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OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

CITY OF SACRAMENTO
CALIFORNIA

June 10, 2003
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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RESOLUTIONS ESTABLISHING A REVENUE AND EXPENDITURE BUDGET; AND APPROVING THE ISSUANCE OF MELLO ROOS BONDS AND AUTHORIZING EXECUTION AND DELIVERY OF AN INDENTURE, BOND PURCHASE CONTRACT, CONTINUING DISCLOSURE CERTIFICATE AND OFFICIAL STATEMENT RELATING TO MELLO ROOS BONDS FOR THE NORTH NATOMAS REGENCY PARK COMMUNITY FACILITIES DISTRICT NO. 2001-03

LOCATION AND COUNCIL DISTRICT: The North Natomas Regency Park CFD No. 2001-03 is located east of North Natomas Boulevard and north of Club Center Drive in Council District 1 (see attached map, Exhibit A).

RECOMMENDATION: This report recommends that City Council adopt the attached resolutions:

1. Approving issuance of bonds, authorizing execution and delivery of an indenture, bond purchase contract, official statement and continuing disclosure certificate for the City relating to the Mello Roos bonds (all documents are on file in the City Clerk's office).
2. Revising the established revenue and expenditure budget for the North Natomas Regency Park CFD No. 2001-03 bonds, and authorizing final adjustments after bonds are sold.
3. Implementing the Mello Roos authorization for the fiscal year 2003-04 and for all subsequent fiscal years in the amount of the maximum authorized tax. This ordinance was introduced to City Council at the March 25, 2003, City Council Meeting where it was passed for publication of title.

CONTACT PERSON:

Lydia Abreu, Deputy City Treasurer, 264-5168
Kimberlie Gladden, Public Finance Analyst, 264-2675

FOR COUNCIL MEETING OF: June 24, 2003

SUMMARY:

The City Treasurer recommends that City Council adopt the attached resolutions related to the North Natomas Regency Park CFD No. 2001-03 Bonds. This action will officially authorize the issuance of approximately \$20 million in bonds to finance drainage improvements, as well as certain specified secondary facilities, in the District. Please see the **Financial Considerations** for further explanation.

The primary purpose of the bonds is to pay for drainage improvements (Primary Facilities) , which mitigate the impacts of development. However, built into the financing structure is the flexibility to pay for additional improvements (Secondary Facilities) should funding remain after completion of the Primary Facilities. These Secondary Facilities may only receive reimbursement for that portion of the cost that is not covered under any other fee program.

The special tax levy will pay debt service on the bonds. Council is also being asked to revise the established revenue and expenditure budgets for the Acquisition and Construction Fund.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

North Natomas Regency Park CFD 2001-03 has received prior Council approval for the aforementioned project. Resolution No. 2001-741 was approved in November 2001 with landowners' authorizing the issuance of bonds in an amount not to exceed \$20,000,000 as the principal amount of the bonds. Additionally, City Council approved Resolution No. 2002-162 and 2002-163, authorizing the issuance of the bonds, the execution and delivery of all financing and legal documents pertaining to the bonds and establishing a revenue and expenditure budget for the bonds. The district will fund a number of Primary Facilities and, potentially, certain specified Secondary Facilities. Primary Facilities include the construction of a Drainage Detention Basin, a conveyance system, pump station, canal crossing and all necessary appurtenances as identified in the North Natomas Comprehensive Drainage Plan. Funding will also include the land acquisition cost and HCP fees paid for the detention basin. In the event there are surplus bond proceeds after drainage costs have been utilized, Secondary Facilities are authorized to be funded with the bond proceeds under certain limiting conditions (See - Policy Considerations).

The Regency Park CFD 2001-03 project was delayed last year due to the pending CFD 97-01 resolution, but now has resumed and is again seeking Council approval.

FINANCIAL CONSIDERATIONS:

Approximately \$20 million in Mello Roos Bonds will be sold to finance the construction of a portion of the drainage improvements within the District. The payment of principal and interest on the bonds is secured by special taxes and a pledge of the amounts on deposit in the funds and accounts that are established by the Indenture. The debt coverage from special tax revenues after debt service payment on the bonds is [110%] over the life of the outstanding bonds. The bond covenants require 110% coverage.

An additional test for the issuance of the bonds requires the ratio of value for all Taxable Parcels in the District to the liens of outstanding overlapping bonded indebtedness to be at least 3 to 1. Prior to the sale of the bonds, the City Treasurer will insure all tests for additional bond issuances as set forth in the Mello Roos laws are met. The estimated sources and uses of the funds are shown in the table below.

Table 1 – North Natomas Regency Park CFD 2001-03 Sources and Uses

Sources

North Natomas Regency Park CFD 2001-03 Bond Proceeds \$18,995,000

Uses

Acquisition & Construction Fund \$16,000,000
Bond Costs ¹ \$ 2,995,000
\$18,995,000

(1) Bond Costs: includes Underwriter's Discount, Cost of Issuance, and Reserve Fund

ENVIRONMENTAL CONSIDERATIONS:

The City Council's action in adopting the resolution is solely for the purpose of selling bonds, therefore, not a project for purposes of the California Environmental Quality Act. The North Natomas Comprehensive Drainage Plan Environmental Impact Report (EIR) was approved by City Council on May 20, 1997.

The Habitat Conservation Plan (HCP) was also adopted by the Sacramento City Council on August 17, 1997. The entire Natomas Basin operates under the Habitat Conservation Plan (HCP). This Plan allows development to proceed within the existing City limits while providing for the protection of the Giant Garter Snake (listed under both federal and state acts), which is of particular concern. The HCP and the implementation agreement have been approved by USFWS and DFG, and incidental take protection exists for purposes of both the federal and state acts.

The HCP and incidental take permit were challenged in lawsuits filed in State and Federal court. The City settled the litigation with the environmental plaintiffs, entering into a settlement agreement that allowed a specified amount of development to proceed while the City and the wildlife agencies prepared a revised HCP and conducted NEPA and CEQA in the form of a combined EIS/EIR. It is currently projected that revised incidental take permits will be issued by mid-June 2003. There is however a risk that the permits may not be issued by that time, or at any time during 2003.

If development is halted by virtue of litigation, or because the City in its discretion decides not to exercise any of the available options where the permits are not issued, there is a risk of default on the payment of the special taxes in the District.

All Regency Park HCP fees have been paid and the property fully graded.

POLICY CONSIDERATIONS:

The bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 *et seq.* of the California Government Code, the approving vote of the eligible landowner voters of the District and the Indenture.

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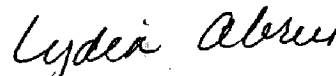
The structure of the financing allows for reimbursement of Secondary Facilities in addition to the Primary Facilities. The list of Secondary Facilities includes facilities that are to be funded by fee programs such as the Public Facilities Fee Program (PFF) through which the property owners constructing the facilities will receive full reimbursement by way of fee credits or cash for the actual eligible costs of construction. Where actual eligible costs of a facility are funded through fee credits or cash reimbursements from a fee program, including the PFF, no further reimbursement shall occur through the CFD. Conversely, if facilities eligible for reimbursement through fee programs are initially funded with CFD funds, as soon as funds are available from the particular fee program, the CFD shall be reimbursed with funds from the particular fee program. Secondary Facilities that are not included for funding in any fee program, which includes reimbursement (cash or through credit mechanisms), may be funded with Bond proceeds.

Over the past five years North Natomas has undergone significant development, which from the view of many knowledgeable market participants, ranks it among one of the most successful new development areas in California, particularly Northern California and despite the rising cost of housing, the North Natomas area still remains one of the most affordable areas in California. Projects such as Regency Parks continue to 'enhance and preserve the neighborhoods' affordability. It is the City's continued effort to promote and support economic vitality.

ESBD CONSIDERATIONS:

None; no goods or services are being purchased.

Respectfully Submitted,



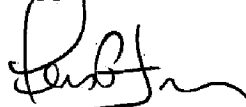
Lydia Abreu
Deputy City Treasurer

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

Approved:

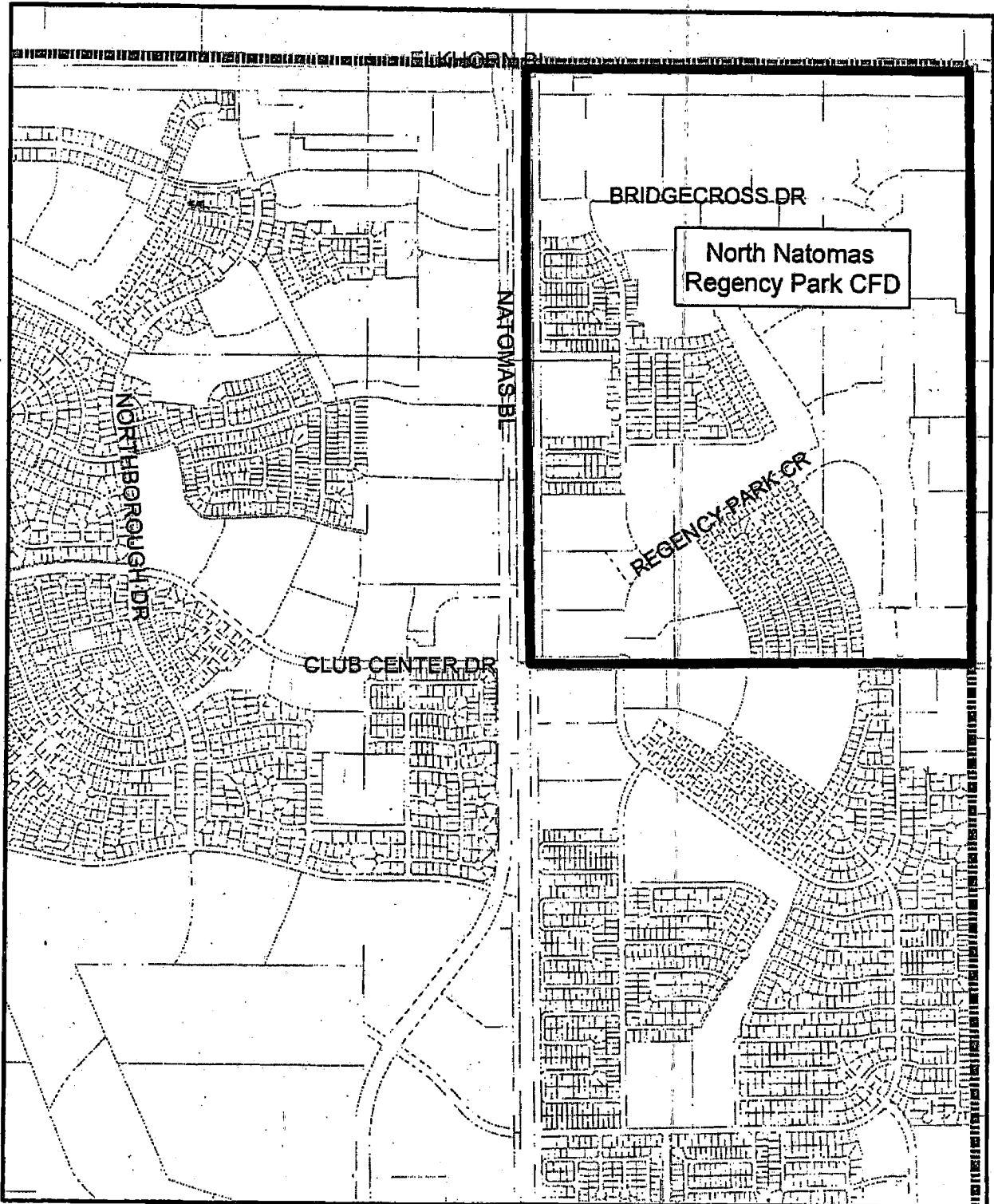


THOMAS P. FRIERY
City Treasurer

TABLE OF CONTENTS

1)	Exhibit A – The North Natomas Regency Park CFD 2001-03 map	6
2)	Resolution authorizing the issuance of bonds, authorizing execution and delivery of an indenture, bond purchase contract, official statement and continuing disclosure certificate for the City relating to the North Natomas Regency Park CFD 2001-03 Mello Roos bonds (all documents on file with the City Clerk’s Office.	7
3)	Resolution amending the established revenue and expenditure for the North Natomas Regency Park CFD 2001-03 bonds, and authorizing final adjustments after bonds are sold.	11
4)	Exhibit B – North Natomas Regency Park CFD 2001-03 Revenue and Expenditure Budget	12

Attachment A



B Mueller
RegencyParkCFD.mxd

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North Natomas Regency Park CFD



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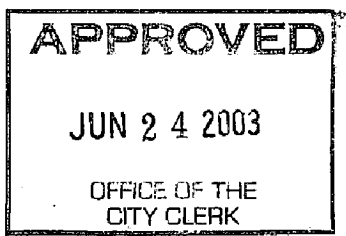
**North Natomas Regency Park CFD 2001-03
Revenue and Expenditure Budget**

EXHIBIT B

PAR		\$	18,995,000
REVENUE BUDGET	681-ASD-54AD-3713	\$	18,995,000
EXPENDITURE BUDGET		\$	18,995,000
Underwriter's Discount		\$	(569,850)
Subtotal		\$	18,425,150
Cost of Issuance			
City Treasurer	681-ASD-54AD-4880	\$	12,500
City Attorney	681-ASD-54AD-4880	\$	11,500
Real Estate Staff	681-ASD-54AD-4880	\$	31,000
Special District Staff	681-ASD-54AD-4880	\$	20,000
Bond Counsel	681-ASD-54AD-4802	\$	137,475
Tax Consultant	681-ASD-54AD-4802	\$	20,000
Trustee Fee/Counsel	681-ASD-54AD-4802	\$	5,200
District Appraisal	681-ASD-54AD-4812	\$	38,000
OS Printing	681-ASD-54AD-4258	\$	25,000
SDIRS	681-ASD-54AD-4287	\$	66,995
Contingency	681-ASD-54AD-4411	\$	15,500
Subtotal		\$	383,170
Other Funds			
Capitalized Interest	681-ASD-54AD-xxxx	\$	308,669
Reserve Fund	852-ASD-54AD-4842	\$	1,899,500
Subtotal		\$	2,208,169
Construction Funds Available		\$	15,833,811
Acquisition/Const Fund			
Improvements	681-ASD-54AD-4882	\$	15,833,811
Utilities Staff		\$	-
Basin Approval		\$	-
Basin Acquisition		\$	-
Subtotal		\$	15,833,811
TOTAL		\$	18,425,150

321

RESOLUTION NO. 2003-480



ADOPTED BY THE SACRAMENTO CITY COUNCIL
ON DATE OF _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO APPROVING THE ISSUANCE OF THE CITY OF SACRAMENTO NORTH NATOMAS REGENCY PARK COMMUNITY FACILITIES DISTRICT NO. 2001-03 SPECIAL TAX BONDS, AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE PROVIDING FOR THE ISSUANCE OF SUCH BONDS, APPROVING A BOND PURCHASE CONTRACT PROVIDING FOR THE SALE OF SUCH BONDS, AN OFFICIAL STATEMENT RELATING TO SUCH BONDS AND A CONTINUING DISCLOSURE CERTIFICATE RELATING TO SUCH BONDS, AND AUTHORIZING OTHER ACTIONS AND THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS RELATED THERETO

WHEREAS, the City Council (the "Council") of the City of Sacramento (the "City") has determined to issue not to exceed twenty million dollars (\$20,000,000) aggregate principal amount of its City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds (the "Bonds"); and

WHEREAS, there has been submitted to the City Clerk of the City (the "City Clerk") forms of an Indenture (the "Indenture") providing for the issuance of the Bonds, a Preliminary Official Statement (the "Preliminary Official Statement") relating to the Bonds and a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") relating to the Bonds; and

WHEREAS, the Council has carefully considered the terms and conditions of the Indenture, the Preliminary Official Statement, and the Continuing Disclosure Certificate and is fully advised in the premises; and

WHEREAS, the firm of Stone & Youngberg LLC (the "Underwriter") has submitted an offer to purchase the Bonds pursuant to a Bond Purchase Contract (the "Bond Purchase Contract") now on file with the City Clerk; and

WHEREAS, the Council has considered carefully the terms and conditions of the Bond Purchase Contract, and has determined that, consistent with the Mello-Roos Community Facilities Act of 1982, as amended, and all laws amendatory thereof or supplemental thereto (the "Act"), a private sale of the Bonds to the Underwriter in accordance with the Bond Purchase Contract would result in a lower overall cost to the City;

FOR CITY CLERK USE ONLY

RESOLUTION No.: _____
DATE ADOPTED _____

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO, AS FOLLOWS:

Section 1. The foregoing recitals are true and correct, and the Council hereby so finds and determines.

Section 2. The Indenture providing for the issuance of the Bonds, in substantially the form submitted to and on file with the City Clerk, is hereby approved for execution by the City, and the Treasurer of the City (the "Treasurer") is hereby authorized and directed to execute the Indenture in substantially said form, with such changes or additions that may hereafter become necessary in the interests of the City and which are reviewed and approved by the Treasurer in consultation with the City's bond counsel, such approval to be conclusively evidenced by the execution of the Indenture, and the City Clerk is hereby authorized and directed to attest such execution and to affix the seal of the City thereto and deliver the Indenture on behalf of the City.

Section 3. The Bond Purchase Contract providing for the sale of the Bonds, in substantially the form submitted to and on file with the City Clerk, is hereby approved for execution by the City, and the Treasurer is hereby authorized and directed to execute the Bond Purchase Contract in substantially said form, with such changes or additions thereto that may hereafter become necessary in the interests of the City in consultation with the City's bond counsel, such approval to be conclusively evidenced by the execution of the Bond Purchase Contract, and the City Clerk is hereby authorized and directed to deliver the Bond Purchase Contract on behalf of the City to the Underwriter; provided, that the true interest on the Bonds shall not exceed six and one-half per cent (6.50%) per annum and the Underwriter's discount for the sale of the Bonds shall not exceed two and one-half per cent (2.50%) of the principal amount thereof and the principal amount of the Bonds shall not exceed twenty million dollars (\$20,000,000).

Section 4. The Preliminary Official Statement relating to the Bonds, in substantially the form submitted to and on file with the City Clerk, is hereby approved, and the Treasurer is hereby authorized and directed to certify to the Underwriter that the Preliminary Official Statement was deemed to be final as of its date, except for certain final pricing and related information (pursuant to Rule 15c2-12 of the Securities Exchange Commission), and the Underwriter is hereby authorized and directed to distribute or cause the distribution of copies of the Preliminary Official Statement to prospective purchasers of the Bonds, and the Treasurer is hereby authorized to execute and deliver an Official Statement in final form (the "Final Official Statement") relating to the Bonds in substantially the form of the Preliminary Official Statement, which Final Official Statement shall include final pricing and related information and other changes in the interests of the City which are approved by the Treasurer in consultation with the City's bond counsel, such approval to be conclusively evidenced by such execution and delivery of the Final Official Statement, and the Underwriter is hereby authorized and directed to distribute or cause the distribution of copies of the Final Official Statement to all purchasers of the Bonds.

FOR CITY CLERK USE ONLY

RESOLUTION No.: _____
DATE ADOPTED _____

Section 5. The Continuing Disclosure Certificate relating to the Bonds, in substantially the form submitted to and on file with the City Clerk, is hereby approved for execution by the City, and the Treasurer is hereby authorized to execute and deliver the Continuing Disclosure Certificate on behalf of the City in substantially the form submitted, with such modifications as he may approve after consultation with the City's bond counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Council hereby determines that the value of the real property in the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "Community Facilities District") that would be subject to the special tax to pay debt service on the Bonds exceeds by at least three (3) times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on real property within the Community Facilities District or a special assessment levied on the real property within the Community Facilities District, based upon an appraisal of the real property within the Community Facilities District made by a state certified real estate appraiser consistent with the Act.

Section 7. The officers of the City are hereby authorized and directed, in the name and on behalf of the City, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale, execution and delivery of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the Indenture, the Official Statement and the Continuing Disclosure Certificate; and any such actions heretofore taken by such officers in connection therewith are hereby ratified, confirmed and approved.

This resolution shall take effect from and after its passage and adoption.

PASSED AND ADOPTED by the Council of the City of Sacramento this 24th day of June, 2003, by the following vote, to wit:

APPROVED:

Mayor of the City of Sacramento

[SEAL]

ATTEST:

City Clerk of the City of Sacramento

FOR CITY CLERK USE ONLY

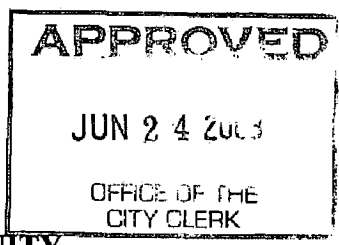
RESOLUTION No.: _____
DATE ADOPTED _____

3.21

RESOLUTION NO. 2003 - 431

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



RESOLUTION AMENDING THE REGENCY PARK COMMUNITY FACILITIES DISTRICT NO. 2001-03 REVENUE AND EXPENDITURE BUDGET IN THE AMOUNT OF \$18,995,000

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. The North Natomas Regency Park Community Facilities District No. 2001-03 has been previously established; the project number is 6783.
2. The appropriations, as outlined on Exhibit B to this Resolution, herein incorporated, will be supported by revenue from the sale of Special Tax Bonds (2003).
3. The City Treasurer is hereby authorized to modify the budget as may be required after final pricing and sale of the bonds.
4. All Cost of Issuance expenditures must have written approval from the Office of the City Treasurer prior to final payment.

PASSED AND ADOPTED by the City Council of the City of Sacramento this ____ day of _____, 2003, by the following vote:

APPROVED:

Mayor of the City of Sacramento

[SEAL]

ATTEST:

City Clerk of the City of Sacramento

FOR CITY CLERK USE ONLY

RESOLUTION No.: _____
DATE ADOPTED _____

TABLE OF CONTENTS

	Page
RECITALS	1
ARTICLE I DEFINITIONS; EQUAL SECURITY	2
SECTION 1.01. Definitions	2
SECTION 1.02. Equal Security	10
ARTICLE II ISSUANCE OF BONDS	11
SECTION 2.01. Authorization and Purpose of Bonds	11
SECTION 2.02. Terms of Bonds	11
SECTION 2.03. Redemption Prices of Bonds	13
SECTION 2.04. Form of Bonds	14
SECTION 2.05. Execution of Bonds	22
SECTION 2.06. Transfer and Exchange of Bonds	22
SECTION 2.07. Mutilated, Destroyed, Stolen or Lost Bonds	22
SECTION 2.08. Temporary Bonds	23
SECTION 2.09. Use of Depository for Bonds	23
SECTION 2.10. Acquisition and Construction Fund	25
SECTION 2.11. Costs of Issuance Account	25
SECTION 2.12. Application of Proceeds of Sale of Bonds	25
ARTICLE III REDEMPTION OF BONDS	26
SECTION 3.01. Selection of Bonds for Redemption	26
SECTION 3.02. Notice of Redemption	26
SECTION 3.03. Partial Redemption of Bonds	26
SECTION 3.04. Effect of Redemption of Bonds	27
ARTICLE IV PAYMENT OF BONDS	27
SECTION 4.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund	27
SECTION 4.02. Allocation of Money in the Special Tax Fund	27
ARTICLE V COVENANTS OF THE CITY	29
SECTION 5.01. Punctual Payment and Performance	29
SECTION 5.02. Against Indebtedness and Encumbrances	29
SECTION 5.03. Against Federal Income Taxation	30
SECTION 5.04. Payment of Claims	30

TABLE OF CONTENTS
(continued)

	Page
SECTION 5.05. Expense Budgets	30
SECTION 5.06. Accounting Records; Financial Statements and Other Reports	31
SECTION 5.07. Protection of Security and Rights of Holders.....	31

TABLE OF CONTENTS
(continued)

Page

SECTION 10.03.	Successor is Deemed Included in All References to Predecessor.....	41
SECTION 10.04.	Execution of Documents by Holders.....	41
SECTION 10.05.	Deposit and Investment of Money in Accounts and Funds.....	42
SECTION 10.06.	Waiver of Personal Liability.....	43
SECTION 10.07.	Acquisition of Bonds by City.....	43
SECTION 10.08.	Content of Certificates and Reports.....	43
SECTION 10.09.	Notice by Mail.....	43
SECTION 10.10.	Maintenance of Accounts and Funds.....	43
SECTION 10.11.	Article and Section Headings, Gender and References.....	44
SECTION 10.12.	Partial Invalidity.....	44
SECTION 10.13.	Execution in Counterparts.....	44
SECTION 10.14.	Governing Law.....	44
SECTION 10.15.	Notices.....	44
SECTION 10.16.	Effective Date of the Indenture.....	45
EXECUTION	46

INDENTURE

by and between the

CITY OF SACRAMENTO

and

BNY WESTERN TRUST COMPANY,

as Trustee

Relating to the

\$ _____

**CITY OF SACRAMENTO NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03 SPECIAL TAX BONDS**

Dated as of July 1, 2003

INDENTURE

This Indenture (the "Indenture"), dated as of July 1, 2003, by and between the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and BNY Western Trust Company, a banking corporation duly organized and existing under and by virtue of the laws of the State of California and authorized to accept and execute trusts of the character herein set forth, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, at an election held in the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "Community Facilities District") on January 22, 2002, the qualified electors therein duly authorized the issuance of twenty million dollars (\$20,000,000) principal amount of special tax bonds under the Mello-Roos Community Facilities Act of 1982, as amended, and all laws amendatory thereof or supplemental thereto (the "Act"), for the purpose of financing the acquisition and construction of certain public facilities; and

WHEREAS, at such election the qualified electors in the Community Facilities District additionally authorized the levy and collection of a special tax under the Act to be used for the purpose of paying the interest on and principal of and redemption premiums, if any, on such bonds; and

WHEREAS, the City has determined to issue only _____ dollars (\$ _____) principal amount of such authorized issue of bonds (the "Bonds"), and has determined that all things necessary to cause the Bonds, when duly executed by the City and authenticated and delivered by the Trustee as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute the Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, all terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, report, 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:

Accountant's Report

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition and Construction Fund

"Acquisition and Construction Fund" means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Acquisition and Construction Fund established pursuant to Section 2.10 (to be maintained by the Treasurer).

Act

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

Bond Redemption Fund

"Bond Redemption Fund" means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Bond Redemption Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

Bond Reserve Fund

"Bond Reserve Fund" means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Bond Reserve Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

Bond Year

"Bond Year" means the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the Bonds.

Bonds, Serial Bonds, Term Bonds

“Bonds” means the _____ dollars (\$) aggregate principal amount of special tax bonds of the City at any time Outstanding hereunder that are executed, authenticated and delivered in accordance with the provisions hereof. “Serial Bonds” means the Bonds for which no Sinking Fund Account Payments are established, being the Bonds maturing during the period beginning on September 1, 2004, and ending on September 1, 2020, both dates inclusive. “Term Bonds” means the Bonds which are redeemable or payable on or before their maturity date from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their maturity date, being the Bonds maturing on September 1, 2028.

Business Day

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

Certificate of the City

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

City

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

City Council

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

City Clerk

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

City Manager

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

Code

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

Community Facilities District

“Community Facilities District” means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03, a community facilities district duly organized and existing in the City under and by virtue of the Act.

Community Facilities Fund

“Community Facilities Fund” means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Community Facilities Fund established pursuant to Section 4.02 (to be maintained by the Treasurer).

Costs of Issuance

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the City that are related to the authorization, sale, execution, authentication and initial delivery of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, rating agency fees (if any), filing fees, fees and charges of the Trustee (including fees and expenses of its counsel), legal fees and charges and fees and charges of other consultants and professionals, together with all costs for the preparation of the Bonds, and any other cost or expense in connection with the authorization, sale, execution, authentication or initial delivery of the Bonds.

Costs of Issuance Account

“Costs of Issuance Account” means the account in the Acquisition and Construction Fund referred to by that name established pursuant to Section 2.11 (to be maintained by the Treasurer).

Debt Service

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

Developer

“Developer” means Northpointe North LLC, a California limited liability company, or its successors or assigns.

Event of Default

“Event of Default” means an event described as such in Section 8.01.

Expense Fund

“Expense Fund” means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Expense Fund established pursuant to Section 4.02 (to be maintained by the Treasurer).

Expenses

“Expenses” means all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all other costs incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

Facilities

“Facilities” means those certain public improvements to serve property located within the Community Facilities District comprising drainage facilities, including detention basins, pump stations, pipelines and channels (together with related bridges, culverts and headwalls), and comprising roads, sanitary sewer trunk and interceptor lines, water transmission lines, park landscaping, landscaping and soundwalls in landscape corridors and public dry utilities, and comprising related Habitat Conservation fees, authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on January 22, 2002.

Federal Securities

“Federal Securities” means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two per cent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

Fiscal Year

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

Fitch

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

Generally Accepted Accounting Principles

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

Government Securities

“Government Securities” means any of the following securities: United States Treasury Obligations – State and Local Government Series (SLGS) and United States Treasury bills, notes and bonds.

Holder

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.06.

Indenture

“Indenture” means this Indenture dated as of July 1, 2003, by and between the City and the Trustee entered into under and pursuant to the Act, as originally executed and delivered and as it may from time to time be amended or supplemented by any Supplemental Indenture executed and delivered as provided herein.

Independent Certified Public Accountant

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

- (1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

Independent Special Tax Consultant

“Independent Special Tax Consultant” means any person or firm of such persons who is knowledgeable in the preparation of a rate and method of apportionment and manner of collection of a special tax in and for community facilities districts and is knowledgeable in bond financings under the Act, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained as special tax consultant to the City.

Legal Investments

“Legal Investments” means any securities in which funds of the City may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then current investment policy of the City (as established by the City Council).

Maximum Annual Debt Service

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

Mayor

“Mayor” means the Mayor of the City.

Moody’s

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

Opinion of Counsel

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

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to Section 2.07.

Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

Rebate Fund

“Rebate Fund” means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Rebate Fund established pursuant to Section 5.03 (to be maintained by the Treasurer).

Required Bond Reserve

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the initial principal amount of the Bonds, or (b) the maximum Debt Service payable hereunder in the current or in any future Bond Year, or (c) one hundred twenty-five per cent (125%) of the average Debt Service payable hereunder in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee.

Sinking Fund Account

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to Section 4.02.

Sinking Fund Account Payments

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

Special Tax

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on January 22, 2002.

Special Tax Formula

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax approved at the election held in the Community Facilities District on January 22, 2002.

Special Tax Fund

“Special Tax Fund” means the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Special Tax Fund established pursuant to Section 4.01 (to be maintained by the Treasurer).

Standard & Poor's

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

Supplemental Indenture

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

Taxable Land

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

Tax Certificate

“Tax Certificate” mean the certificate delivered upon the issuance of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

Treasurer

“Treasurer” means the City Treasurer of the City.

Trustee

“Trustee” means BNY Western Trust Company, a banking corporation duly organized and existing under and by virtue of the laws of the State of California and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or in San Francisco, California which may at any time be substituted in its place as provided in Section 6.01.

Written Request of the City

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

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the City and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds. The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and the City is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the Bonds pursuant to the Act and pursuant hereto for the purpose of financing the acquisition and construction of the Facilities, including costs incidental to or connected with such acquisition and construction, and to pay the Costs of Issuance, which Bonds shall be entitled to the benefit, protection and security of the Act and hereof. The Bonds shall be designated the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds."

From and after the issuance of the Bonds, the findings and determinations of the City Council respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of any Bonds is at issue, and no bona fide purchaser of any Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such Bonds, and the validity of the issuance of any Bonds shall not be dependent on or affected in any way by any proceedings taken by the City for the acquisition and construction of any Facilities, or any contracts made by the City in connection therewith, or the failure to complete the acquisition and construction of any Facilities. The recital contained in the Bonds that the Bonds are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their initial issuance, and all Bonds shall be incontestable from and after their initial issuance, which shall be the date the definitive Bonds (or any temporary Bond exchangeable therefor) shall have been delivered to the purchaser thereof and the purchase price thereof shall have been received by the Trustee.

SECTION 2.02. Terms of Bonds. The Bonds shall be dated the date of the initial delivery thereof, shall be issued in fully registered form in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (except that no Bond shall have principal maturing on more than one maturity date), shall mature on the dates and in the principal amounts and shall bear interest (computed on a 360-day year of twelve (12) thirty (30)-day calendar months), payable on March 1, 2004, and semiannually thereafter on September 1 and March 1 in each year, at the rates per annum set forth in the following schedule:

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2004	\$ _____	_____ %
2005	_____	_____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2028	_____	_____

The interest on and principal of and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee. Each Bond shall bear interest from the interest payment date next preceding the date of authentication thereof, unless it is authenticated on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment of interest on such Outstanding Bonds. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books (except that in the case of a Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee prior to the fifteenth (15th) day of the month next preceding such interest payment date to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America). Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof, such principal and redemption

premiums, if any, to be paid only on the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Term Bonds, which payments shall become due during the years ending on the dates and in the amounts as set forth in the following schedule (except that if any of the Term Bonds shall have been optionally redeemed pursuant to Section 2.03, the amounts of the Sinking Fund Account Payments shall be reduced proportionately by the principal amount of all such Term Bonds so optionally redeemed), namely:

<u>Year Ending</u> <u>September 1</u>	<u>Sinking Fund</u> <u>Account Payment</u>
2021	\$ _____
2022	_____
2023	_____
2024	_____
2025	_____
2026	_____
2027	_____
2028 (maturity)	_____

All such Sinking Fund Account Payments shall be deposited in the Sinking Fund Account, and all money in the Sinking Fund Account may be used and withdrawn by the Trustee (upon receipt of a Written Request of the City) at any time for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Bonds. All money in the Sinking Fund Account on September 1 of each year during the period beginning on September 1, 2021, and ending on September 1, 2028, both days inclusive, shall be used and withdrawn by the Trustee on such September 1 for the mandatory redemption or payment of the Term Bonds; and the City hereby agrees and covenants with the Holders of the Bonds to call and redeem in accordance with Article III or pay the Term Bonds pursuant to this paragraph whenever on September 1 of any year, beginning on September 1, 2021, there is money in the Sinking Fund Account available for such purpose.

SECTION 2.03. Redemption Prices of Bonds.

(a) The Term Bonds are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 2021 through 2027, both years inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account, upon mailed notice as provided herein, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption, without a redemption premium.

(b) The Bonds maturing on or after September 1, 2012, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any

interest payment date on or after March 1, 2012, from any source of available funds other than Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as provided herein, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2012, or September 1, 2012	101%
March 1, 2013, or thereafter	100

(c) The Bonds are subject to extraordinary redemption by the City prior to their respective stated maturity dates, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided herein, at a redemption price equal to one hundred three per cent (103%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption.

SECTION 2.04. Form of Bonds. The Bonds and the certificate of authentication, the assignment and the DTC endorsement to appear thereon shall be substantially in the following forms, respectively:

[FORM OF BOND]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BOND

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
_____ %	September 1, _____	_____, 2003	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The City of Sacramento, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above (computed on a 360-day year of twelve (12) thirty (30)-day calendar months), payable on March 1, 2004, and semiannually thereafter on September 1 and March 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the principal office of BNY Western Trust Company (the "Trustee"), in San Francisco, California. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears

on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such owner's option by federal wire transfer of immediately available funds according to written instructions provided by such owner to the Trustee prior to the fifteenth (15th) day of the month next preceding such interest payment date to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the office of the Trustee at maturity or on redemption prior to maturity.

This bond is one of a duly authorized issue of bonds in the aggregate principal amount of _____ dollars (\$ _____) issued by the City Council of the City for the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "Community Facilities District") located in the City, designated the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds" (the "Bonds"), under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (the "Act"), and under and pursuant to an Indenture (the "Indenture") dated as of July 1, 2003, by and between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions). All the Bonds are equally and ratably secured in accordance with the Act and the terms and conditions of the Indenture (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered owners of the Bonds; and all the terms of the Act and the Indenture are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Act and the Indenture and shall be bound by all the conditions and terms thereof.

The Bonds are issued to provide money to finance the acquisition and construction of certain public improvements to serve property located within the Community Facilities District comprising drainage facilities, including detention basins, pump stations, pipelines and channels (together with related bridges, culverts and headwalls), and comprising roads, sanitary sewer trunk and interceptor lines, water transmission lines, park landscaping, landscaping and soundwalls in landscape corridors and public dry utilities, and comprising related Habitat Conservation fees, in accordance with the Indenture, and are special tax obligations of the City. The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture, and herein the "Special Tax") and certain other funds as provided in the Indenture for such payment, and the City is not obligated to pay the Bonds except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax

shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund established under the Indenture and such other funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City.

The Bonds maturing by their terms on September 1, 2028, are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 2021 through 2027, both years inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indenture), upon mailed notice as described herein, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption.

The Bonds maturing on or after September 1, 2012, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any interest payment date on or after March 1, 2012, from any source of available funds other than Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as described herein, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2012, or September 1, 2012	101%
March 1, 2013, or thereafter	100

The Bonds are subject to extraordinary redemption by the City prior to their respective stated maturity dates, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as described herein, at a redemption price equal to one hundred three per cent (103%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption.

If less than all the outstanding Bonds are to be redeemed at any one time, the City shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate and fair; provided, that any such partial redemption shall result in Debt Service (as that term is defined in the Indenture and herein "Debt Service") on the Bonds in each Bond Year (as that term is defined in the Indenture, and herein a "Bond Year") after such redemption that is proportional to the then existing Debt Service in each Bond Year prior to such redemption unless the Trustee shall have first received a report of an Independent Special Tax Consultant (as that term is defined in the Indenture) prepared at the expense of the requesting party to the effect that the proceeds of the Special Tax that would be available to the City if the Special Tax was to be levied and collected

at its maximum rate and amount on all Taxable Land (as that term is defined in the Indenture, and herein the "Taxable Land") in the Community Facilities District, based upon the Special Tax Formula (as that term is defined in the Indenture) as applied on the date of the proposed partial redemption, would be equal to at least one hundred ten per cent (110%) of the Maximum Annual Debt Service (as that term is defined in the Indenture) on the Bonds (after giving effect to such partial redemption).

Notice of redemption of any Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than ninety (90) days before the redemption date to the registered owner thereof and to all securities information services selected by the City in accordance with the Indenture and to the original purchaser or underwriter of the Bonds, but neither failure to receive any such mailed notice nor any immaterial default contained therein shall affect the sufficiency or validity of any such notice of redemption. If a notice of redemption has been duly given as aforesaid, then this Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Bond or the portion thereof to be redeemed, and upon surrender of this Bond if redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the City a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Bond so surrendered.

The City has covenanted that, so long as any Bonds are outstanding, it will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund established under the Indenture and to pay all Expenses (as that term is defined in the Indenture) as they become due and payable in accordance with the provisions and terms of the Indenture.

The Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (except that no Bond shall have principal maturing on more than one maturity date). The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond or Bonds of the

same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indenture. The City and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes.

The Indenture and the rights and obligations of the City and of the registered owners of the Bonds may be amended or supplemented at any time in the manner, to the extent and upon the terms provided in the Indenture; provided, that but no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or the principal of or any Sinking Fund Account Payment for or the redemption premium, if any, on this Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of the Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indenture.

The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the City Council of the City nor any officer or employee of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Tax and the other funds provided in the Indenture.

This Bond shall not be entitled to any benefits under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the City, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the City of Sacramento has caused this Bond to be executed in its name and on its behalf by the signature of the Mayor of the City and countersigned by the signature of the City Clerk, and has caused its seal to be impressed hereon, and has caused this Bond to be dated _____, 2003.

CITY OF SACRAMENTO

By _____
Mayor

(Seal)

Countersigned:

City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered on the date indicated below.

Date: _____

BNY WESTERN TRUST COMPANY, as
Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

[FORM OF DTC ENDORSEMENT TO APPEAR ON BONDS]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee 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.

SECTION 2.05. Execution of Bonds. The Bonds shall be signed on behalf of the City by the manual or a facsimile signature of the Mayor and countersigned by the manual or a facsimile signature of the City Clerk, and the seal of the City shall be impressed thereon or imprinted thereon by facsimile reproduction. In case any officer of the City who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the City as though the officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the City by any officer of the City who on the actual date of the execution of such Bond shall be the proper officer of the City, although on the nominal date of such Bond such person shall not have been such officer of the City. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of authentication of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.06. Transfer and Exchange of Bonds. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the City or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (i) to transfer or exchange any Bonds during the fifteen-day period prior to the selection of any Bonds for redemption under Article III, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III.

The City and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to the registered owner thereof as provided herein, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Trustee to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of

the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the City and the Trustee in the premises, the City shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bond issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the City and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same.

SECTION 2.08. Temporary Bonds. Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be typewritten, shall be of such denominations as may be determined by the City, shall be issued in fully registered form, shall contain such reference to any of the provisions hereof as may be appropriate and shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.09. Use of Depository for Bonds.

(a) The Depository Trust Company, in New York, New York, is hereby appointed depository for the Bonds, and the Bonds shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, and shall be initially issued as one Bond for each of the maturities in the principal amounts set forth herein, and registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company, or any 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 Trustee, 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 City 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 any substitute depository or its successor) from its functions as depository, or (2) a determination by the City 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 Bonds by the Trustee, together with a Written Request of the City to the Trustee, a new Bond for each maturity date of the Bonds shall be executed by the City and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Bonds by the Trustee, together with a Written Request of the City to the Trustee, a new Bond or Bonds for each maturity date of the Bonds shall be executed by the City and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.02, and thereafter, the Bonds shall be transferred pursuant to Section 2.06; provided, that the Trustee shall not be required to deliver such new Bonds on a date prior to sixty (60) days after receipt of such Written Request of the City.

(c) The City and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Trustee; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the City nor the Trustee 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 any substitute depository or its successor), except to The Depository Trust Company or its successor (or any substitute depository or its successor) as a Holder of the Bonds.

(d) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and principal of and redemption premiums, if any, on such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.10. Acquisition and Construction Fund. There is hereby established in the treasury of the City a fund to be known as the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Acquisition and Construction Fund," into which fund shall be deposited the amount required to be deposited therein by the provisions hereof. All money in the Acquisition and Construction Fund shall be applied by the Treasurer in the manner provided by the Act for paying the costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction, or for the repayment of funds advanced to or for the Community Facilities District; provided, that any money remaining in the Acquisition and Construction Fund after the completion of the payment of the costs of the acquisition and construction of the Facilities (but not prior to June 1, 2004) shall be withdrawn by the Treasurer from the Acquisition and Construction Fund and deposited by the Treasurer in the Special Tax Fund.

SECTION 2.11. Costs of Issuance Account. There is hereby established in the Acquisition and Construction Fund an account to be known as the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Costs of Issuance Account," into which account shall be deposited the amount required to be deposited therein by the provisions hereof. All money in the Costs of Issuance Account shall be applied by the Treasurer in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the Costs of Issuance Account after the completion of the payment of the Costs of Issuance (but not later than June 1, 2004) shall be withdrawn by the Treasurer from the Costs of Issuance Account and deposited by the Treasurer in the Special Tax Fund, and the Costs of Issuance Account shall be closed.

SECTION 2.12. Application of Proceeds of Sale of Bonds. Upon the receipt of payment of the proceeds of sale of the Bonds when the same shall have been duly sold by the City, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit the proceeds of sale of the Bonds in the following accounts and fund (or in a temporary account or fund in its books used to facilitate such deposits and transfers) in the following order:

(a) The Trustee shall deposit in the Bond Redemption Fund a sum which is equal to the amount of interest accruing on the Bonds from their date to and including March 1, 2004;

(b) The Trustee shall deposit in the Bond Reserve Fund a sum which is equal to the Required Bond Reserve;

(c) The Trustee shall transfer to the Treasurer for deposit in the Acquisition and Construction Fund the sum of _____ dollars (\$ _____); and

(d) The Trustee shall transfer to the Treasurer for deposit in the Costs of Issuance Account the remaining proceeds of sale of the Bonds.

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Selection of Bonds for Redemption. If less than all the Outstanding Bonds to be redeemed at any one time, the Treasurer shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the Outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate and fair; provided, that any such partial redemption shall result in Debt Service on the Bonds in each Bond Year after such redemption that is proportional to the then existing Debt Service in each Bond Year prior to such redemption (as set forth in a Certificate of the City) unless the Trustee shall have first received a report of an Independent Special Tax Consultant prepared at the expense of the requesting party to the effect that the proceeds of the Special Tax that would be available to the City if the Special Tax was to be levied and collected at its maximum rate and amount on all Taxable Land in the Community Facilities District, based upon the Special Tax Formula as applied on the date of the proposed partial redemption, would be equal to at least one hundred ten per cent (110%) of the Maximum Annual Debt Service on the Bonds (after giving effect to such partial redemption).

SECTION 3.02. Notice of Redemption. The Trustee shall mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all Bonds selected for redemption in whole or in part and to all securities information services selected by the Treasurer and designated to the Trustee in writing to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City in its sole discretion and to the original underwriter or first purchaser of the Bonds selected for redemption. Such notice shall state the date of such notice, the name of the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date, and shall require that such Bonds be surrendered at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds and maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion.

SECTION 3.03. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner thereof at the expense of the City a new Bond or Bonds of the same maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 3.04. Effect of Redemption of Bonds. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds or portions thereof called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof on the redemption date.

ARTICLE IV

PAYMENT OF BONDS

SECTION 4.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund. The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust hereunder, and will be deposited as and when received in the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Special Tax Fund," which fund is hereby established in the treasury of the City and which fund the City hereby agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes hereinafter set forth in this article.

SECTION 4.02. Allocation of Money in the Special Tax Fund. All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds (each of which funds the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding hereunder) in the following order of priority, and all money in each of such funds shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section, namely:

(1) City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Bond Redemption Fund (maintained by the Trustee);

(2) City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Bond Reserve Fund (maintained by the Trustee); and

(3) City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Expense Fund (maintained by the Treasurer).

(1) **Bond Redemption Fund.** On or before the first (1st) day in March and September in each year, beginning in March, 2004, the Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or

before the first (1st) day in September 1 in each year, beginning in September, 2004, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 or the Sinking Fund Account Payment required to be made on such September 1 into the Sinking Fund Account, as the case may be; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the aggregate amount of principal of the Bonds becoming due on such date or the Sinking Fund Account Payment required to be made on such date, as the case may be, then such money shall be applied pro rata in such proportion that such interest and principal or Sinking Fund Account Payment bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided herein.

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

(2) Bond Reserve Fund. On or before the first (1st) day in September in each year, beginning in September, 2004, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund the amount of money that is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall (beginning in September, 2004) be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments, or (ii) the market value of such investments, and in making any valuations hereunder, the Trustee may use and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the

Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Special Tax Fund.

(3) Expense Fund. On September 1 in each year, beginning in September, 2004, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period). All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses (as herein provided) or to reimburse the City for the payment of unbudgeted Expenses (as herein provided), or to pay the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund on September 1 of each year, beginning in September, 2004, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of Sections 4.02(1), (2) and (3), shall be withdrawn from the Special Tax Fund by the Treasurer and deposited in the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Community Facilities Fund," which fund the City hereby agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing hereunder.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01. Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Act and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 5.02. Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except the Bonds as provided herein, and will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided herein; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein (as provided in Section 4.02) so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided herein.

SECTION 5.03. Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer or the Trustee hereunder or otherwise the City shall so instruct the Treasurer or the Trustee, as the case may be, in writing, and the Treasurer or the Trustee, as the case may be, shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is hereby established in the treasury of the City a fund to be known as the "City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided herein and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

SECTION 5.04. Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

SECTION 5.05. Expense Budgets. The City Council will, on or before September 1 in each year, beginning in September, 2003, adopt a budget setting forth the costs of the estimated Expenses for the twelve-month period from such September 1 through the next succeeding August 31 (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period); provided, that any budget adopted in accordance with this section may be amended by the City Council at any time.

SECTION 5.06. Accounting Records, Financial Statements and Other Reports.

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

(b) The City will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2004) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the costs of the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities. The City will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

(c) The City will prepare annually not later than October 30 of each year and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Act, including:

- (1) The principal amount of the Outstanding Bonds;
- (2) The balance in the Bond Reserve Fund;
- (3) The balance in the Bond Redemption Fund constituting capitalized interest, if any;
- (4) The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the length of time that each delinquent parcel has been delinquent and when foreclosure was commenced for each delinquent parcel; and
- (5) The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most equalized assessment roll of the County of Sacramento.

Additionally, the City will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date, or if funds are withdrawn from the Bond Reserve Fund to pay any interest on or principal of the Bonds.

SECTION 5.07. Protection of Security and Rights of Holders. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

SECTION 5.08. Payment of Governmental Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the City shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the City shall have set aside reserves to cover such charges. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the City shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

SECTION 5.09. Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all the agreements, conditions, covenants and terms contained herein, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all Expenses as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in Section 5.10 or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

SECTION 5.10. Foreclosure of Special Tax Liens. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand dollars (\$1,000) or more in order to enforce the lien of such delinquent Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than ninety-five per cent (95%) of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of such delinquent Special Taxes, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with the Act; and provided further, that the City shall not be obligated to enforce the lien against any parcel of Taxable Land of any delinquent Special Tax in any Fiscal Year in which the City shall have received one hundred per cent (100%) of the amount of such delinquent Special Tax from the County of Sacramento pursuant to the so-called "Teeter Plan."

SECTION 5.11. Continuing Disclosure Certificate. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City and dated the date of the execution, authentication and initial delivery of the Bonds issued hereunder, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default hereunder; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 5.12. Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Special Taxes provided herein to the fullest extent possible under applicable law of the State of California.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. The Trustee. BNY Western Trust Company, at its Principal Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all money which the City is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The City agrees that it will at all times maintain a Trustee having a Principal Corporate Trust Office in either Los Angeles or in San Francisco, California.

The City may at any time remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in either Los Angeles or San Francisco, California, with a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by a federal or state banking authority, and if such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City and by giving notice of such resignation by mail pursuant to Section 10.09 to the Holders, and upon receiving such notice of resignation the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon

the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the City and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, 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 Trustee having the qualifications required hereby.

Notwithstanding anything to the contrary contained herein, any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

The Trustee is hereby authorized to pay interest on the Bonds due on or before the maturity or prior redemption thereof to the Holders as their names appear at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date on the registration books required to be kept by it pursuant to Section 2.06 as the registered owners thereof, such interest to be paid by check mailed by first class mail to the Holders at their addresses appearing on such books (except that in the case of a Holder of one million dollars (\$1,000,000) or more in principal amount of Bonds, payment shall be made at such Holder's option by wire transfer of immediately available funds to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America according to written instructions provided by such Holder to the Trustee prior to the fifteenth (15th) day of the month next preceding such interest payment date) and to pay to the Holders the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Trustee at maturity or on redemption prior to maturity. The Trustee shall cancel and destroy all Bonds paid by it at maturity or on redemption prior to maturity and all Bonds surrendered to it by the City, and shall (if requested by the City) deliver to the City a certificate of such destruction, and the Trustee shall keep accurate records of all Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Trustee for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, whether at maturity or on prior redemption, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders or the City any interest on, or be liable to the City, the Holders or any other person for any interest earned on, any money so held.

The City shall from time to time, subject to any agreement between the City and the Trustee then in force, pay the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Trustee harmless against loss, expenses, costs, claims and liabilities (including without limitation those of its attorneys and agents) not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder, which obligation shall survive the resignation or removal of any Trustee or the payment or defeasance of the Bonds.

SECTION 6.02. Liability of the Trustee. The recitals of facts, agreements and covenants contained herein and in the Bonds shall be taken as statements, agreements and covenants of the City, and the Trustee does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its rights or obligations hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer thereof, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its rights or obligations hereunder, or in the exercise of any of its rights or obligations hereunder. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder; provided, that the Trustee shall not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee shall perform only those obligations expressly set forth herein, and no implied obligations shall be read herein against the Trustee. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds. No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, or in the exercise of any of its rights hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 6.03. Notice to the Trustee. The Trustee shall be protected in acting upon any Bond, certificate, consent, electronic mail, facsimile transmission, notice, opinion, report, request, resolution or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith. The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until an officer of the Trustee at its Principal Corporate Trust Office responsible for the administration of its obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Principal Corporate Trust Office.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved 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 bad faith on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the City or an Accountant's Report, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, except that in its

discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

ARTICLE VII

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

SECTION 7.01. Procedure for Amendment of or Supplement to the Indenture.

(a) Amendment or Supplement With Consent of Holders. The Indenture and the rights and obligations of the City and of the Holders hereunder may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or any Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided herein, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of the Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an approving Opinion of Counsel and only for any one or more of the following purposes --

(i) To add to the agreements and covenants required herein to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the City which shall not (in the opinion of the City) adversely affect the interests of the Holders;

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

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

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

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

SECTION 7.02. Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article VIII, and shall not be entitled to consent to or take any other action provided for in this article or in Article VIII.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

SECTION 7.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 8.01. Events of Default and Remedies of Holders. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

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

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

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

then in each and every such case during the continuance of such Event of Default any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

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

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

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

SECTION 8.02. Non-waiver. Nothing in this article or in any other provision herein or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided herein from the proceeds of the Special Tax and the other funds as provided herein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein. Every right and remedy conferred upon the Holders by the Act or hereby

may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the City and such Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

ARTICLE IX

DEFEASANCE

SECTION 9.01. Discharge of Bonds.

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

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

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all such Outstanding Bonds and to those securities information services selected by it pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject

to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth herein and that all obligations of the City hereunder with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail pursuant to Section 10.09 a notice to the Holders of such Bonds and to the securities information services selected by it pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of or redemption prices of such Bonds.

SECTION 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust for deposit in the Community Facilities Fund and for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the City for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the City shall mail pursuant to Section 10.09 a notice to the Holders of all Outstanding Bonds and to such securities information services selected by the City pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City for deposit in the Community Facilities Fund.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained herein, the City shall not be required to advance any money derived from any source of income other than the proceeds of the

Special Tax and the other funds provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor any officer or employee of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Tax and such other funds as provided herein.

SECTION 10.02. Benefits of the Indenture Limited to Certain Parties. Nothing contained herein, express or implied, is intended to give to any entity or person other than the City Council, the City, the Treasurer, the Trustee and the Holders any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

SECTION 10.03. Successor is Deemed Included in All References to Predecessor. Whenever either the City Council or the City or any officer or employee of the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Community Facilities District and the Facilities that are presently vested in the City Council or the City or such officer or employee of the City, and all agreements and covenants required herein to be performed by or on behalf of the City Council or the City or any officer or employee of the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any declaration, request, consent or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request, consent or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and

the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 2.06.

Any declaration, request, consent or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the City in good faith and in accordance therewith.

SECTION 10.05. Deposit and Investment of Money in Accounts and Funds.

All money held by the Treasurer in any fund established herein shall be deposited by the Treasurer in time or demand deposits in any state or national bank, including the Trustee or its affiliates, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that any money in the Acquisition and Construction Fund (and the Costs of Issuance Account therein), in the Special Tax Fund and in the Expense Fund may be invested by the Treasurer in Legal Investments. All money held by the Trustee in the Bond Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in the Bond Reserve Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five (5) years from the date of purchase by the Trustee or the final maturity date of any Outstanding Bonds, whichever is earlier, and the Trustee may conclusively rely that any investment specified in such Written Request of the City is a Legal Investment or a Federal Security hereunder, as the case may be; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall, to the extent practicable, invest such money in units of a taxable government money-market portfolio composed of or secured by Federal Securities. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance herewith; provided, that for investment purposes the Trustee may commingle the accounts and funds which it invests hereunder, as long as the Trustee accounts for each such account and fund separately.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the City periodic cash transaction statements which include details for all investment transactions made by the Trustee hereunder.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall (subject to the provisions of Section 2.12 and Section 5.03) be deposited in the Special Tax Fund, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

SECTION 10.06. Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing herein contained shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Act or hereby or by any other applicable provisions of law.

SECTION 10.07. Acquisition of Bonds by City. All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction by it.

SECTION 10.08. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the City may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his representation may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.09. Notice by Mail. Any notice required to be given by mail to any Holders or to any securities information services or to the original purchaser or underwriter of the Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.06 or to such securities information services or to such purchaser or underwriter not less than thirty (30) days nor more than ninety (90) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of any such notice.

SECTION 10.10. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be in its accounting records in its

customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 10.11. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders, and all references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section or subdivision hereof.

SECTION 10.12. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof required hereby to be observed or performed by the City or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The City hereby declares that it would have executed the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.13. Execution in Counterparts. The Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 10.14. Governing Law. The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 10.15. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

City of Sacramento
926 J Street, Suite 300
Sacramento, California 95814
Attention: Treasurer

If to the Trustee:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attention: Corporate Trust Administration

SECTION 10.16. Effective Date of the Indenture. The Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the City of Sacramento has caused the Indenture to be signed in its name by its Treasurer and its seal to be hereunto affixed, and to be attested by its City Clerk , and BNY Western Trust Company, as Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF SACRAMENTO

By _____
Treasurer

[SEAL]

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

BNY WESTERN TRUST COMPANY,
as Trustee

By _____
Authorized Officer

\$00,000,000
CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS

BOND PURCHASE CONTRACT

June __, 2003

City of Sacramento
926 J Street, Suite 300
Sacramento, CA 95814-2709

Ladies and Gentlemen:

The undersigned (the "Underwriter") hereby offers to enter into this Bond Purchase Contract (this "Bond Purchase Contract") with the City of Sacramento (the "City") for the purchase by the Underwriter and the delivery to the Underwriter of the Bonds specified below. This offer is made subject to acceptance by the City on or before 11:59 P.M., California time, on the date hereof, and upon such acceptance this Bond Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter.

1. **Purchase and Sale.** Upon the terms and conditions and in reliance upon the representations herein set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the \$00,000,000 aggregate principal amount of the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds (the "Bonds"), as more fully described in the Official Statement hereinafter mentioned, at the purchase price of \$_____ (representing the aggregate principal amount of the Bonds of \$_____ less an underwriter's discount of \$_____). The Bonds will mature on the dates and in the amounts, and bear interest at the rates, and be subject to mandatory redemption as set forth in Exhibit A attached hereto.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), and shall be as described in, and shall be secured under and pursuant to, an Indenture dated as of June 1, 2003 (the "Indenture") by and between the City and BNY Western Trust Company, as trustee (the "Trustee"), in substantially the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the City and the Underwriter. Capitalized terms used herein that are defined in the Indenture shall have the same meanings when used herein.

The Bonds are being issued to provide funds to finance the acquisition and construction of certain public improvements within the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "District") pursuant to the Act.

The payment of the principal of and interest on the Bonds is secured by Special Taxes and a pledge of amounts on deposit in the funds and accounts established pursuant to the Indenture, including a Bond Reserve Fund established under the Indenture (the "Reserve Fund").

2. **Official Statement.** The Bonds shall be substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to prepayment as provided in, the Indenture.

A Preliminary Official Statement, dated June __, 2003 (including the cover page and all appendices, exhibits and statements thereon or attached thereto, being herein called the "Preliminary Official Statement" and, with such changes as are accepted by the Underwriter, being herein called the "Official Statement"), has been delivered to the Underwriter in connection with the Bonds.

The City also agrees to deliver to the Underwriter, at the City's sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The City agrees to deliver such copies of the Official Statement within 7 business days after the date hereof. By acceptance of this Bond Purchase Contract, the City hereby authorizes the use of copies of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds.

The Underwriter agrees to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers thereof.

In connection with the issuance of the Bonds, and in order to assist the Underwriter in complying with the Rule, the City, on behalf of itself and the District, will execute a Continuing Disclosure Certificate (the "City Continuing Disclosure Certificate") dated the date of issuance of the Bonds. In addition, and also to assist the Underwriter in complying with the Rule, the City shall cause one or more property owners in the District (collectively, the "Developers") each to execute a Continuing Disclosure Certificate (each a "Developer Continuing Disclosure Certificate") dated the Closing Date (as defined below).

3. **Bona Fide Public Offering.** The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement; however, the Underwriter reserves the right to make concessions to dealers and to change such initial offering prices or yields as the Underwriter shall deem necessary in connection with the marketing and sale of the Bonds.

4. **Closing.** At 8:00 A.M., California time, on June __, 2003, or at such other time or on such earlier or later date upon which the City and the Underwriter mutually agree (the "Closing Date"), the Trustee will deliver or cause to be delivered the Bonds, duly executed, at the offices of The Depository Trust Company in New York, New York, or at such other place upon which the City and the Underwriter mutually agree, together with the other documents hereinafter mentioned. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 above by federal wire transfer (such delivery and payment being herein referred to as the "Closing") to the order of the Trustee on behalf of the City in an amount equal to the purchase price set forth in Section 1 above. CUSIP identification numbers shall be printed on the Bonds, but the failure to print such numbers on any of the Bonds or any error with respect thereto shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, or pay for, the Bonds in accordance with the terms of this Bond Purchase Contract. The Bonds will be made available in New York, New York, for checking and packaging not later than 12:00 noon, New York time, on the business day prior to the Closing Date.

5. **Representations, Warranties and Agreements of the City.** The City represents, warrants and covenants to the Underwriter that:

(a) The City is and will be on the date of Closing a municipal corporation and charter city duly organized and validly existing under and by virtue of the Constitution and laws of the State of California and has all necessary power and authority to form the District, levy the Special Taxes and enter into and perform its duties under the Indenture, the City Continuing Disclosure Certificate and this Bond Purchase Contract (collectively, the "City Documents") and, when executed and delivered by the respective parties thereto, the City Documents will constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(b) To the actual knowledge of the City after reasonable investigation (which did not include the review or search of federal, state or other court records, or the review or search of City records other than those directly and immediately connected with the financing contemplated by this Bond Purchase Contract), other than as disclosed in the Official Statement, the formation of the District, the levying of the Special Taxes, the execution and delivery of the City Documents and compliance with the provisions thereof, and the approval of the Official Statement, will not in any material respect conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such formation, levy, execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the City Documents.

(c) Except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority is required in connection with the execution, delivery and sale of the Bonds or the consummation by the City of the other transactions on its part contemplated by the Official Statement and the City Documents.

(d) To the actual knowledge of the City after reasonable investigation (which did not include a search of federal, state or other court records), other than as disclosed in the Official Statement, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending with respect to which the City has been served with process or, to the best knowledge of the City, threatened against or affecting the City (i) which would materially and adversely impact the City's ability to complete the transactions on its part described in or contemplated by the Official Statement, (ii) to restrain or enjoin the delivery of the Bonds or the payment of the Special Taxes, (iii) in any way contesting or affecting the validity or enforceability of the City Documents or the Bonds, the formation of the District, the levy of the Special Tax or the transactions on the part of the City relating to the plan of financing described in the Official Statement, or contesting in any way the completeness or accuracy of the Official Statement, or (iv) wherein an unfavorable decision, ruling or finding would materially and adversely affect the City or the validity or enforceability of the City Documents or the Bonds.

(e) Both at the date hereof and at the date of Closing, the statements and information relating to the City and the District contained in the Official Statement are and will be true and

correct in all material respects and such information does not and will not contain any untrue statement of a material fact or omit to state any material fact with respect to the City required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(f) The City shall cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(g) By official action of the City prior to or concurrently with the execution of this Bond Purchase Contract, the City has duly formed the District, approved the distribution of the Official Statement and authorized and approved the execution and delivery of and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions with respect to the execution and delivery of the Bonds as contemplated by the Official Statement and this Bond Purchase Contract, and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded.

(h) To the actual knowledge of the City after reasonable investigation (which did not include the review or search of federal, state or other court records, or the review or search of City records other than those directly and immediately connected with the financing contemplated by this Bond Purchase Contract), other than as disclosed in the Official Statement, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which it or any of its property is otherwise subject which breach or default would have a material and adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, which would have a material and adverse impact on the City's ability to perform its obligations under the City Documents.

(i) The City covenants with the Underwriter that so long as the Underwriter is required under the Rule to send any potential customer, on request, a copy of the Official Statement (the "Delivery Period"), if an event occurs that would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter of any such event of which it has knowledge, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City shall cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter. All printing expenses thereby incurred during the 25 days after Closing shall be paid for by the City.

(j) If the information relating to the City, the District, the City Documents or the Bonds contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and

(unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the end of the Delivery Period, the portions of the Official Statement so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) The City shall not take or omit to take, as appropriate, any action that would cause the interest on the Bonds to be subject to California personal income taxation or affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

6. **Closing Conditions.** The Underwriter has entered into this Bond Purchase Contract in reliance upon the representations and warranties of the City contained herein, the certificates of the City and the Trustee to be delivered pursuant hereto and the opinions of Bond Counsel, counsel to the Trustee and the City Attorney required hereby. The Underwriter's obligations under this Bond Purchase Contract are and shall be subject to the following further conditions:

(a) At the time of Closing, the City Documents shall be in full force and effect as valid and binding obligations between or among the various parties thereto and the City Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The unqualified approving opinion of Bond Counsel in substantially the form included as Appendix F to the Official Statement, dated the date of Closing, addressed to the City and a reliance letter to the Underwriter, which may be included in the opinion referred to in clause (2) below.

(2) A supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that:

(i) the statements in the Official Statement under the captions "INTRODUCTORY STATEMENT" (other than under the captions "Appraised Value of Property Within the District," "Risk Factors" and "Professionals Involved in the Offering"), "THE BONDS" (other than under the caption "Debt Service Schedule"), "SECURITY FOR THE BONDS" (other than under the caption "- The Special Tax"), and "CONCLUDING INFORMATION - Tax Matters" and "- Legal Opinion," and in "APPENDIX D - SUMMARY OF THE INDENTURE," and in "APPENDIX F - PROPOSED FORM OF OPINION OF BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture and Bond Counsel's legal opinion relating to the exclusion from federal income taxation and exemption from State of California personal income taxation of interest on the Bonds, are accurate in all material respects;

(ii) the Indenture and the Bond Purchase Contract have been duly authorized, executed and delivered by the City, and (assuming due authorization, execution and delivery by, and enforceability against, the other parties thereto)

constitute valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms; and

(iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as indentures pursuant to the Trust Indenture Act of 1939, as amended.

(3) An opinion of the City Attorney, dated the date of Closing, addressed to the Underwriter, to the effect that:

(i) the City is a municipal corporation and charter city duly organized and validly existing under and by virtue of the Constitution and laws of the State of California;

(ii) the City has all necessary power and authority to enter into and perform its duties under the City Documents;

(iii) the resolutions of the City approving and authorizing the formation of the District, the levy of the Special Taxes, the authorization to issue Bonds, the execution and delivery of the City Documents and approving the Official Statement have been duly adopted at meetings of the City Council of the City that were called and held in accordance with law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolutions are in full force and effect and have not been amended, modified or rescinded;

(iv) to the City Attorney's best actual knowledge and after reasonable investigation (which did not include a search of federal, state, or other court or forum records), other than as disclosed in the Official Statement or in the legal opinion of Bond Counsel, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the City Attorney's best actual knowledge after reasonable investigation (which did not include a search of federal, state or other court or forum records) threatened against or affecting the City;

- seeking to restrain or enjoin the delivery of the Bonds,
- in any way contesting or affecting the validity of the Bonds, the City Documents or the Bond Purchase Contract,
- contesting the powers of the City or its authority to enter into the Bonds, the City Documents or the Bond Purchase Contract,
- materially and adversely impacting the City's ability to complete the transactions described in or contemplated by the Official Statement, or
- contesting in any way the completeness or accuracy of the Official Statement, or any amendment or supplement to the Official Statement.

(v) to such counsel's current actual knowledge, after reasonable

investigation (which did not include a review or search of City records other than those directly and immediately connected with the financing contemplated by this Bond Purchase Contract), the execution and delivery of the City Documents and compliance with the provisions thereof, and the approval of the Official Statement, do not and will not in any material respect conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution or other agreement or document to which the City is subject or by which it or any of its property is bound; and

(vi) the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery thereof by the other respective parties thereto, the City Documents constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought, and the limitations on legal remedies imposed on actions by or against public agencies in the State of California.

in each case subject to the exception and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the "California Provisions" as defined in the Business Law Section of the State Bar of California Report on the Third-Party Legal Opinion Report of the ABA Section of Business Law (dated May 1992), and certain other standard exceptions and limitations specified in the opinions of the City Attorney.

(4) An opinion of counsel to the Trustee, dated the date of Closing, addressed to the Underwriter and the City to the effect that:

(i) the Trustee is a banking corporation duly organized and validly existing under the laws of the State of California having full power and being qualified to enter, accept and administer the trusts created under the Indenture and to authenticate and deliver the Bonds;

(ii) the Bonds have been duly authenticated and delivered by the Trustee in accordance with the Indenture, and the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the City, constitutes legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought; and

(iii) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Indenture by the Trustee or the authentication and delivery of the Bonds by the Trustee.

(5) A certificate, dated the date of Closing, signed by a duly authorized official of the City, in the form attached as Exhibit B hereto or such other form approved by the Underwriter.

- (6) Two executed and certified copies of each of the City Documents.
- (7) Two executed copies of the Official Statement.
- (8) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the authentication and delivery of the Bonds and the execution and delivery of the Indenture.
- (9) Copies of the resolution or resolutions adopted by the City Council of the City and certified by the City Clerk authorizing the execution and delivery of the City Documents to which it is a party.
- (10) Copies of the resolution adopted by the City Council of the City and certified by the City Clerk of the City with respect to the establishment of the District, the levy of Special Taxes and the incurrence of bonded indebtedness.
- (11) Incumbency certificates with respect to the officers of the City and the Trustee.
- (12) A certificate of the Trustee, dated the date of Closing, in the form attached as Exhibit C hereto or such other form approved by the Underwriter.
- (13) A letter of Nossaman, Guthner, Knox & Elliott, LLP, as Underwriter's counsel, addressed to the Underwriter, stating that, without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Official Statement, nothing has come to such counsel's attention which would lead them to believe that the Official Statement, including the cover page and all appendices thereto (but excluding therefrom financial statements and statistical data, and information regarding The Depository Trust Company, and its book entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (14) A certificate of each Developer, dated the date of the Closing, in form attached as Exhibit D hereto, relating to statements contained in the Official Statement about the property owner and its affiliates, the property it owns in the District and its development plans on the property it owns in the District.
- (15) A certificate of the Special Tax Consultant, dated the date of the Closing, in form attached as Exhibit E hereto or such other form approved by the Underwriter, relating to the Official Statement.
- (16) A certificate of the Appraiser, dated the date of the Closing, in form attached as Exhibit F hereto or such other form approved by the Underwriter, relating to statements contained in the Official Statement about the Appraisal.

- (17) Executed copies of the City Continuing Disclosure Certificate.
- (18) Executed copies of each Developer Continuing Disclosure Certificate.
- (19) An arbitrage certificate of the City.
- (20) A completed IRS Information Return, Form 8038G.
- (21) Report of Proposed Debt Issuance and Report of Final Sale, filed with California Debt and Investment Advisory Commission.
- (22) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel may reasonably request to evidence compliance by the Trustee and the City with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and of the information contained in the Official Statement, and the due performance or satisfaction by the Trustee, and the City, at or prior to such time, of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to the City Documents, the Bonds and the sale thereof, and the consummation of the transactions contemplated by the City Documents shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Bond Purchase Contract are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract shall terminate and the Underwriter and the City shall have no further obligations hereunder.

7. **Termination.** The Underwriter shall have the right to cancel its obligations to purchase the Bonds if, between the date hereof and the date of the Closing:

(a) legislation shall have been enacted (or resolution passed) by the United States or the State of California or shall have been reported out of committee or be pending in committee, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation or a temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State of California authority, with respect to federal or California taxation upon interest received on obligations of the general character of the Bonds, that, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds; or

(b) there shall exist any event that, in the reasonable opinion of the Underwriter, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading; or

(c) there shall have occurred any new outbreak of hostilities or other local, national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as would make it impracticable, in the reasonable opinion of the Underwriter, for the Underwriter to sell the Bonds; or

(d) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or any other exchange, whether by virtue of a determination by the New York Stock Exchange or such other exchange or by order of the Securities and Exchange Commission or any other governmental authority; or

(e) a general banking moratorium shall have been declared by either federal, California or New York authorities having jurisdiction and be in force; or

(f) there shall be established any new restrictions in securities materially affecting the free market for securities (including the imposition of any limitations on interest rates) or the extension of credit by, or the charge to the net capital requirements of, the Underwriter, established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order of the President of the United States; or

(g) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission of the United States or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any obligations of the general character of the Bonds are not exempt from tire registration, qualification or other requirements of the Securities Act of 1933, as amended, or otherwise are or would be in violation of any provision of any federal securities laws; or

(h) there shall have been any materially adverse change in the affairs of the District or the City, including, without limitation, any material difference, prior to the Closing, in any of the pending lawsuits described in the Preliminary Official Statement, subsequent to the date of the Preliminary Official Statement, that, in the Underwriter's reasonable judgment, materially adversely affects the sale of or market for the Bonds.

8. **Further Disclosure.** If after the Closing and during the Delivery Period, any event relating to or affecting the Trustee, the District, or the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Bonds, the City will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) that will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to such initial purchaser of the Bonds, not misleading. During the 25 days following the Closing, the costs of preparing any necessary amendment or supplement to the Official Statement shall be borne by the City. For the purposes of this section, the City will furnish such information with respect to itself as the Underwriter may from time to time request and the City will use its best efforts to cause the Trustee to provide such information with respect to itself as the Underwriter may from time to time request.

9. **Expenses.** The City shall pay or cause the City to pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Bonds which include and are limited to: (i) the fees and disbursements of Bond Counsel; (ii) the fees and disbursements of the Trustee, including

the fees and disbursements of their counsel; (iii) the costs of the preparation, printing and delivery of the Bonds; and (iv) the costs of the preparation printing and delivery of the Preliminary Official Statement and Official Statement in the quantity requested by the Underwriter, and (v) any other out-of-pocket disbursements of the City incident to the preparation of the Bonds for sale and delivery to the Underwriter as are ordinarily and customarily paid by the issuer.

The costs, expenses, fees and or disbursements incurred by the Underwriter as a result of or in connection with the purchase of the Bonds shall be borne by the Underwriter, including, but not limited to: (i) The Depository Trust Company fees regarding underwriting eligibility for and utilization of the DTC book-entry-only system; (ii) CUSIP Service Bureau charges for the assignment of CUSIP numbers for the Bonds; (iii) California Debt and Investment Advisory Commission fees; (iv) fees of the Bond Market Association (or otherwise); (v) Municipal Securities Rulemaking Board fees and (vi) costs or fees of qualifying the Bonds for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

10. **Notice.** Any notice or other communication to be given to the City under this Bond Purchase Contract may be given by delivering the same in writing to the Treasurer of the City at 926 J Street, Suite 300, Sacramento, California 95814-2709.

Any notice or other communication to be given to the Underwriter under this Bond Purchase Contract may be given by delivering the same in writing to Stone & Youngberg LLC, 50 California Street, 35th Floor, San Francisco, California 94111, Attention: Jim Cervantes.

11. **Duration.** This Bond Purchase Contract is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements in this Bond Purchase Contract shall remain operative and in full force and effect, regardless of (a) delivery of and payment for any of the Bonds and (b) any termination of this Bond Purchase Contract.

12. **Severability.** If any provision of this Bond Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

13. **Counterparts.** This Bond Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be all original, but all such counterparts shall together constitute but one and the same instrument.

14. **Parties in Interest.** This Bond Purchase Contract is made solely for the benefit of the City and Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

15. **Governing Law.** This Bond Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

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

17. **Effectiveness.** This Bond Purchase Contract shall become effective upon your acceptance hereof.

Very truly yours,

STONE & YOUNGBERG LLC

By _____

Accepted:

CITY OF SACRAMENTO

By _____
Treasurer

EXHIBIT A

Serial Bonds

<u>Maturity</u> <u>(Sept. 1)</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
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Term Bond due _____, _____

Sinking Fund

<u>Payments</u> <u>(Sept. 1)</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
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* Maturity.

EXHIBIT B

**CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that he is the duly appointed and acting Treasurer of the City of Sacramento (the "City"), and as such is duly authorized to execute and deliver this Certificate, and further hereby certifies and reconfirms on behalf of the City as follows:

(1) the representations and warranties of the City contained in that certain Bond Purchase Contract by and between the City and Stone & Youngberg LLC, dated June __, 2003 (the "Purchase Contract") and the Indenture (as defined in the Purchase Contract) are true and correct in all material respects as of the date hereof as if made on the date hereof;

(2) the City has complied with all agreements, covenants and conditions required to be complied with by the City under the Purchase Contract and the Indenture as of the date hereof;

(3) except as described in the Official Statement, to the best knowledge of the City, no litigation is pending or threatened (a) to restrain or enjoin the execution, sale or delivery of any of the Bonds, or (b) in any way contesting or affecting the validity of the Bonds or the City Documents, or (c) in any way contesting the formation, existence or powers of the District or the levy of the Special Tax;

(4) to the best knowledge of the City, no event affecting the City or the District has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information relating to the City or the District contained in the Final Official Statement or is not reflected in the Final Official Statement but should be reflected therein in order to make such statements and information therein not misleading in any material respect; and

(5) The Special Tax will be levied for fiscal year 2002-2003 in accordance with the Rate and Method.

Capitalized terms not defined herein shall have the same meaning as is set forth in the Purchase Contract.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of June __, 2003.

CITY OF SACRAMENTO

By: _____
Treasurer

EXHIBIT C

**CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF THE TRUSTEE

The undersigned hereby states and certifies that the undersigned is a duly appointed and acting representative of BNY Western Trust Company (the "Trustee"), and as such is duly authorized to execute and deliver this Certificate, and further hereby certifies and reconfirms on behalf of the Trustee as follows:

(i) the Trustee is duly organized and existing as a banking corporation under the laws of the State of California having the full power and authority to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds;

(ii) the Trustee is duly authorized to enter into and deliver the Indenture and, when the Indenture has been duly authorized, executed and delivered by the City, to authenticate and deliver the Bonds;

(iii) the authentication and delivery by the Trustee of the Bonds and the execution and delivery by the Trustee of the Indenture, and compliance with the respective terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or blue sky laws or regulations) wherein such conflict, violation, breach or default would adversely affect the ability of the Trustee to perform its obligations under the Indenture or the Bonds;

(iv) to the best knowledge of the Trustee, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, that has been served on the Trustee or, to the best of the knowledge of the Trustee, threatened against or affecting the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Bonds, or the Indenture, or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, or wherein an unfavorable decision, ruling or finding would adversely affect the Trustee or the transactions contemplated in connection with the authentication and delivery of the Bonds, or which, in any way, would adversely affect the validity of the Bonds or the Indenture, or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the Indenture or the consummation of the transactions contemplated in connection with the authentication and delivery of the Bonds; and

(v) subject to the respective provisions of the Indenture, the Trustee will apply the proceeds of the Bonds to the purposes specified in the Indenture.

Capitalized terms not defined herein shall have the same meaning as is set forth in the Bond Purchase Contract by and between the City and Stone & Youngberg LLC, dated June __, 2003.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of June __, 2003.

BNY Western Trust Company, as Trustee

By: _____

Name: _____

Its: _____

EXHIBIT D

**CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF THE DEVELOPER

The undersigned hereby states and certifies that:

(i) the undersigned is a duly appointed and acting representative of Northpointe North LLC, a California limited liability company (the "Property Owner"), which owns property within the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "District"), and as such, is familiar with the facts herein certified and authorized and qualified to certify the same; and

(ii) the statements under the caption entitled "OWNERSHIP AND DEVELOPMENT WITHIN THE DISTRICT" in the Preliminary Official Statement dated June __, 2003, which statements are included in the Official Statement dated June __, 2003 with respect to the above-captioned bonds (the "Official Statement") relating to the Property Owner and its affiliates, the property it owns in the District and its development plans on the property it owns in the District, are accurate in all material respects;

(iii) nothing has come to the attention of the Property Owner between the date of the Official Statement the date hereof that would materially alter any of the statements relating to the Property Owner and its affiliates, the property it owns in the District and its development plans on the property it owns in the District under the above referenced captions included in the Official Statement.

(iv) no proceedings are pending or threatened in which the Property Owner may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations, or granted an extension of time to pay its debt or obligations, or be allowed to reorganize or readjust its debts or obligations. There are no claims, disputes, suits, actions or contingent liabilities amongst or by and between the Property Owner (or any related party thereto) which may materially affect the Property Owner's property within the District or the development of the land within the District as described in the Official Statement.

(v) no action, suit, proceedings, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to the Property Owner's knowledge, threatened in any way seeking to restrain or to enjoin the commencement, continuation and/or completion of development of the Property Owner's property within the District except as disclosed in the Official Statement.

(vi) none of the parcels of land within the District owned by the Property Owner is delinquent in the payment of any taxes or assessments.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of June __, 2003.

NORTHPOINTE NORTH, LLC
a California limited liability company

By: _____

Name: _____

Its: _____

EXHIBIT E

**CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF THE SPECIAL TAX CONSULTANT

Goodwin Consulting Group ("Special Tax Consultant"), Sacramento, California was retained as Special Tax Consultant and has reviewed the Rate and Method of Apportionment of Special Tax (the "Rate and Method") set forth in Appendix B to the Official Statement (the "Official Statement") dated June __, 2003, relating to the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds (the "Bonds"). Based upon such review, the Special Tax Consultant hereby certifies that the Special Tax, if levied in the maximum amounts permitted pursuant to the Special Tax formula set forth in the Rate and Method on the date hereof, would be levied in an amount estimated to be ___% of the gross annual debt service on the Bonds, provided that the annual debt service figures on the attached debt service schedule, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax, if levied in the maximum amounts pursuant to the Special Tax formula set forth in the Rate and Method, would be levied in an amount estimated to be ___% of the gross annual debt service payable with respect to the Bonds each year, no representation is made herein as to actual amounts that will be collected in future years.

All information with respect to the Rate and Method in the Official Statement is true and correct as of the date of the Official Statement and as of the date hereof.

Dated: June __, 2003

GOODWIN CONSULTING GROUP

By: _____

Its: _____

EXHIBIT F

**CITY OF SACRAMENTO
NORTH NATOMAS REGENCY PARK
COMMUNITY FACILITIES DISTRICT NO. 2001-03
SPECIAL TAX BONDS**

CLOSING CERTIFICATE OF THE APPRAISER

Integra Realty Resources (the "Appraiser"), Sacramento, California prepared an appraisal of the properties within the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "District") dated _____, 2003 (the "Appraisal"). The Appraisal is described and summarized in the Preliminary Official Statement dated June __, 2003 (the "Preliminary Official Statement") and the Official Statement dated June __, 2003 (the "Official Statement"), including Appendix A thereto, relating to the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds.

The Appraiser hereby certifies that all information with respect to the Appraisal in the Official Statement is true and correct as of the date of the Official Statement and as of the date hereof.

The Appraiser hereby consents to the use of the Appraisal in connection with the distribution and use of the Preliminary Official Statement and Official Statement.

Dated: June __, 2003

INTEGRA REALTY RESOURCES

By: _____