;

(xvii) an executed copy of the Official Statement;

(xviii) an executed copy of the Escrow Agreement;

(xix) the letter of Moody's Investors Service ("Moody's"), Fitch Ratings ("Fitch") and Standard and Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("Standard & Poor's") to the effect that such rating agencies have rated the Refunding Bonds "___," "___" and "___" respectively (or such other equivalent ratings as each such rating agency may give), and that such ratings have not been revoked or downgraded; and

(xx) such additional opinions, certificates, and documents as Bond Counsel or the Representative may reasonably request to evidence the truth and correctness, as of the Closing Date, of the representations of the parties contained herein, and of the District contained in the Official Statement, and the due performance or satisfaction by the parties at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(b) On or before the Closing Date, and contemporaneously with the acceptance of delivery of the Refunding Bonds and the payment of the purchase price thereof, the Representative will provide to the District:

(i) the receipt of the Underwriters, in form satisfactory to the District and signed by an authorized officer of the Representative, confirming delivery of the Refunding Bonds to the Underwriters and the satisfaction of all conditions and terms of this Purchase Contract by the District, and confirming to the District that as of the Closing Date all of the representations of the Underwriters contained in this Purchase Contract are true, complete and correct in all material respects; and

(ii) the certification of the Underwriters, in form satisfactory to Bond Counsel, regarding the prices at which the Refunding Bonds have been reoffered to the public, as described in Section 3 hereof.

7. **Termination.**

(a) **By District.** In the event of the District's failure to deliver the Refunding Bonds on the Closing Date, or inability of the District to satisfy the conditions to the obligations of the Underwriters contained herein (unless waived by the Representative), or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) **By Underwriters.**

(i) **Excused.** The Representative may terminate this Purchase Contract, without any liability of the Underwriters therefor, by notification to the District if the District is unable to satisfy the conditions to the obligations of the Underwriters contained herein (unless waived by the Representative) or if as of the Closing Date any of the following shall have had a material adverse effect on the marketability or market price of the Refunding Bonds, in the reasonable opinion of the Representative, 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 of America or the State of New York or the State of California;

(B) there shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(C) legislation shall have been enacted by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or a ruling or regulation shall have been issued by the U.S. Treasury, with respect to federal taxation of interest received on securities of the general character of the Refunding Bonds, or legislation shall have been enacted by the State of California which renders interest on the Refunding Bonds not exempt from State of California personal income taxes, which in the reasonable opinion of the Representative materially adversely affects the marketability or market price of the Refunding Bonds;

(D) legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Refunding Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution or the Paying Agent Agreement to be qualified under the Trust Indenture Act of 1939, as amended;

(E) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Refunding Bonds or obligations of the general character of the Refunding Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(F) Congress shall have made a formal declaration of war, or the President of the United States shall have ordered a new major engagement in or escalation of military hostilities, or there shall have occurred a declared national emergency that interrupts or causes disorder to the operation of the financial markets in the United States;

(G) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the District shall have occurred;

(H) any rating of the District's outstanding indebtedness is withdrawn or downgraded or placed on credit watch by a national rating agency;

(I) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriters, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading and, in either such event, the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Refunding Bonds or the ability of the Underwriters to enforce contracts for the sale of the Refunding Bonds; or

(J) a material disruption in securities settlement, payment or clearance services affecting the Refunding Bonds shall have occurred.

(ii) **Unexcused.** In the event the Underwriters shall fail (other than for a reason permitted by this Purchase Contract) to pay for the Refunding Bonds upon tender of the Refunding Bonds at the Closing, the Underwriters shall have no right in or to the Refunding Bonds.

8. **Closing.** At or before 9:00 a.m., California time, on June ___, 2012, or at such other date and time as shall have been mutually agreed upon by the District and the Representative (the "Closing"), the District will deliver or cause to be delivered to the Underwriters the Refunding Bonds in book-entry form duly executed by the District, together with the other documents described in Section 6(a) hereof; and the Underwriters will accept such delivery and pay the purchase price of the Refunding Bonds as set forth in Section 1 hereof in immediately available funds by federal funds wire, in an aggregate amount equal to such purchase price, plus accrued interest, if any, on the Refunding Bonds from the date thereof to the date of such payment, and shall deliver to the District the other documents described in Section 6(b) hereof, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Refunding Bonds as described herein shall be made by the Representative to the Escrow Agent and the Director of Finance, as appropriate. The Refunding Bonds will be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Representative.

All other documents to be delivered in connection with the delivery of the Refunding Bonds shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

9. Expenses.

(a) The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Refunding Bonds (or from any other source of available funds of the District) which expenses may include: (i) the cost of the preparation and reproduction of the Resolution and the other Legal Documents; (ii) the fees and disbursements of District counsel; (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iv) the costs of the preparation, printing and delivery of the Refunding Bonds; (v) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Representative in accordance herewith; (vi) initial rating fees of Moody's, Fitch and Standard & Poor's; (vii) fees and expenses of the Paying Agent for the Refunding Bonds; (viii) fees and expenses of the Escrow Agent with respect to the Prior Bonds; (ix) fees and expenses of the Financial Advisor; (x) fees of the escrow bidding agent, if any; and (xi) fees and expenses of the Verification Agent.

(b) All other costs and expenses incurred by the Underwriters as a result of or in connection with the purchase of the Refunding Bonds and their public offering and distribution shall be borne by the Underwriters, 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; (v) fees payable to The Securities Industry and Financial Markets Association; (vi) MSRB fees; and (vii) costs or fees of qualifying the Refunding Bonds for offer and sale in various states chosen by the Underwriters and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

10. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given to the District or the Underwriters by delivering the same in writing to the District or the Underwriters at the addresses given below, or such other address as the District or the Representative may designate by notice to the other party.

To the District: Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824
Attention: Chief Business Officer

To the Underwriters: Stifel, Nicolaus & Company, Incorporated dba Stone &
Youngberg, a Division of Stifel Nicolaus
One Ferry Building, Suite 275
San Francisco, CA 94111
Attention: Bruce Kerns

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

12. **Parties in Interest.** This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriters, and is solely for the benefit of the District and the Underwriters (including the successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Refunding Bonds hereunder, or (b) any termination of this Purchase Contract.

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

14. **Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authorized District Representative, and shall be valid and enforceable at the time of such acceptance.

15. **Counterparts.** This Purchase Contract, for the purchase and sale of the Sacramento City Unified School District 2012 General Obligation Refunding Bonds, may be executed in several counterparts, which together shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, dba STONE &
YOUNGBERG, A DIVISION OF STIFEL
NICOLAUS, as Representative of Itself and
MORGAN STANLEY & CO.,
INCORPORATED, as Underwriters

By _____
Managing Director

Accepted: May ____, 2012.

Time of Execution: _____ p.m. (California time)

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Name _____
Title _____

APPENDIX A

PURCHASE CONTRACT

**TERMS OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012 GENERAL OBLIGATION REFUNDING BONDS**

Interest Rates: See attached Pricing Report from Underwriters as Schedule A.

Principal Payments: See attached Pricing Report from Underwriters as Schedule A.

Terms of Redemption: *Optional Redemption of Bonds.* The Refunding Bonds maturing on or before [July] 1, 20[22] shall not be subject to redemption prior to their respective stated maturity dates. The Refunding Bonds maturing on and after [July] 1, 20[23], shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after [July] 1, 20[22], at a redemption price of par plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Refunding Bonds maturing on [July] 1, 20[___], are subject to redemption prior to maturity from mandatory sinking fund payments on [July] 1 of each year, on and after [July] 1, 20[___], at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date ([July] 1)	Principal Amount
20[___]	\$_____

¹ Final Maturity.

ESCROW AGREEMENT

by and between the

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, CALIFORNIA**

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Agent**

Dated as of June 1, 2012

RELATING TO:

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS ELECTION OF 1999, SERIES B, SERIES C and
SERIES D,**

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2001,**

and

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2002, SERIES A and SERIES 2005**

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ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement"), dated as of June 1, 2012, by and between the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT (the "District"), a school district duly organized and existing under the Constitution and laws of the State of California, and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), a national banking corporation duly organized and existing under the laws of the United States of America, being qualified to accept and administer the trust hereby created, executed and delivered by the District pursuant to Resolution No. ____ adopted by the Board of Education of the District on May [3], 2012,

WITNESSETH:

WHEREAS, Director of Finance of the County of Sacramento, acting as paying agent (the "Paying Agent") under that certain Paying Agent Agreement, dated as of June 1, 2012, by and between the District and the Paying Agent (herein called the "Paying Agent Agreement"), duly authenticated and delivered \$_____ aggregate principal amount of the Sacramento City Unified School District 2012 General Obligation Refunding Bonds (herein called the "Refunding Bonds"), for the purpose, among others, of providing funds for the redemption of a portion of the outstanding bonds of the District issued as the [Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B, the Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C, the Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D, the Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001, the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A, and the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005];

WHEREAS, the refunded portion of said bonds, as identified in Schedule II attached hereto, is herein collectively called the "Prior Bonds";

WHEREAS, the Prior Bonds will be redeemed pursuant to the terms thereof and pursuant to Paying Agent Agreements dated as of [April 1, 2001, September 1, 2001, April 2, 2002, March 3, 2003, respectively, and a resolution adopted by the Board of Education of the District on June 16, 2005 and by a resolution of the Board of Supervisors of the County of Sacramento adopted on June 21, 2005], respectively (collectively, the "Prior Paying Agent Agreement"), pursuant to which such bonds were issued;

WHEREAS, Wells Fargo Bank, National Association, is acting hereunder as Escrow Agent with respect to the Prior Bonds, and in such capacity is herein referred to as the "Escrow Agent";

WHEREAS, the Paying Agent Agreement provides for the deposit in the Escrow Fund (established pursuant to Section 1 hereof) of certain of the proceeds of the Refunding Bonds and other moneys;

NOW, THEREFORE, the District and the Escrow Agent hereby agree as follows:

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Paying Agent Agreement.

Section 1. Establishment and Maintenance of Escrow Fund; Deposit. The Escrow Agent hereby agrees to establish and maintain a fund until all of the Prior Bonds have been paid as provided herein, designated as the “Escrow Fund,” and to hold the securities, investments and moneys therein at all times as a special fund and separate trust account. All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 and Section 6 hereof, to secure the payment of the Prior Bonds.

On the date of delivery of the Refunding Bonds, the Escrow Agent shall deposit the sum of \$_____ in the Escrow Fund, consisting of the amounts received by the Paying Agent from the Underwriters, representing certain proceeds of the sale of the Refunding Bonds.

Section 2. Investment of Money in the Escrow Fund.

Except as set forth below, the Escrow Agent shall not reinvest any cash portion of the Escrow Fund; provided, however, that after obtaining an unqualified legal opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the tax-exempt status of interest on the Refunding Bonds under Section 103 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and will not result in the breach of any covenant of the District contained in the Indenture or the Paying Agent Agreement, the Escrow Agent may reinvest, at the written direction of the District, any cash portion of the Escrow Fund in Escrow Securities. Any such reinvestment shall be made in Escrow Securities the principal of and interest on which are payable at such times and in such amounts as will be sufficient (together with the other securities, investments and moneys in the Escrow Fund) to pay the Prior Bonds in accordance with Section 3 and consistent with the then-currently applicable report of a certified public accountant licensed to practice in the State of California, delivered with respect to the Escrow Fund. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 3. Payment and Redemption of Prior Bonds. The District hereby irrevocably directs the Escrow Agent, and the Escrow Agent hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on all Escrow Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and to apply such principal and interest, together with other moneys and the principal of and interest on other securities deposited in the Escrow Fund, to the payment of the principal and redemption premiums of the Prior Bonds that date, pursuant to each respective Prior Paying Agent Agreement. Upon retirement or redemption or prepayment of all of the Prior Bonds, the Escrow Agent shall transfer any moneys or securities remaining in the Escrow Fund, to the extent not required for any fees or expenses of the Escrow Agent, to the Interest and Sinking Fund of the District (held by the Director of Finance of the County of Sacramento), for payment of the Refunding Bonds or any other bonds of the District payable from said fund.

The maturity schedule of the Prior Bonds is set forth in Schedule II.

Section 4. Notice of Redemption. The District hereby irrevocably directs the Escrow Agent, and the Escrow Agent agrees, to give all required notice of the redemption and payment of the Prior Bonds scheduled to take place on the date given in Section 3, in the time, form and manner specified by the each respective Prior Paying Agent Agreement and any Continuing Disclosure Certificate relating to the Prior Bonds.

Section 5. Unclaimed Moneys. Any moneys held by the Escrow Agent in trust for the payment and discharge of the Prior Bonds which remain unclaimed for two years after the date when such Prior Bonds are to have been retired or redeemed in accordance with Section 3 shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Section 6. Substitution of Securities. Upon the written request of the District, subject to the conditions and limitations hereinafter set forth and applicable laws and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Escrow Securities in the Escrow Fund, if there are substituted therefor, from the proceeds of such securities, other Escrow Securities as hereinafter provided. The District will not exercise any powers which would have the effect of causing any of the Refunding Bonds to be “arbitrage bonds” as defined in Section 148 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder. The Escrow Agent shall dispose of the securities in the Escrow Fund and purchase substitute Escrow Securities only upon receipt of:

(i) a written report of a certified public accountant, licensed to practice in the State of California, to the effect that the substitute Escrow Securities will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys will be available to pay, as the same become due, to and including the date set forth in Section 3, all principal, premium, if any, and interest on the Prior Bonds; and

(ii) an unqualified legal opinion of nationally recognized bond counsel to the effect that such disposition of the securities in the Escrow Fund and purchase of substitute Escrow Securities will not adversely affect the tax-exempt status of interest on the Refunding Bonds under Section 103 of the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder.

Section 7. Fees and Expenses of Escrow Agent. The District, by this Escrow Agreement, agrees to pay amounts equal to the reasonable fees and expenses (including, without limitation, legal fees and expenses) of the Escrow Agent incurred as a result of this Escrow Agreement and the acceptance thereof by the Escrow Agent; provided, however, that in no event shall such fees or expenses incurred by the Escrow Agent be deducted from, or constitute a lien against, the Escrow Fund until the retirement or redemption of the Prior Bonds pursuant to Section 3 hereof.

Section 8. Liabilities and Obligations of Escrow Agent. (a) The Escrow Agent shall have no obligation to make any payments or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the

District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written instructions of the District and its officers and agents relating to any matter or action as Escrow Agent under this Escrow Agreement.

(b) The District covenants to indemnify and hold harmless the Escrow Agent against any loss, liability, claim, cost, suit, judgment or expense, including legal fees and expenses, incurred in connection with the performance of any of its duties hereunder, except the Escrow Agent shall not be indemnified against any loss, liability, claim, cost, suit, judgment or expense resulting from its negligence or willful misconduct.

(c) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the District) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(d) The recitals contained herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for their correctness.

(e) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Escrow Securities deposited with it to pay the principal, interest or premiums, if any, on the Prior Bonds.

(f) The Escrow Agent shall not be liable for any action or omission of the District under this Escrow Agreement, the Indenture, or the Paying Agent Agreement.

(g) Whenever in the administration of this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

(h) The Escrow Agent may conclusively rely, as to the truth or accuracy of the statements and correctness of the opinions and calculations provided, and shall be protected and indemnified, in acting, or refraining from acting, upon any written notice (including notice given by electronic means), instruction, request, certificate, document or opinion furnished to the Escrow Agent signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(i) The Escrow Agent may at any time resign by giving written notice to the District of such resignation. The District shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the District does not appoint a successor, the

Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe, and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the District may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the District appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the District shall immediately and without further act be replaced by the successor Escrow Agent so appointed.

(j) The Escrow Agent undertakes to perform such duties and only such duties as are specifically set forth in this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Agent. Neither the Escrow Agent nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Escrow Agreement or in connection herewith except to the extent caused by the Escrow Agent's negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

Section 9. Merger or Consolidation. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Escrow Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 10. Amendment. This Escrow Agreement may not be revoked or amended by the parties hereto unless there shall first have been filed with the District and the Escrow Agent (i) a written opinion of nationally recognized bond counsel stating that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest evidenced by the Prior Bonds or the Refunding Bonds, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Prior Bonds, as evidenced by an opinion of counsel, the written consent of all the registered owners of the Prior Bonds then outstanding.

Section 11. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows. Any written instruction given hereunder may be given by fax or other electronic means.

If to the District:

Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824
Attention: Chief Business Officer

If to the Escrow Agent:

Wells Fargo Bank, National Association
333 Market Street, 18th Floor
San Francisco, CA 94105
Attn: Corporate Trust Services

Section 12. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

Section 13. Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 14. Execution. This Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the District and the Escrow Agent have caused this Escrow Agreement (relating to the [Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series B, the Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series C, the Sacramento City Unified School District General Obligation Bonds, Election of 1999, Series D, the Sacramento City Unified School District General Obligation Refunding Bonds, Series 2001, the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series A, and the Sacramento City Unified School District General Obligation Bonds, Election of 2002, Series 2005]), to be executed each on its behalf as of the day and year first above written.

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

Authorized District Representative

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By _____
Authorized Officer

SCHEDULE I

ESCROW SECURITIES

1. CASH in the amount of \$_____.

SCHEDULE II

SCHEDULE OF BONDS TO BE DEFEASED

(from Verification Report)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sacramento City Unified School District (the “District”) in connection with the issuance of \$_____ aggregate principal amount of Sacramento City Unified School District 2012 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued as authorized by a resolution adopted by the Board of Education of the District on May 17, 2012, and in accordance with the terms of a Paying Agent Agreement, dated as of June 1, 2012 (the “Paying Agent Agreement”), by and between the District and the Director of Finance of the County of Sacramento, as paying agent (the “Paying Agent”). The District covenants and agrees as follows:

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

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

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

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

“Dissemination Agent” shall mean the 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.

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

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

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

“Participating Underwriters” shall mean Morgan Stanley & Co., Inc. and Stone & Youngberg, A Division of Stifel Nicolaus or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the District ending June 30, 2012, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

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

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

audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

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

- * Adopted budget of the District for the current fiscal year, or a summary thereof, and any interim budget reports approved as of the date of filing of the Annual Report.
- * District average daily attendance.
- * District outstanding debt.
- * Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.
- * Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;

7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

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

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

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

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

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

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

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

Date: _____, 2012

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____
Authorized Officer

CONTINUING DISCLOSURE EXHIBIT A

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

Name of District: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Name of Bond Issue: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2012
GENERAL OBLIGATION REFUNDING BONDS
Date of Issuance: _____, 2012

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

Dated: _____

SACRAMENTO CITY UNIFIED SCHOOL
DISTRICT

By _____ [to be signed only if filed]