

**Meeting Date: 8/8/2013**

**Report Type:** Staff/Discussion

**Report ID:** 2013-00592

**Title: (City Council/Financing Authority) Issuance of Lease Revenue Refunding Bonds State of California - Cal EPA Building 2013 Series A**

**Location:** District 4

**Issue:** Council / Authority authorization is required for the issuance of municipal bonds and for the execution of related documents and actions to complete the financing.

**Recommendation:** 1) Pass a Financing Authority Resolution (a) approving the issuance, sale, and delivery of Lease Revenue Refunding Bonds State of California – Cal EPA Building 2013 Series A; (b) authorizing the execution and delivery of a first supplemental indenture, escrow agreement, a preliminary official statement, a final official statement, and a bond counsel agreement; and (c) approving certain other actions necessary for the execution of these related documents; and 2) pass a City Council Resolution (a) authorizing the execution and delivery of a third amendment to the Sacramento / State Building Lease and a bond counsel agreement; and (b) approving certain other actions necessary for the execution of related documents and actions.

**Contact:** Janelle Gray, Debt Manager, (916) 808-8296; Russell Fehr, City Treasurer, (916) 808-5832, Office of the City Treasurer

**Presenter:** Janelle Gray

**Department:** City Treasurer

**Division:** City Treasurer

**Dept ID:** 05001011

**Attachments:**

1-Description/Analysis

02-Background

03-SCFA Resolution

04-City Resolution

05-First Supplemental Trust Indenture

06-Bond Purchase Contract

07-Preliminary Official Statement

08-Escrow Agreement

09-Third Amendment to Sacramento/State Building Lease

10-Bond Counsel Agreement

**City Attorney Review**

Approved as to Form  
Joseph Cerullo  
7/31/2013 10:19:48 AM

**City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Janelle Gray  
7/19/2013 2:47:24 PM

**Approvals/Acknowledgements**

Department Director or Designee: Russell Fehr - 7/26/2013 2:09:48 PM

## Description/Analysis

**Issue Detail:** In accordance with the City's Debt Management Policy, the City Treasurer's Office monitors the outstanding debt portfolio to determine whether refunding one or more series of bonds might yield potential economic savings over the bonds' remaining life.

As part of this monitoring, a refunding of the Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building 1998 Series A (the “**1998 Cal EPA Bonds**”) has been identified as having the potential to produce economic savings under current interest-rate conditions. The Sacramento City Financing Authority (the “**Authority**”) issued the 1998 Cal EPA Bonds on the State's behalf.

**Policy Considerations:** The security for the 1998 Cal EPA Bonds is a pledge of revenues that is secured by and payable solely from rental payments received by the City as lessor under the Sacramento/State Lease (City Agreement No. 1997-045) (the “**Lease**”). The State's Department of General Services (the “**Department**”) has covenanted to include all Lease payments in its annual budgets. The City has coordinated with various State agencies and departments (including State Treasurer, Finance, and General Services) to ensure compliance with both City and State policies and practices.

**Economic Impacts:** Not Applicable.

### Environmental Considerations:

**California Environmental Quality Act (CEQA):** Not applicable. Approval of the recommendation is not a “project” subject to CEQA because it (a) has no potential to cause a significant effect on the environment and (b) concerns government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (Cal. Code Regs., tit. 14, §§ 15061(b)(3) and 15378(b)(4).)

**Sustainability:** Not applicable.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** Analysis indicates that at current rates the refunding of the outstanding balances of the 1998 Cal EPA Bonds will generate net present-value savings.

**Financial Considerations:** In November 1998, the Authority issued the Cal EPA Bonds in the amount of \$196,615,000; there is currently \$110,720,000 outstanding with a final maturity of May 2023. Projections as of July 10, 2013, show an estimated net present-value savings of \$8.14 million over the remaining life of the 1998 Cal EPA Bonds, which equates to 7.34% of the outstanding amounts (actual savings and the amount of bonds that will be refunded will not be known until the bond-pricing date, currently scheduled for August 21, 2013).

The 1998 Cal EPA Bonds are secured by and payable solely from rental payments received by the City as lessor under the Lease, and the proposed refunding bonds will be secured by and payable

solely from the same payments. The Department has covenanted to include all Lease payments in its annual budgets.

**Emerging Small Business Development (ESBD):** Not applicable.

## Background

The Cal EPA Building located at 1001 I Street (block bounded by H, I, 10<sup>th</sup> & 11<sup>th</sup> Streets) is a 25-story office tower of approximately 950,000 square feet. On April 21, 2001, it was officially dedicated the Joe Serna Jr. California Environmental Protection Agency Headquarters Building. The Cal EPA Building provides office space for various State agencies, including those which currently operate under the Cal EPA. The Cal EPA Building has capacity for up to approximately 3,400 employees. Set forth in the table below is a description of the current tenants and the approximate percentage of space they occupy.

TENANT	PERCENTAGE OF OCCUPANCY
Environmental Protection Agency	4%
Office of Environmental Health Hazard Assessment	3%
Department of Toxic Substance Control	13%
Department of Pesticide Regulation	14%
Department of Resources, Recycling and Recovery	16%
Water Resources Control Board	22%
Air Resources Board	28%

The State Department of General Services (the “**Department**”) and the City have entered into a Property Management Agreement under which the City (through its subcontractor) provides, at the expense of the Department, all maintenance and repair of the building.

### History of the Cal EPA Project

The Cal EPA Building was part of the Cal EPA Project authorized by Government Code section 14669.6, which directed the Department to enter into a lease (with an option to purchase) for office space and related facilities needed to consolidate the operations of the California Environmental Protection Agency. The Department’s building program in Sacramento was part of a statewide initiative to meet pressing office space needs, consolidate offices, and to stimulate the economy through construction activity.

On August 2, 1993, the Department requested the submittal of bids for the construction, installation, and equipping of the Cal EPA Project. In partnership with the defunct Redevelopment Agency, the City and a private development company submitted the winning bid, and on April 23, 1997, the City and the Department entered into the Sacramento/State Lease (City Agreement No. 1997-045) (the “**Lease**”). The Lease provided for the construction,

operation, and financing of the Cal EPA Project on a City-owned parcel previously known as “Lot B,” which was formerly a two-story parking garage.

### Cal EPA Project Construction and Cost

Under the Lease, the City agreed to complete, or cause to be completed, the construction of the Cal EPA Project in conformity with the final plans and specifications accepted by the Department. In June 1998, the Sacramento City Financing Authority (the “**Authority**”) issued \$34,890,000 in bond anticipation notes (“**BANs**”) to finance the initial portion of the cost of construction, and in November 1998 the Authority issued \$196,615,000 in lease-revenue bonds to refund the BANs and finance the remaining portion of construction costs as well as associated financing costs. The Notice to Proceed was issued on July 6, 1998, and the Cal EPA Project was completed and available for use and occupancy in February 2002. The total construction related cost of the Cal EPA Project was approximately \$162 million.

The originally financed improvements include the construction, installation, and equipping of the Cal EPA office building and related improvements, including art work in public places, a courtyard, sidewalk improvements, off-site improvements across from the building at Caesar Chavez Plaza, and the acquisition of equipment and furnishings. The Cal EPA Building was designed and built using sustainable, economically competitive technologies and materials, and was the first building in the nation to be certified at the Platinum Level by the U.S. Green Building Council’s Leadership in Energy and Environmental Design program.

Other components of the Cal EPA Project include a parking agreement for spaces in the City’s Civic Center Parking Garage located across the street from the Cal EPA Building and a property-management agreement administered by the City’s Department of General Services.

### Current Status and Refunding of the 1998 Cal EPA Bonds

While the current interest-rate environment for municipal bonds has diminished in the past two months, the opportunity still exists to realize savings by refunding the 1998 Cal EPA Bonds. The Cal EPA Building is leased by the City to the Department under the Lease, and the savings would be attributed to the State and recognized through lower Lease payments from the Department, as the debt service on the refunding bonds would be lower. The 1998 Cal EPA Bonds are secured by and payable solely from rental payments received by the City as lessor under the Lease, and the proposed refunding bonds will likewise be secured by and payable solely from the same payments. The Department has covenanted to include all Lease payments in its annual budgets.

**RESOLUTION NO. 2013-\_\_\_\_\_**

Adopted by the Sacramento City Financing Authority

August 8, 2013

**AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF SACRAMENTO CITY FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, STATE OF CALIFORNIA – CAL EPA BUILDING, 2013 SERIES A IN AN AMOUNT NOT TO EXCEED \$116 MILLION; APPROVING THE OFFICIAL STATEMENT RELATED TO THE BONDS; APPROVING THE FORMS OF RELATED FINANCING DOCUMENTS; AUTHORIZING THE TREASURER OF THE AUTHORITY OR HIS DESIGNEE TO APPROVE, EXECUTE, AND DELIVER THE RELATED FINANCING DOCUMENTS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS AND THE FINANCING**

**BACKGROUND:**

- A.** The Sacramento City Financing Authority is a joint-exercise-of-powers agency duly organized and existing under California law (the **"Authority"**).
- B.** The Authority is authorized by the Marks-Roos Local Bond Pooling Act of 1985 (the **"Marks-Roos Act"**) to issue bonds to provide funds to achieve its purposes, including the payment of the costs of any Public Capital Improvement as defined in the Marks-Roos Act.
- C.** Acting in accordance with its authority, the Authority has previously issued its Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the **"1998 Series A Bonds"**) for the purpose of financing the construction, installation, and equipping of an office building located on property owned by the City of Sacramento (the **"City"**), which is a local agency for purposes of the Marks-Roos Act. The building is occupied by various State of California agencies, including those organized under the California Environmental Protection Agency (the **"Project"**).
- D.** The City, as lessor, and the California Department of General Services (the **"Department"**), as lessee, are parties to the Sacramento/State Building Lease dated April 23, 1997 (City Agreement No. 97-045), which was amended as of November 1, 1998, by a First Amendment to Sacramento/State Building Lease and was further amended in September 1999 by a Second Amendment to Sacramento/State

Building Lease (collectively, the "**Lease**"). The City and the Department used the Lease to finance the construction, installation, and equipping of the Project and to lease the Project to the Department.

- E.** Under the terms of the bond documents by which the 1998 Series A Bonds were issued, and given the current market conditions, it is now possible to refund all or a portion of the outstanding 1998 Series A Bonds and achieve debt-service savings.
- F.** Under the Marks-Roos Act and sections 53580 through 53589.5 of the Government Code (the "**Refunding Act**"), the Authority is authorized to issue bonds for the purpose of refunding any of its outstanding bonds.
- G.** The City has requested the assistance of the Authority in issuing bonds to provide for the refinancing of the Project and the refunding and defeasance of all or a portion of the outstanding 1998 Series A Bonds.
- H.** The City has determined that the refinancing of the Project and the refunding of all or a portion of the 1998 Series A Bonds will result in significant public benefits as there will be demonstrable savings in debt-service cost.
- I.** The Authority has determined to issue its Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the "**2013 Series A Bonds**") for the purpose of refinancing the construction, installation, and equipping of the Project and refunding and defeasing all or a portion of the outstanding 1998 Series A Bonds.
- J.** The City, as lessor, intends to enter into a third amendment to the Lease that will amend (1) the Lease's definition of Bonds so it explicitly includes refunding bonds and (2) the rent schedule set forth in Schedule I of the Lease so it provides for the revised base rental payments to be payable under the Lease as a result of the issuance of the 2013 Series A Bonds.
- K.** In furtherance of the refinancing of the Project and the issuance of the 2013 Series A Bonds, forms of the following documents have been filed with the Authority's Secretary for consideration and approval by the Authority's Governing Board:
  - A *First Supplemental Trust Indenture* (the "**First Supplemental Trust Indenture**") supplementing the Trust Indenture under which the 1998 Series A Bonds were issued (the "**Trust**

**Indenture**”). The Trust Indenture is dated as of November 1, 1998, and is between the Authority and the California State Treasurer as trustee (the **“Trustee”**). The First Supplemental Trust Indenture provides for the issuance of the 2013 Series A Bonds and specifies certain terms of the 2013 Series A Bonds.

- A *Bond Purchase Contract* (the **“Bond Purchase Contract”**) specifying the terms and conditions under which the 2013 Series A Bonds will be sold to the underwriters named in the Bond Purchase Contract (the **“Underwriters”**).
- An *Escrow Agreement* (the **“Escrow Agreement”**) with the Trustee as escrow agent, under which a portion of the proceeds of the 2013 Series A Bonds and the amounts transferred from the funds and accounts relating to the 1998 Series A Bonds will be deposited and applied (together with any investment earnings) to the redemption of the 1998 Series A Bonds on the applicable redemption date.
- A preliminary form of an *Official Statement* (the **“Official Statement”**) describing the 2013 Series A Bonds and other matters relating to them.
- An engagement letter dated July 10, 2013, between the Authority, the City, and the law firm of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, under which Fulbright & Jaworski LLP agrees to serve as bond counsel in connection with the 2013 Series A Bonds (the **“Bond Counsel Agreement”**).

**L.** The 2013 Series A Bonds will be special, limited obligations of the Authority payable solely from certain Revenues (as defined in the Trust Indenture) pledged under the Trust Indenture, consisting primarily of the following: base rental payments to be received by the City from the Department under the Lease, which have been assigned by the City to the Trustee for the benefit of the bondholders under a Consent and Assignment Agreement between the Authority, the City, the Department, and the Trustee; and the other funds pledged under the Trust Indenture. The Revenues will be used for the purposes set forth in the Trust Indenture and on the terms and conditions set forth in the Trust Indenture. The 2013 Series A Bonds will not be a debt of the Authority or the City within the meaning of any constitutional or statutory debt limitation, nor will they be a pledge of the faith and credit or taxing power of the City. The Authority has no taxing power.

- M.** All acts, conditions, and things required by California law to exist, to have happened, and to have been performed before and in connection with the issuance of the 2013 Series A Bonds and consummation of the transactions contemplated by this resolution do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the Authority is now duly authorized and empowered, under every requirement of law, to authorize the execution and delivery of the First Supplemental Trust Indenture, the Bond Purchase Contract, the Escrow Agreement, and the Official Statement for the purposes provided and in the manner and upon the terms provided.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE GOVERNING BOARD OF THE AUTHORITY RESOLVES AS FOLLOWS:**

**Section 1.** The statements in paragraphs A through M of the Background are true.

**Section 2.** The 2013 Series A Bonds are authorized to be issued in the aggregate principal amount of not more than \$116 million.

**Section 3.** The proposed form of First Supplemental Trust Indenture on file with the Authority's Secretary is hereby approved, as are its terms and conditions. The structure, dated date, maturity date or dates (the final maturity to be not later than May 1, 2023), fixed interest rates, interest-payment dates, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the 2013 Series A Bonds will be as provided in the First Supplemental Trust Indenture as finally executed and delivered.

- (a) The Authority's Treasurer or his designee (each, the "**Authorized Representative**") is hereby authorized and directed to execute and deliver the First Supplemental Trust Indenture on the Authority's behalf, in substantially the form on file with the Authority's Secretary and with such changes as the Authorized Representative requires or approves with the concurrence of the City Attorney or his designee as legal counsel to the Authority (each, the "**Authority Counsel**"), such approval to be conclusively evidenced by the execution and delivery of the First Supplemental Trust Indenture.

- (b) The 2013 Series A Bonds are to be executed by the manual or facsimile signature of the Chairman or Vice Chairman of the Authority and attested by the manual or facsimile signature of the Authority's Secretary, in accordance with the Trust Indenture. The 2013 Series A Bonds are to be in substantially the form set forth in, and must otherwise be in accordance with, the First Supplemental Trust Indenture. When the 2013 Series A Bonds are so executed, the Authorized Representative shall deliver them to the Trustee. The Trustee shall then authenticate the 2013 Series A Bonds and deliver them to the Underwriters in accordance with written instructions the Authorized Representative signs on the Authority's behalf, which instructions the Authorized Representative is hereby authorized and directed to sign and deliver to the Trustee. The instructions are to provide for the delivery of the 2013 Series A Bonds to the Underwriters in accordance with the Bond Purchase Contract upon payment by the Underwriters of the purchase price for the 2013 Series A Bonds.

**Section 4.** The proposed form of the Bond Purchase Contract on file with the Authority's Secretary is hereby approved. The Authorized Representative is hereby authorized and directed to do the following on the Authority's behalf:

- (a) to provide for the sale of the 2013 Series A Bonds to the Underwriters, through the California State Treasurer as agent for sale, as provided by the Bond Purchase Contract, with a true interest cost not to exceed 4.70% and with the Underwriters' compensation not to exceed 0.50% of the principal amount of the 2013 Series A Bonds; and
- (b) to execute and deliver the Bond Purchase Contract, in substantially the form on file with the Authority's Secretary and with such changes as the Authorized Representative requires or approves with the concurrence of the Authority's Counsel, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract.

**Section 5.** The proposed form of Official Statement on file with the Authority's Secretary is hereby approved. The Authorized Representative is hereby authorized and directed to execute

and deliver to the Underwriters, on the Authority's behalf, a certificate deeming the preliminary Official Statement, in substantially the form on file with the Authority's Secretary and with such changes as the Authorized Representative approves in the Authority's interest with the concurrence of the Authority Counsel, to be final within the meaning of Securities and Exchange Commission Rule 15c2-12. The Underwriters are hereby authorized to distribute the Official Statement in preliminary and final forms. The Authorized Representative is hereby authorized and directed to execute and deliver the final form of the Official Statement on the Authority's behalf, in substantially the form on file with the Authority's Secretary and with such changes as the Authorized Representative requires or approves with the concurrence of the Authority's Counsel, such approval to be conclusively evidenced by the execution and delivery of the Official Statement.

- Section 6.** The proposed form of Escrow Agreement on file with the Authority's Secretary is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver the Escrow Agreement on the Authority's behalf, in substantially the form on file with the Authority's Secretary and with such changes as the Authorized Representative requires or approves with the concurrence of the Authority's Counsel, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement.
- Section 7.** The Authority's Secretary is hereby authorized and directed to attest the signature of the Authorized Representative as may be required or appropriate in connection with the execution and delivery of the 2013 Series A Bonds, the First Supplemental Trust Indenture, the Bond Purchase Contract, the Escrow Agreement, and any other documents executed and delivered under the authority granted in this resolution.
- Section 8.** The Authority's Counsel is hereby authorized and directed to execute and deliver the Bond Counsel Agreement on the Authority's behalf.
- Section 9.** The Authorized Representative and each other appropriate officer of the Authority, each acting alone, are authorized and directed—

- (a) to execute and deliver on the Authority's behalf any and all agreements, certificates, documents, and instruments, including but not limited to signature certificates, no-litigation certificates, disclosure certificates, tax certificates, letters of representations relating to book-entry registration, certificates concerning the representations in (or otherwise required by) the Bond Purchase Contract, certificates concerning the contents of the Official Statement, and certificates and contracts for rebate-compliance services; and
- (b) to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions the Governing Board has approved in this resolution. The Authorized Representative may appoint in writing a designee to perform any of the actions that the Authorized Representative may take under this resolution.

**Section 10.** All actions heretofore taken by the Governing Board, the Authorized Representative, or any other officers, agents, or employees of the Authority with respect to the issuance of the 2013 Series A Bonds and the other transactions contemplated by this resolution and by the Official Statement are hereby ratified, confirmed, and approved.

**Section 11.** This resolution takes effect when adopted.

**RESOLUTION NO. 2013-\_\_\_\_\_**

Adopted by the Sacramento City Council

August 8, 2013

**AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD AMENDMENT TO THE SACRAMENTO/STATE BUILDING LEASE IN CONNECTION WITH THE REFINANCING OF AN OFFICE BUILDING FOR THE STATE OF CALIFORNIA WITH THE PROCEEDS OF THE SACRAMENTO CITY FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, STATE OF CALIFORNIA – CAL EPA BUILDING, 2013 SERIES A; AUTHORIZING THE CITY TREASURER OR HIS DESIGNEE TO APPROVE, EXECUTE, AND DELIVER THE THIRD AMENDMENT AND RELATED DOCUMENTS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS AND THE FINANCING**

**BACKGROUND:**

- A.** The City of Sacramento (the "**City**") is duly organized and existing under the Sacramento City Charter (the "**Charter**") and the California Constitution.
- B.** The City is authorized by the Charter and California law to lease real and personal property owned or controlled by the City when necessary and proper for municipal purposes.
- C.** Acting in accordance with its authority, the City, as lessor, and the California Department of General Services (the "**Department**"), as lessee, are parties to the Sacramento/State Building Lease dated April 23, 1997 (City Agreement No. 97-045), which was amended as of November 1, 1998, by a First Amendment to Sacramento/State Building Lease and was further amended in September 1999 by a Second Amendment to Sacramento/State Building Lease (collectively, the "**Lease**"). The City and the Department used the Lease to finance the construction, installation, and equipping of an office building located on property owned by the City and leased to the Department for occupancy by various State of California agencies, including those organized under the California Environmental Protection Agency (the "**Project**").
- D.** Under the Marks-Roos Local Bond Pooling Act of 1985, the Sacramento City Financing Authority, a joint-exercise-of-powers agency duly

organized and existing under California law (the "**Authority**"), assisted the City in furtherance of the City's municipal purposes in financing the Project through the issuance of the Authority's Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the "**1998 Series A Bonds**").

- E.** Under the terms of the bond documents by which the 1998 Series A Bonds were issued, and given the current market conditions, it is now possible to refund all or a portion of the outstanding 1998 Series A Bonds and achieve debt-service savings.
- F.** The City has previously determined that assisting the Department in providing the financing for the Project is a municipal purpose and has previously found that the Project provides significant public benefits, including but not limited to the following:
  - the maintenance and promotion of economic development and jobs within the City and the region;
  - the maintenance and generation of increased tax revenues to the City;
  - the promotion of the general welfare, sense of community, and quality of life within the City and in the region; and
  - the concentration of the State of California's administrative offices in the downtown area of the City.
- G.** The refinancing of the Project and the refunding of all or a portion of the 1998 Series A Bonds will result in significant public benefits in that there will be demonstrable savings in debt-service cost.
- H.** The City has requested the assistance of the Authority in the refinancing of the Project.
- I.** The Authority intends to issue its Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the "**2013 Series A Bonds**") for the purpose of refinancing the Project and refunding and defeasing all or a portion of the outstanding 1998 Series A Bonds.
- J.** In furtherance of the refinancing of the Project and the issuance of the 2013 Series A Bonds, the City proposes to enter into a third amendment to the Lease that will amend (1) the Lease's definition of Bonds so it explicitly includes refunding bonds and (2) the rent schedule set forth in Schedule I of the Lease so it provides for the

revised base rental payments to be payable under the Lease as a result of the issuance of the 2013 Series A Bonds. The proposed form of the third amendment, titled *Third Amendment to Sacramento/State Building Lease*, has been filed with the City Clerk for consideration and approval by the City Council (the "**Lease Amendment**").

- K.** An engagement letter dated July 10, 2013, between the Authority, the City, and the law firm of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, under which Fulbright & Jaworski LLP agrees to serve as bond counsel in connection with the 2013 Series A Bonds, has been filed with the City Clerk for consideration and approval by the City Council (the "**Bond Counsel Agreement**").
- L.** All acts, conditions, and things required by California law and the Charter to exist, to have happened, and to have been performed before and in connection with the issuance of the 2013 Series A Bonds and consummation of the transactions contemplated by this resolution do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized and empowered, under every requirement of law, to authorize the execution and delivery of the Lease Amendment for the purposes provided and in the manner and upon the terms provided.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1.** The statements in paragraphs A through L of the Background are true.
- Section 2.** The actions authorized by this resolution constitute and are with respect to municipal affairs of the City, and the statements, findings, and determinations of the City set forth in the preambles of the documents approved or referenced in this resolution are true.
- Section 3.** The proposed form of the Lease Amendment on file with the City Clerk is hereby approved, as are its terms and conditions. The City Treasurer or his designee (each, the "**Authorized Representative**") is hereby authorized and directed to execute and deliver the Lease Amendment on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the Authorized Representative requires or approves with concurrence of the City Attorney or his designee (the "**City Attorney**"), such approval to be conclusively evidenced by the execution and delivery of the Lease Amendment.

**Section 4.** The City Clerk is hereby authorized and directed to attest the signature of the Authorized Representative as may be required or appropriate in connection with the execution and delivery of the Lease Amendment and any other documents executed and delivered under the authority granted in this resolution.

**Section 5.** The Authorized Representative and each other appropriate officer of the City, each acting alone, are authorized and directed—

- (a) to execute and deliver on the City's behalf any and all agreements, certificates, documents, and instruments, including, without limitation, signature certificates, no-litigation certificates, disclosure certificates, tax certificates, and other certificates required by the bond-purchase contract for the 2013 Series A Bonds; and
- (b) to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions the City Council has approved in this resolution. The Authorized Representative may appoint in writing a designee to perform any of the actions that the Authorized Representative may take under this resolution.

**Section 6.** The City Attorney or his designee is hereby authorized and directed to execute and deliver the Bond Counsel Agreement on the City's behalf.

**Section 7.** All actions heretofore taken by the City Council, the Authorized Representative, or any other officers, agents, or employees of the City with respect to the refinancing of the Project, the Lease, the Lease Amendment, and the transactions contemplated by this resolution are hereby ratified, confirmed, and approved.

**Section 8.** This resolution takes effect when adopted.

FIRST SUPPLEMENTAL TRUST INDENTURE

by and between the

SACRAMENTO CITY FINANCING AUTHORITY

and the

TREASURER OF THE STATE OF CALIFORNIA

as Trustee

Dated as of August 1, 2013

Relating to

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Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building, 2013 Series A

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TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 11 - DEFINITIONS AND ADDITIONAL DEFINITIONS; RULES OF CONSTRUCTION.....	2
SECTION 11.01. Definitions.....	2
SECTION 11.02. Additional Definitions .....	2
SECTION 11.03. Rules of Construction .....	4
ARTICLE 12 - ISSUANCE OF 2013 SERIES A BONDS .....	4
SECTION 12.01. Authorization and Purpose of 2013 Series A Bonds .....	4
SECTION 12.02. Terms of 2013 Series A Bonds .....	4
SECTION 12.03. Redemption of 2013 Series A Bonds.....	6
SECTION 12.04. Form of 2013 Series A Bonds.....	7
SECTION 12.05. Procedure for the Issuance of 2013 Series A Bonds; Use of Proceeds of 2013 Series A Bonds.....	7
SECTION 12.06. Costs of Issuance Fund .....	8
SECTION 12.07. Validity of Bonds.....	8
ARTICLE 13 - AMENDMENT TO ORIGINAL INDENTURE .....	9
SECTION 13.01. Amendments to Original Indenture .....	9
ARTICLE 14 - MISCELLANEOUS .....	10
SECTION 14.01. Execution; Consent of Bond Insurer.....	10
SECTION 14.02. Business Days .....	10
SECTION 14.03. Severability .....	10
SECTION 14.04. Execution in Several Counterparts.....	10
SECTION 14.05. Provision of Indenture Not Otherwise Modified .....	10
SECTION 14.06. Governing Law; Venue.....	10
SECTION 14.07. Effective Date .....	11
EXHIBIT A – FORM OF 2013 SERIES A BOND	

## **FIRST SUPPLEMENTAL TRUST INDENTURE**

This FIRST SUPPLEMENTAL TRUST INDENTURE, dated as of August 1, 2013 (this “First Supplemental Trust Indenture”), by and between the SACRAMENTO CITY FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), and the TREASURER OF THE STATE OF CALIFORNIA, as trustee (the “Trustee”).

### **WITNESSETH:**

WHEREAS, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the “Act”), authorizes and empowers the Authority to issue revenue bonds to assist the City of Sacramento, a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California (the “City”), in financing public capital improvements whenever the City determines that there are significant public benefits from so doing; and

WHEREAS, in order to assist the City in financing the costs of construction, installation and equipping of a state office building (the “Premises,” as more particularly described in the Lease (as hereinafter defined)), the Authority has previously issued its Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the “1998 Series A Bonds”) in the aggregate principal amount of \$196,615,000, pursuant to a Trust Indenture, dated as of November 1, 1998 (the “Original Indenture”), by and between the Authority and the Trustee, of which \$110,720,000 principal amount is outstanding as of the date hereof; and

WHEREAS, the City, as lessor, has leased the Premises to the Department of General Services of the State of California (the “Department”), as lessee, pursuant to that certain Sacramento/State Building Lease, dated April 23, 1997, as amended by the First Amendment to Sacramento/State Building Lease, dated as of November 1, 1998, and as further amended by the Second Amendment to Sacramento/State Building Lease entered into in September 1999 (collectively, the “Lease”), by and between the City and the Department; and

WHEREAS, pursuant to the Original Indenture, Bonds issued thereunder are payable from and secured by a pledge of and lien on Revenues (as defined in the Indenture), including all Base Rental payments payable by the Department under the Lease and pledged to the Trustee pursuant to that certain Consent and Assignment Agreement, dated as of June 1, 1998 (the “Consent and Assignment Agreement”), by and among the City, the Authority, the Department and the Trustee; and

WHEREAS, the Original Indenture provides that the Authority may at any time issue Additional Bonds payable from the Revenues, subject to the terms and conditions of the Original Indenture, for the purpose of, among other things, refunding any Bonds then Outstanding; and

WHEREAS, the Authority has determined to issue its Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013

Series A (the “2013 Series A Bonds”) in the aggregate principal amount of \$\_\_\_\_\_ for the purpose of refunding and defeasing [all] [a portion] of the Outstanding 1998 Series A Bonds; and

WHEREAS, the City and the Department will enter into a Third Amendment to Sacramento/State Building Lease in order to amend the Lease to revise the schedule of Base Rental payments payable by the Department thereunder to be equal to the principal of and interest on the [2013 Series A Bonds][Bonds after giving effect to the issuance of the 2013 Series A Bonds], and so as to make the provisions thereof applicable to the 2013 Series A Bonds; and

WHEREAS, the City has determined that the issuance of the 2013 Series A Bonds will result in significant public benefits including demonstrable debt service cost savings; and

WHEREAS, to provide for the authentication and delivery of the 2013 Series A Bonds, to establish and declare the terms and conditions upon which the 2013 Series A Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this First Supplemental Trust Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the 2013 Series A Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority pursuant to the Indenture;

**NOW, THEREFORE, THIS FIRST SUPPLEMENTAL TRUST INDENTURE WITNESSETH**, that to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions in the 2013 Series A Bonds, the Indenture and herein set forth, and to declare the terms and conditions upon and subject to which the 2013 Series A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2013 Series A Bonds by the Holders thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Holders of the 2013 Series A Bonds, as follows:

ARTICLE 11 - DEFINITIONS AND ADDITIONAL DEFINITIONS;  
RULES OF CONSTRUCTION

SECTION 11.01. Definitions. Unless otherwise specifically provided in the recitals hereto, or in Section 11.02, capitalized terms used in this First Supplemental Trust Indenture shall have the meanings ascribed to them in the Original Indenture.

SECTION 11.02. Additional Definitions. Unless the context otherwise requires, the terms defined in the recitals hereto or in this Section 11.02 shall have the meanings herein

specified for all purposes of this First Supplemental Trust Indenture and for all purposes of any certificate, opinion, request or other document mentioned herein or in the Original Indenture.

#### Costs of Issuance

The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meeting and other meetings concerning the Bonds, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the issuance of the Bonds.

#### Escrow Agent

The term “Escrow Agent” means the Treasurer of the State of California, as escrow agent under the Escrow Agreement.

#### Escrow Agreement

The term “Escrow Agreement” means that certain Escrow Agreement, dated as of August 1, 2013, by and between the Authority and the Escrow Agent.

#### Refunding Act

The term “Refunding Act” means Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

#### Repository

The term “Repository” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, currently located at [www.emma.msrb.org](http://www.emma.msrb.org), or any other entity designated or authorized by the Securities and Exchange Commission or any successor agency thereto to receive reports and notices pursuant to Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

#### 2013 Series A Bonds

The term “2013 Series A Bonds” means all lease revenue bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture, designated as “Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A” and executed, issued and delivered in accordance with Article 12 hereof.

2013 Series A Costs of Issuance Fund

The term “2013 Series A Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 12.06.

SECTION 11.03. Rules of Construction. Unless otherwise specified, all references in this First Supplemental Trust Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Original Indenture or this First Supplemental Trust Indenture, as applicable; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this First Supplemental Trust Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE 12 - ISSUANCE OF 2013 SERIES A BONDS

SECTION 12.01. Authorization and Purpose of 2013 Series A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2013 Series A Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the 2013 Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly authorized, pursuant to each and every requirement of the Act and the Refunding Act, to issue the 2013 Series A Bonds in the form and manner provided herein for the purpose of providing funds to (i) currently refund and defease [all] [a portion of] the 1998 Series A Bonds and (ii) pay certain costs of issuance of the 2013 Series A Bonds, and that the 2013 Series A Bonds shall be entitled to the benefit, protection and security of the provisions of the Indenture.

SECTION 12.02. Terms of 2013 Series A Bonds. The 2013 Series A Bonds shall be designated “Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A” and shall be issued in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The 2013 Series A Bonds shall be dated their date of delivery, shall mature on the dates and in the principal amounts, and shall bear interest at the respective rates of interest per annum as set forth in the following schedule:

<u>Maturity Date</u> <u>(May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$	%
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		

The principal of and redemption premium, if any, on the 2013 Series A Bonds shall be payable upon surrender thereof at maturity or on redemption prior to maturity in lawful money of the United States of America at the office of the Trustee, or at such additional office as the Trustee or any successor trustee may select and designate for such purpose.

Interest on the 2013 Series A Bonds shall be payable on each Interest Payment Date. Interest on the 2013 Series A Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Each 2013 Series A Bond shall bear interest from the date thereof until the principal of such 2013 Series A Bond is paid. Payment of interest on the 2013 Series A Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the 2013 Series A Bonds registration books kept by the Trustee pursuant to Section 2.08 of the Indenture as the registered owner thereof as of the close of business on the fifteenth (15<sup>th</sup>) day of the calendar month (whether or not a Business Day) next preceding each Interest Payment Date, such interest to be paid in lawful money of the United States of America by check mailed to such registered owner at the address as it appears in such books or at such other address as may have been filed with the Trustee for that purpose.

The 2013 Series A Bonds are issuable only in Authorized Denominations of \$5,000 and any integral multiple thereof.

The 2013 Series A Bonds shall be delivered in fully registered form, numbered from one upwards in consecutive numerical order (with such alphabetical prefix as shall be determined). The 2013 Series A Bonds shall be registered in the form of one fully registered bond for each maturity thereof in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book-entry form by the Securities Depository in accordance with and subject to the provisions of Section 2.14 of the Indenture. Initially, the 2013 Series A Bonds shall be registered in the name of Cede & Co., as nominee of the Securities Depository.

SECTION 12.03. Redemption of 2013 Series A Bonds. Notwithstanding anything to the contrary in Section 2.03 of the Indenture, the 2013 Series A Bonds shall be subject to redemption as provided in this Section 12.03.

(a) Extraordinary Redemption. The 2013 Series A Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, at the option of the Authority, on any [Interest Payment Date]{if partial refunding} [date]{if full refunding}, in whole or in part, from proceeds of insurance or eminent domain proceedings, upon the terms and conditions of, and as provided in Sections 5.09, 5.10 and 5.15 of the Indenture, respectively, at the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

(b) [Optional Redemption. The 2013 Series A Bonds maturing on and after May 1, \_\_\_\_ are subject to redemption prior to their respective maturity dates, at the option of the Authority, from any available funds, either in whole or in part on any date on or after May 1, \_\_\_\_\_, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.]

(c) General Redemption Provisions.

(1) Selection of Bonds for Redemption. If less than all Outstanding Bonds are to be redeemed at any one time from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity on a proportionate basis; provided that within each maturity such Bonds shall be selected by lot. If less than all Outstanding Bonds are to be redeemed at any one time, other than from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity at its discretion; provided that within each maturity such Bonds shall be selected by lot.

(2) Notice of Redemption. Notice of redemption of 2013 Series A Bonds shall be given by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to (i) the respective Holders of the 2013 Series A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depository and (iii) the Repository; provided however, that so long as a book-entry system is used for the 2013 Series A Bonds, the Trustee will send notice of redemption only to the Securities Depository and the Repository. Notice of redemption to the Securities Depository and the Repository shall be given by registered mail or by electronically secure means. Each notice of redemption shall state the date of such notice, the redemption price (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2013 Series A Bonds of such maturity to be redeemed and, in the case of 2013 Series A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date fixed for redemption there will become due and payable on each of said 2013 Series A Bonds the redemption price thereof and in the case of a 2013 Series A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, and that from and after such date fixed for

redemption interest thereon shall cease to accrue, and shall require that such 2013 Series A Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

The Trustee shall give notice of redemption upon receipt of a Written Request of the Authority (which request shall be given to the Trustee at least seventy-five (75) days or such lesser number of days as the Trustee agrees prior to the date fixed for redemption), but only after the Authority shall file a Certificate of the Authority with the Trustee that on or before the date fixed for redemption, the Authority shall have deposited with or otherwise made available to the Trustee the money required for payment of the redemption price of all 2013 Series A Bonds then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose), together with the estimated expense of giving such notice.

Failure by the Trustee to give notice pursuant to this section to any one or more of the Securities Depository or Repository, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to give notice of redemption pursuant to this section to any one or more of the respective Holders of any 2013 Series A Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

(3) Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2013 Series A Bonds called for redemption is held by the Trustee, then, on the date fixed for redemption designated in such notice, the 2013 Series A Bonds shall become due and payable, and from and after the date so designated interest on the 2013 Series A Bonds so called for redemption shall cease to accrue, and the Holders of such 2013 Series A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All 2013 Series A Bonds redeemed pursuant to the provisions of this section shall be canceled by the Trustee and shall be surrendered to the Authority and shall not be reissued.

SECTION 12.04. Form of 2013 Series A Bonds. The 2013 Series A Bonds and the authentication endorsement and form of assignment to appear thereon shall be substantially in the form attached to this First Supplemental Trust Indenture as Exhibit A, with necessary or appropriate variations, omissions and insertions, as permitted or required hereby.

SECTION 12.05. Procedure for the Issuance of 2013 Series A Bonds; Use of Proceeds of 2013 Series A Bonds. At any time after the sale of the 2013 Series A Bonds in accordance with the Act and the Refunding Act, the Authority shall execute and deliver the 2013 Series A Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the 2013 Series A Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof. Upon the receipt of payment for the 2013 Series A Bonds from the purchaser thereof, the Trustee shall set aside and apply the proceeds thereof in the amount of \$\_\_\_\_\_ (representing the principal amount of the 2013 Series A Bonds of \$\_\_\_\_\_, [plus net original issue premium][less net original issue discount] of \$\_\_\_\_\_, less an underwriters' discount of \$\_\_\_\_\_ ) and make such other transfers as follows:

(1) The Trustee shall transfer to the Escrow Agent for deposit in the escrow fund established under the Escrow Agreement from amounts on deposit in the Reserve Account the amount of \$\_\_\_\_\_ and from surplus amounts held in the funds and accounts under the Original Indenture the amount of \$\_\_\_\_\_, and the amounts transferred shall be applied, together with amounts deposited therein as provided in paragraph (2) below, to the defeasance and redemption of the 1998 Series A Bonds;

(2) The Trustee shall transfer to the Escrow Agent for deposit in the escrow fund established under the Escrow Agreement from a portion of the proceeds received from the sale of the 2013 Series A Bonds the amount of \$\_\_\_\_\_ to be applied, together with amounts deposited therein as provided in paragraph (1) above, to the defeasance and redemption of the 1998 Series A Bonds; and

(3) The Trustee shall deposit in the 2013 Series A Costs of Issuance Fund from a portion of the proceeds received from the sale of the 2013 Series A Bonds the amount of \$\_\_\_\_\_.

The Trustee may establish such temporary funds, accounts and subaccounts as may be necessary or desirable to accomplish such deposits.

SECTION 12.06. Costs of Issuance Fund. In addition to the accounts created pursuant to Sections 2.12, 2.15, 4.02, 4.03 and 5.04 of the Indenture, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained under the Indenture designated as the “Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A Costs of Issuance Fund” (the “2013 Series A Costs of Issuance Fund”). There shall be deposited in the 2013 Series A Costs of Issuance Fund such amounts as are required to be deposited therein pursuant to Section 12.05. The Trustee shall apply the moneys in the 2013 Series A Costs of Issuance Fund from time to time to pay all Costs of Issuance of the 2013 Series A Bonds. Upon the payment of all Costs of Issuance of the 2013 Series A Bonds, the Trustee shall transfer any remaining amounts in the 2013 Series A Costs of Issuance Fund to the Revenue Fund to be applied by the Trustee to offset scheduled Base Rental payments under the Lease, or if the Department is no longer leasing the Premises, in such other manner as the Authority may by Written Request direct.

SECTION 12.07. Validity of Bonds. From and after the issuance of the 2013 Series A Bonds the findings and determinations of the Authority respecting the 2013 Series A 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 the 2013 Series A 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 proceeds of the sale of the 2013 Series A Bonds. The recital contained in the 2013 Series A Bonds that the same are issued pursuant to the Act and the Refunding Act and pursuant to the Indenture shall be conclusive evidence of their validity and of the regularity of their issuance, and all 2013 Series A Bonds shall be incontestable from and after their issuance. The 2013 Series A Bonds shall be deemed issued, within the meaning of the Indenture, whenever the definitive 2013 Series A Bonds (or any temporary 2013 Series A Bonds exchangeable therefor) shall have been delivered to the purchasers thereof and the proceeds of sale thereof shall have been received.

ARTICLE 13 - AMENDMENT TO ORIGINAL INDENTURE

SECTION 13.01. Amendments to Original Indenture.

(a) Subparagraph (4) of Section 4.03(c) of the Original Indenture is hereby amended and restated to read as follows:

“(4) All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in such order, in the event of any deficiency at any time in either of such accounts, or for the purpose of paying the principal of, redemption premium, if any, or interest on the Bonds in the event that no other money of the Authority is lawfully available therefor (including upon acceleration of the Bonds under Section 8.03), or for the purpose of paying the final principal and interest payment on the Bonds, except that so long as the Authority is not in default hereunder, any amount in the Reserve Account in excess of the amount required by Section 4.03(c)(1) to be on deposit therein may be withdrawn from the Reserve Account and deposited in the Revenue Fund; provided that the Trustee, upon the written request of the Department and upon receipt of such documentation as it may require, shall withdraw from the Reserve Account and pay to the Department money sufficient to reimburse the Department for any Base Rental theretofore paid by the Department under the Lease for a period of time during which the payment of Base Rental under the Lease is abated and for which no other money (including proceeds of the rental interruption or use and occupancy insurance required by Section 5.10(c) and money in the Maintenance and Operation Account and in the Surplus Account) is available.”

(b) Section 4.03(c) of the Original Indenture is hereby further amended by adding a subparagraph (5) to the end thereof as follows:

“(5) In the event of the refunding of all or any portion of the Bonds, the Trustee may transfer from the Reserve Account any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal of, redemption premium, if any, or interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 9.01 of this Indenture, and (b) the amount remaining in the Reserve Account after such withdrawal shall not be less than the amount required by Section 4.03(c)(1) to be on deposit therein.”

(b) Paragraph (b) of Section 5.15 of the Original Indenture is hereby amended and restated to read as follows:

“(b) If less than the entire Premises shall have been so taken and the remainder is not usable as a state office building, or if the entire Premises shall have been so taken, the Trustee shall apply such proceeds, together with any other money then available to it for such purpose, for the payment of the entire amount

of principal then due or to become due upon all Outstanding Bonds, together with the interest thereon so as to enable the Authority to retire all of the Bonds then Outstanding by payment at maturity or by earlier redemption of the Bonds pursuant to the terms of this Indenture; except that if such proceeds, together with any other money, then lawfully available to it for such purpose, are insufficient to provide for the foregoing purpose, then such proceeds shall be applied to the construction of substantially equivalent office space and upon completion of such construction, the Lease shall continue as if it had been tolled during the time when possession of the Premises or replacement office space was unavailable.”

#### ARTICLE 14 - MISCELLANEOUS

SECTION 14.01. Execution; Consent of Bond Insurer. This First Supplemental Trust Indenture has been authorized, executed and delivered by the Authority and the Trustee, and the issuance of the 2013 Series A Bonds has been consented to by the Bond Insurer, in accordance with Section 3.02(f) of the Indenture, and the Authority and the Trustee do hereby both find and determine that the amendments contained in this First Supplemental Trust Indenture shall not materially adversely affect the interests of the registered owner or owners of any Bonds. By its written consent as evidenced by its execution of the Consent of Bond Insurer attached hereto, Ambac Assurance Corporation, as the Bond Insurer, hereby acknowledges that, upon the issuance of the 2013 Series A Bonds and the redemption [or payment] in full of the 1998 Series A Bonds (as such terms are defined in the recitals hereto) all references to Ambac Assurance Corporation and the Bond Insurer contained in the Indenture shall no longer be of any force and effect.

SECTION 14.02. Business Days. Except as specifically set forth in the Original Indenture or a Supplemental Indenture, transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day with the same effect as if made on such prior date.

SECTION 14.03. Severability. If any provision of this First Supplemental Trust Indenture shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 14.04. Execution in Several Counterparts. This First Supplemental Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

SECTION 14.05. Provision of Indenture Not Otherwise Modified. Except as specifically amended or modified by this First Supplemental Trust Indenture, the Indenture is hereby ratified, approved and confirmed and remains in full force and effect.

SECTION 14.06. Governing Law; Venue. The laws of the State of California shall govern this First Supplemental Trust Indenture, the interpretation thereof and any right or liability arising under the Indenture by virtue hereof. Any action or proceeding to enforce or

interpret any provision of this First Supplemental Trust Indenture shall be brought, commenced or prosecuted in Sacramento County, California.

SECTION 14.07. Effective Date. This First Supplemental Trust Indenture shall be effective upon the execution hereof by the parties hereto.

[Remainder of page intentionally left blank.]

**CAL EPA REFUNDING 2013 SERIES A  
FIRST SUPPLEMENTAL TRUST INDENTURE**

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Trust Indenture to be signed by their respective officers, all as of the day and year first above written.

SACRAMENTO CITY FINANCING  
AUTHORITY

By \_\_\_\_\_  
Treasurer

ATTEST:

By \_\_\_\_\_  
Secretary

APPROVED AS TO FORM:

By \_\_\_\_\_  
Authority Counsel

TREASURER OF THE STATE  
OF CALIFORNIA, as Trustee

By \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer Bill Lockyer

CONSENT OF BOND INSURER

BY EXECUTION HEREOF, Ambac Assurance Corporation as Bond Insurer of the outstanding Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A, hereby consents to the issuance of the Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A as described in this First Supplemental Trust Indenture as of the date first above written, and hereby acknowledges that, upon the issuance of the 2013 Series A Bonds and the redemption [or payment] in full of the 1998 Series A Bonds (as such terms are defined in the recitals hereto) all references to Ambac Assurance Corporation and the Bond Insurer contained in the Indenture shall no longer be of any force and effect. By providing its consent Ambac Assurance Corporation makes no statement as to the necessity of obtaining other consents or taking other actions prior to effectuating the actions described herein.

AMBAC ASSURANCE CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**[FORM OF 2013 SERIES A BOND]**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) 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 THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), 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.

No. R-A\_ \$ \_\_\_\_\_

**SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BOND  
STATE OF CALIFORNIA – CAL EPA BUILDING  
2013 SERIES A**

Interest Rate	Maturity Date	Dated Date	CUSIP
%	May 1, _____		

REGISTERED OWNER: CEDE CO.

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

The SACRAMENTO CITY FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing pursuant to the laws of the State of California (the “Authority”), for value received, promises to pay (but only out of the Revenues referred to below) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the date hereof until the principal of this 2013 Series A Bond shall have been paid at the interest rate per annum specified above, payable on [November 1, 2013], and semiannually thereafter on May 1 and November 1 in each year (each an “Interest Payment Date”). Interest due on or before the maturity or prior redemption of this 2013 Series A Bond shall be payable in lawful money of the United States of America by check mailed to the registered owner hereof as of the close of business on the fifteenth (15th) day

of the calendar month (whether or not a Business Day) next preceding each Interest Payment Date. The principal of and redemption premium, if any, on this 2013 Series A Bonds shall be payable upon surrender thereof at maturity or on redemption prior to maturity in lawful money of the United States of America at the office of the trustee for the Bonds (the “Trustee”), or at such additional office as the Trustee or any successor trustee may select and designate for such purpose.

This 2013 Series A Bond is one of a duly authorized issue of bonds of the Authority designated as its “Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A” (the “2013 Series A Bonds,” and together with all additional bonds issued under the hereinafter defined Indenture, the “Bonds”) in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) and is issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (being Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the “Act”), including Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Act”), and under and pursuant to the provisions of a Trust Indenture, dated as of November 1, 1998, as amended and supplemented by the First Supplemental Trust Indenture, date as of August 1, 2013, each between the Authority and the Trustee (as so amended and supplemented, the “Indenture”). Copies of the Indenture are on file at the office of the Trustee. Capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The 2013 Series A Bonds are issued for the purpose of providing funds to (i) currently refund and defease [all][a portion] of the outstanding Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A of the Authority and (ii) pay certain costs of issuance of the 2013 Series A Bonds. The Bonds are special obligations of the Authority and are payable, as to principal thereof, any premium upon the redemption thereof, and interest thereon, solely from the Revenues and other funds specified in the Indenture, consisting primarily of Base Rentals paid by the Department of General Services of the State of California (the “Department”) to the City of Sacramento, a charter city and municipal corporation, duly organized and existing under and by virtue of the constitution of the laws of the State of California (the “City”) for the use of the Premises, pursuant to the Sacramento/State Building Lease dated April 23, 1997, as amended, including by a First Amendment to Sacramento/State Building Lease, dated as of November 1, 1998, a Second Amendment to Sacramento/State Building Lease entered into in September 1999, and a Third Amendment to Sacramento/State Building Lease, dated as of August 1, 2013, each by and between the City and the Department (as so amended, the “Lease”), so long as the Department has use and occupancy of the Premises, and the Authority is not obligated to pay the principal of, redemption premium, if any, or interest on the Bonds except from the Revenues and other funds as provided in the Indenture.

All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues and other funds as provided in the Indenture, and the Revenues and other funds as provided in the Indenture constitute a trust fund for the security and payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds are not a debt of the Authority, the City, the Department, the State of California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction, or a pledge of the faith and credit of the Authority, the City, the State or any political subdivision thereof. The Authority has

no power at any time or in any manner to pledge the credit or taxing power of the City or the State.

Additional Bonds payable from the Revenues may be issued which will rank equally as to security with the 2013 Series A Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Indenture. Reference is hereby made to the Act (and the Refunding Act with respect to the 2013 Series A Bonds) 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, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Bonds; and all the terms of the Act, the Refunding Act and the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this 2013 Series A Bond, to all the provisions of which the registered owner of this 2013 Series A Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all the provisions of the Act, the Refunding Act and the Indenture and shall be bound by all the terms and conditions thereof.

The Authority has agreed and covenanted that, for the payment of the principal of, redemption premium, if any, and interest on the Bonds authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture) shall be deposited, and as an irrevocable charge the Authority has allocated such Revenues solely to the payment of the principal of, redemption premium, if any, and interest on the Bonds, and the Authority will pay promptly when due the principal of, redemption premium, if any, and interest on the Bonds authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

The 2013 Series A Bonds are subject to redemption prior to their respective maturity dates, at the option of the Authority, on any [Interest Payment Date] [date], in whole or in part, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided in, the Indenture, at the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

[The 2013 Series A Bonds maturing on and after May 1, \_\_\_\_ are subject to redemption prior to their respective maturity dates, at the option of the Authority, from any available funds, either in whole or in part on any date on or after May 1, \_\_\_\_, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.]

If less than all Outstanding Bonds are to be redeemed at any one time from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity on a proportionate basis; provided that within each maturity such Bonds shall be selected by lot. If less than all Outstanding Bonds are to be redeemed at any one time, other than from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity at its discretion; provided that within each maturity such Bonds shall be selected by lot.

As provided in the Indenture, notice of any redemption of this 2013 Series A Bond shall be given not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption to the registered owner hereof. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this 2013 Series A Bond shall, on the date fixed for redemption 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 2013 Series A Bond shall cease to accrue and the registered owner of this 2013 Series A Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an event of default, as defined in the Indenture, shall occur, the principal of the Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture; except that the Indenture provides that in certain events such declaration and its consequences may be rescinded by the registered owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding.

This 2013 Series A Bond is transferable only on a register to be kept for that purpose at the office of the Trustee by the registered owner hereof in person or by a duly authorized attorney, but only at the times and upon payment of the charges provided in the Indenture, and upon surrender of this 2013 Series A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or a duly authorized attorney, and thereupon a new fully registered 2013 Series A Bond or new fully registered 2013 Series A Bonds of Authorized Denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor. This 2013 Series A Bond may also be exchanged by the registered owner hereof at the office of the Trustee in Authorized Denominations in a like aggregate principal amount, but only at the times and upon payment of the charges provided in the Indenture. The Trustee shall not be required to issue or register the transfer of or exchange any 2013 Series A Bond during the period from the sixteenth (16<sup>th</sup>) day of the calendar month preceding an Interest Payment Date to and including such Interest Payment Date, or to register the transfer of or exchange any 2013 Series A Bond which has been selected for redemption. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the principal hereof, redemption premium, if any, and interest hereon and for all other purposes, whether or not this 2013 Series A Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the principal of; redemption premium, if any, and interest on this 2013 Series A Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this 2013 Series A Bond to the extent of the sum or sums so paid.

The rights and obligations of the Authority and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the principal of, redemption premium, if any, or interest on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the registered owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues superior to or on a parity with the pledge, charge and lien created by the Indenture for

the benefit of the Bonds authorized by the Indenture, or (3) reduce the percentage of Bonds required for the written consent to an amendment of the Indenture, all as more fully set forth in the Indenture.

This 2013 Series A Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee or its deputy. This 2013 Series A Bond is nonnegotiable in that it is transferable only on the register of the Trustee. Neither the payment of the principal nor any part of the principal, nor any interest on the principal, nor redemption premium, if any, constitutes a debt or general obligation of the State of California.

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 2013 Series A 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 2013 Series A Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or 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 Sacramento City Financing Authority has caused this 2013 Series A Bond to be executed in its name and on its behalf by the facsimile signature of the Chairman or Vice Chairman and countersigned by the facsimile signature of the Secretary of said Authority, all as of the dated date specified above.

SACRAMENTO CITY FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chairman

COUNTERSIGNED:

\_\_\_\_\_  
Secretary

**[FORM OF CERTIFICATE OF AUTHENTICATION]**

This is one of the 2013 Series A Bonds described in the within-mentioned Indenture which has been authenticated on the date set forth below.

Dated: \_\_\_\_\_.

TREASURER OF THE STATE OF  
CALIFORNIA, as trustee

By: \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer Bill Lockyer

**[FORM OF ASSIGNMENT]**

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_, the within-mentioned registered Bond and all rights thereunder, and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTE: The signature(s) on 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.

Signature guaranteed:

\_\_\_\_\_  
NOTICE: Signature must be guaranteed by an eligible guarantor institution.

**PURCHASE CONTRACT**

**[\$[Principal Amount]  
Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A**

[Pricing Date]

Sacramento City Financing Authority  
Treasurer  
915 I Street, HCH, 3rd Floor  
Sacramento, California 95814-2604

Honorable Bill Lockyer  
Treasurer of the State of California  
915 Capitol Mall, Room 261  
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc. (together, the "Representatives"), acting jointly on behalf of themselves and the other underwriters named on the attached Schedule I to this Purchase Contract (collectively, the "Underwriters"), offer to enter into this Purchase Contract with the Sacramento City Financing Authority (the "Authority") and with the Treasurer of the State of California (the "State Treasurer"). This offer is made subject to the Authority's and State Treasurer's acceptance of this Purchase Contract on or before 11:59 p.m., California time, on the date set forth above and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice by the Representatives delivered to the Authority and the State Treasurer at any time prior to the acceptance of this Purchase Contract by the Authority and the State Treasurer.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Indenture (defined herein) or if such terms are not defined in the Indenture, they shall have the meanings set forth in the Preliminary Official Statement (defined herein).

Section 1. Upon the terms and conditions and upon the basis of the representations and covenants set forth in this Purchase Contract, the Underwriters, jointly and severally, agree to purchase from the State Treasurer, and the State Treasurer agrees to sell and deliver to the Underwriters, on behalf of the Authority, all (but not less than all) of the \$[Principal Amount] aggregate principal amount of the Authority's Lease Revenue Refunding Bonds State of California - Cal EPA Building 2013 Series A (the "Bonds").

The Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum set forth in Schedule II attached hereto. The aggregate purchase price for the Bonds shall be as set forth on Schedule III attached hereto, with the payment for and delivery of the Bonds to be made pursuant to Section 10 of this Purchase Contract (such payment and delivery and

the other actions contemplated to take place at the time of such payment and delivery being sometimes referred to herein as the “Closing”).

Section 2. The Underwriters acknowledge receipt of the Authority’s Preliminary Official Statement, dated August 12, 2013, relating to the Bonds (including the cover page and all appendices thereto, the “Preliminary Official Statement”) and the Authority agrees to deliver or cause to be delivered to the Underwriters the final Official Statement relating to the Bonds dated the date hereof as provided in Section 7 of this Purchase Contract (including the cover page and all appendices thereto and as may be amended and supplemented from time to time pursuant to this Purchase Contract, the “Official Statement”). As of its date, based in part on certificates delivered by the State Treasurer, the State Controller’s Office, the Department of Finance, the Department of General Services (the “Department of General Services”), [and in reliance on a litigation certificate and a letter provided by the Office of the Attorney General], the Preliminary Official Statement has been “deemed final” by the Authority pursuant to Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) except for the omission of certain information permitted to be omitted by such rule, as stated in the certificate of the Authority regarding the Preliminary Official Statement delivered to the Representatives on the date thereof. The forms of the certificates relating to the Preliminary Official Statement delivered by the Authority, the City and the Department of General Services are attached hereto as Exhibits A-1, A-2 and A-3.

The Underwriters have reviewed the information in the Preliminary Official Statement and will review the information in the Official Statement when delivered, in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters have not guaranteed and will not guarantee the accuracy or completeness of such information. The Underwriters have not notified the State Treasurer or the Authority of the need to modify or supplement the Preliminary Official Statement.

Section 3. (a) The Bonds shall be as described in and shall be issued and secured under the provisions of the Trust Indenture, dated as of November 1, 1998 (the “Original Indenture”), as supplemented by the First Supplemental Trust Indenture, dated as of August 1, 2013 (the “First Supplemental Trust Indenture” and, together with the Original Indenture, the “Indenture”), each by and between the Authority and the State Treasurer, as trustee. The Bonds shall be payable and subject to redemption as set forth in the Indenture. The redemption provisions for the Bonds are set forth in Schedule II attached hereto. The Bonds shall be legal, valid and binding special obligations of the Authority which are payable, as to principal thereof, any premium upon the redemption thereof, and interest thereon, solely from the Revenues and other funds specified in the Indenture, consisting primarily of Base Rentals paid by the Department of General Services of the State of California (the “Department”) pursuant to the Sacramento/State Building Lease dated April 23, 1997 (the “Original Lease”), as amended, including by a First Amendment to Sacramento/State Building Lease, dated as of November 1, 1998 (the “First Amendment to Lease”), a Second Amendment to Sacramento/State Building Lease entered into in September 1999 (the “Second Amendment to Lease”), and a Third Amendment to Sacramento/State Building Lease, dated as of August 1, 2013 (the “Third Amendment to Lease” and, together with the Original Lease, the First Amendment to Lease and the Second Amendment to Lease, the “Lease”), each by and between the City of Sacramento (the “City”), as lessor, and the Department, as lessee. The Bonds are being issued to provide funds to (i) currently refund all or a portion of the Authority’s Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the “1998 Bonds” and the portion thereof to be refunded with proceeds of the Bonds is referred to herein as the “Refunded Bonds”) and (ii) pay the costs of issuance of the Bonds. Pursuant to the Original Lease and the First Amendment to Lease,

the Department of General Services has agreed to make Base Rental payments for the beneficial use and occupancy of a state office building more particularly described in the Lease (the “Premises”) calculated to be sufficient in both time and amount, to pay when due the annual principal of and interest on the 1998 Bonds. Pursuant to the Third Amendment to Lease, the Department of General Services will agree to make Base Rental payments for the beneficial use and occupancy of the “Premises” calculated to be sufficient in both time and amount, to pay when due the annual principal of and interest on the Bonds and the Refunded Bonds. A portion of the proceeds of the Bonds will be held uninvested pursuant to the terms of the Escrow Agreement, dated as of August 1, 2013 (the “Escrow Agreement”), by and between the Authority and the State Treasurer, as trustee for the 1998 Bonds, and used to redeem the Refunded Bonds on the redemption date set forth therein.

Section 4. The State Treasurer acknowledges receipt of a deposit in the form of a wire transfer (in immediately available funds) for the account of the Authority or such other form of payment in immediately available funds as shall have been mutually agreed upon by the State Treasurer and the Representatives in an amount equal to the \$[Security Deposit]. Such deposit has been delivered by the Underwriters as security for the performance by the Underwriters of their obligations to purchase, accept delivery of and pay for the Bonds at Closing. Upon execution of this Purchase Contract, the State Treasurer may invest the proceeds of the deposit for the account of the Authority. At the Closing, the Underwriters shall pay or cause to be paid the purchase price of the Bonds (as specified in Schedule III), less the amount of such deposit, without interest on such deposit. Should the State Treasurer fail to deliver the Bonds at Closing, or should the State Treasurer or the Authority be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for a reason permitted by this Purchase Contract, the State Treasurer shall forthwith return the amount of such deposit, without interest, to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for any of the Bonds at the Closing as herein provided, such deposit shall be retained by the State Treasurer on behalf of the Authority as and for full liquidated damages for the failure of the Underwriters to accept delivery of and pay for the Bonds. The retention of such deposit shall constitute a full release and discharge of all claims and rights of the State Treasurer and the Authority against the Underwriters on account of such failure and a waiver of any right the State Treasurer or the Authority may have to any additional damages for such failure. The Underwriters, the Authority, and the State Treasurer understand that in such event the actual damage to the State Treasurer or the Authority may be more or less than the amount of such deposit and the exact amount of actual damages will be difficult to ascertain. Accordingly, each of the Underwriters waives any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages and the execution of this Purchase Contract shall constitute a waiver of any right the State Treasurer or the Authority may have to additional damages from the Underwriters.

Section 5. The Underwriters have designated the Representatives to act jointly (but not severally) on behalf of the Underwriters with respect to this Purchase Contract. The Representatives hereby represent, warrant, and covenant to the Authority and the State Treasurer that (a) they are duly authorized to execute this Purchase Contract on behalf of the Underwriters and to take all action required or permitted to be taken hereunder by or on behalf of the Underwriters, (b) any authority, discretion, or other power conferred upon the Underwriters by this Purchase Contract may be exercised by the Representatives acting jointly but without any of the other Underwriters, and (c) the Representatives shall promptly notify the Authority and the State Treasurer of the date when all of the Bonds have been sold in the manner described herein.

Section 6. It shall be a condition to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be sold and delivered by the State Treasurer to the Underwriters, on behalf of the Authority, at Closing. The Underwriters agree to make an initial bona fide public offering of all of the Bonds, at the initial public offering prices (or yields) set forth on Schedule II attached hereto. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriters. The Representatives represent that there were no Bonds sold by the Underwriters in the initial offering to investors, the sale to whom would require qualification under foreign law.

Section 7. (a) The Authority, the State Treasurer and the Department have authorized the distribution of the Official Statement by the Underwriters in connection with the public offering and the sale of the Bonds; provided, however, that the Underwriters shall not sell any of the Bonds outside of the United States. The Authority, the State Treasurer and the Department have consented to the distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement, in electronic form, in connection with the public offering of the Bonds. The Authority, in cooperation with the State Treasurer and the Department, shall supply or cause to be supplied to the Underwriters, on a business day within seven (7) business days after the date of this Purchase Contract and in time to accompany any confirmation that requests payment from any customer, provided such business day is no later than one (1) business day prior to the Closing, the Official Statement in the designated electronic format in order to allow the Underwriters to comply with Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). Each of the Underwriters hereby agrees that it will not send any confirmation requesting payment for the purchase of any of the Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Representatives agree to (a) provide the State Treasurer and the Authority, by 5:00 p.m., California time, on the day this Purchase Contract is executed, with final pricing information on the Bonds and any other information necessary for the completion of the Official Statement; (b) promptly disseminate to the Underwriters copies of the Official Statement, including any supplements thereto; (c) promptly file a copy of the Official Statement, including any supplements prepared by the Authority, with the MSRB; and (d) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(b) From the date hereof until the earlier of 25 days from the "end of the underwriting period" (as defined in paragraph (f)(2) of Rule 15c2-12) or the date when all of the Bonds have been sold by the Underwriters, if in the reasonable opinion of the Authority, Fulbright & Jaworski LLP ("Bond Counsel"), Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth, a Professional Corporation ("Co-Disclosure Counsel for Appendix A"), the Honorable Kamala D. Harris, Attorney General of the State of California (the "Attorney General"), legal counsel to the Authority, or Hawkins Delafield & Wood LLP ("Underwriters' Counsel"), any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein not misleading, in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority, if requested by the Representatives, will, in cooperation with the State Treasurer and the Department, forthwith prepare and furnish to the Underwriters in the electronic format designated by the MSRB an amendment of or supplement to the Official Statement (in form and substance satisfactory to Bond Counsel, the Attorney General, counsel to the Authority, Co-Disclosure Counsel for Appendix A and Underwriters' Counsel,) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the amendment of or supplement to the Official Statement is delivered to the

Underwriters, not misleading. For the period of time this section remains operative, the Authority will furnish to the Underwriters such information with respect to itself and the State Treasurer shall furnish such information with respect to the State and the Department as the Underwriters may, in consultation with the Authority and State Treasurer, from time to time reasonably request. The Authority may assume that the “end of the underwriting period” for purposes of Rule 15c2-12 will occur on the date of Closing unless otherwise notified, in writing, by the Representatives on or prior to the date of Closing. If the Representatives notify the Authority and the State Treasurer that the end of the underwriting period shall not occur on the date of Closing, the Representatives shall notify the Authority and the State Treasurer of the date when all Bonds have been sold so that the Authority may determine its obligation to supplement or amend the Official Statement. After the earlier of twenty-five (25) days from the “end of the underwriting period” or the date when the Representatives notify the Authority and the State Treasurer that all of the Bonds have been sold by the Underwriters, the Authority will no longer be obligated to amend or supplement the Official Statement.

Section 8. The Authority represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated (as used in this Section 8, the phrase “actual knowledge of the Authority” means the actual knowledge of the Authority’s Treasurer or Secretary):

(a) The Authority will furnish or cause to be furnished such information, will execute or cause to be executed such instruments, and will take or cause to be taken such other reasonable action in cooperation with the Representatives as the Representatives may deem necessary (1) to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, however, that the foregoing will not require the Authority to register as a dealer or broker or to consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction or to comply with any other requirements reasonably deemed by the Authority to be unduly burdensome in connection with the foregoing.

(b) The Authority is a duly constituted and validly existing joint-exercise-of-powers agency under the laws of the State of California (the “State”) and has all requisite right, power, and authority (1) to cause the execution and delivery of this Purchase Contract, the First Supplemental Trust Indenture, and the Escrow Agreement; (2) to issue the Bonds and to deliver or cause to be delivered the Bonds to the Underwriters as provided in this Purchase Contract; (3) to perform all of the transactions contemplated by this Purchase Contract, the Indenture, and the Escrow Agreement; and (4) to undertake the activities described in the Official Statement as activities which the Authority has undertaken or will undertake.

(c) The Original Indenture and the Consent and Assignment Agreement, dated as of June 1, 1998 (the “Consent and Assignment Agreement”), by and among the City, the Authority, the State Treasurer, and the Department of General Services, have been duly authorized, executed, and delivered by the Authority; and on or before the date of this Purchase Contract, the Authority has duly taken all action to be taken by it before that date for (1) the execution and delivery of this Purchase Contract, the First Supplemental Trust Indenture, the Escrow Agreement, and the Bonds; (2) the distribution of the Official Statement; and (3) the performance of its obligations under this Purchase Contract, the Indenture, the Consent and Assignment Agreement, the Escrow Agreement, and the Bonds. The Purchase Contract, the Indenture, the Consent and Assignment Agreement, and

the Escrow Agreement are collectively referred to in this Purchase Contract as the “Authority Documents.”

(d) The Original Indenture and the Consent and Assignment Agreement do, and, upon the due execution of this Purchase Contract, the First Supplemental Trust Indenture, the Escrow Agreement, and the Bonds by the respective parties, the Authority Documents and the Bonds will, constitute, legal, valid, and binding obligations of the Authority, enforceable against it in accordance with their respective terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

(e) To the actual knowledge of the Authority as of the date of this Purchase Contract, and except as otherwise disclosed in the Official Statement, the Authority is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument to which the Authority is a party or otherwise subject, which breach or default would in any way materially and adversely affect the Authority Documents or the issuance of the Bonds, and no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

(f) To the actual knowledge of the Authority as of the date of this Purchase Contract, and except as otherwise disclosed in the Official Statement, the execution and delivery of this Purchase Contract and the First Supplemental Trust Indenture; the compliance with the terms, conditions, or provisions of the Authority Documents; and the consummation of the transactions contemplated by the Authority Documents do not and will not in any material way (1) conflict with, or constitute a violation of, any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the Authority); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the Authority is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority pledged to pay the principal of and interest on the Bonds, except as expressly provided or permitted by Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, the Indenture, or the Bonds.

(g) To the actual knowledge of the Authority as of the date of this Purchase Contract, and except as set forth in the Official Statement, the Authority has not been served with process in, and has not been threatened with, any action, proceeding, inquiry, or investigation before or by any court, public board, or public body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Bonds or the Authority Documents; (2) seeking to restrain or enjoin collection of revenues pledged to pay the principal of, and interest on, the Bonds; (3) contesting or affecting the validity or enforceability of the Bonds or the Authority Documents; (4) contesting in any way the accuracy of the Official Statement; or (5) contesting the powers or authority of the Authority with respect to the Bonds or the Authority Documents.

(h) To the actual knowledge of the Authority as of the date of this Purchase Contract, and except as described in the Official Statement, all authorizations, consents, and approvals of, notices to, registration or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the Authority of the Bonds and the Authority Documents have or will have been obtained, given, or taken and will be in full force and effect as of the date of the Closing, except as follows: no representation is made with respect to compliance with the securities or “blue sky” laws of the various states of the United States.

(i) The Authority has reviewed the statements contained in the Official Statement relating to the Authority under the captions “THE AUTHORITY” and “LITIGATION – The Authority” and such statements do not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 9. The State Treasurer represents to each of the Underwriters as follows, each such representation to be deemed made as of the date of this Purchase Contract unless otherwise stated:

(a) The State Treasurer has requisite right, power and authority to enter into this Purchase Contract, the First Supplemental Trust Indenture, the Escrow Agreement and the Continuing Disclosure Agreement, dated the date of delivery of the Bonds (the “Continuing Disclosure Agreement”), by and between the State Treasurer and the Department of General Services.

(b) The Original Indenture and the Consent and Assignment Agreement have been duly authorized, executed and delivered by the State Treasurer.

(c) All authorizations and approvals for the performance by the State Treasurer of his obligations under this Purchase Contract, the Indenture, the Escrow Agreement and the Continuing Disclosure Agreement have been obtained.

(d) At the date of Closing, this Purchase Contract (assuming due authorization, execution and delivery by and validity against the Underwriters), the Indenture, the Escrow Agreement and the Continuing Disclosure Agreement will each constitute the valid and binding obligation of the State Treasurer in accordance with their respective terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors’ rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

(e) The State Treasurer will undertake, pursuant to the Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events. A description of these undertakings is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The Continuing Disclosure Agreement is being entered into in order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12. The State Treasurer and the Underwriters acknowledge that the Authority (a) has not undertaken any responsibility with respect to any reports, notices or disclosures provided or required under the Continuing Disclosure Agreement and (b) has no liability to any person, including any purchaser or

owner of the Bonds with respect to Rule 15c2-12. In the past five years, the State Treasurer has always filed its annual reports on a timely basis as required by its continuing disclosure undertakings. The State Treasurer has also, to his knowledge, complied with its undertakings to report on certain events, with the exception that in 2012 the State Treasurer discovered that the State had failed to file notices relating to downgrades of seven maturities of its general obligation bonds when a bond insurer's rating was downgraded. The State Treasurer was not aware of these occurrences at the time, since the rating agencies did not notify the State of their actions on the State's bonds. Reports for the action have been filed with the Electronic Municipal Market Access website operated by the MSRB. The State has thousands of individual maturities of its general obligation bonds outstanding, and has procedures in place to monitor events which may affect them, including rating changes.

Section 10. At 8:30 a.m., California time, on August 29, 2013, or on such earlier or later date as may be agreed upon by the Representatives, the Authority, and the State Treasurer, the Authority and the State Treasurer will deliver or cause to be delivered to the Representatives at the offices of Bond Counsel or such other place as may be mutually agreed upon, the documents required to be delivered pursuant to this Purchase Contract and the Underwriters will accept delivery of the Bonds in definitive form through the facilities of DTC and pay the purchase price of the Bonds as set forth in Schedule III of this Purchase Contract (less the amount of the deposit referred to in Section 4 of this Purchase Contract) by wire transfer in immediately available funds to the order of the State Treasurer, for the account of the Authority (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the Authority, the State Treasurer and the Representatives). The Bonds in definitive form shall be evidenced by typewritten, lithographed or word-processed Bonds in authorized denominations. The Bonds shall be credited immediately after such payment to the account of the Representatives at DTC. It is anticipated that CUSIP identification numbers will be printed, typewritten, lithographed or word processed on the Bonds, but neither the failure to include a CUSIP identification number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract.

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity and if Bonds are sold with the same maturity date, but different interest rates, with a single fully registered Bond for each interest rate within a maturity. The State Treasurer acknowledges that the services of DTC will be used initially by the Underwriters in order to permit the issuance of the Bonds in book-entry form, and agrees to cooperate fully with the Underwriters in employing such services. The Bonds shall be made available to the Underwriters at the office of Bond Counsel (or such other place or date as shall have been mutually agreed upon by the Authority, the State Treasurer and the Representatives) at least one day prior to the Closing for purposes of inspection.

Not later than 10 days after the date of the Closing, the Representatives (on behalf of the Underwriters) shall submit to the State Treasurer the report(s) required by Section 1899.532 of Title 2 of the California Code of Regulations.

Section 11. The Underwriters have entered into this Purchase Contract in reliance upon the representations of the Authority and of the State Treasurer contained herein and upon the performance by the Authority and the State Treasurer of their obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing. The Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations of the Authority and the State Treasurer contained herein shall be true, complete and correct on the date of this Purchase Contract and on and as of the date of the Closing, as if made on the date of the Closing;

(b) at the time of the Closing, the Authority's resolution authorizing the issuance of the Bonds and execution and delivery of the First Supplemental Trust Indenture (the "Authority Resolution") and the City's resolution authorizing the execution and delivery of the Third Amendment to Lease (the "City Resolution") shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been agreed to in writing by the Representatives;

(c) (i) the Underwriters shall have the right to terminate their obligations to purchase the Bonds by written notification by the Representatives to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs that, in the reasonable judgment of the Representatives, after consultation with the State Treasurer, requires termination:

(1) any event shall occur or any circumstance shall exist which causes the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(2) any national securities exchange, the Comptroller of the Currency, or any other governmental authority shall impose as to the Bonds or obligations of the general character of the Bonds any material restriction not now in force or shall increase materially any restriction now in force with respect to the extension of credit by the Underwriters or charges to the net capital requirements of the Underwriters; or

(3) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which has the effect of requiring the Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended ("Securities Act"), or has the effect of requiring the Indenture to be qualified under the Trust Indenture Act of 1939, as amended ("Trust Indenture Act"), or, in each case, any law analogous thereto relating to governmental bodies;

(ii) the Underwriters shall have the further right to terminate their obligations to purchase the Bonds by written notification by the Representatives to the State Treasurer and the Authority if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representatives, after consultation with the State Treasurer, such event would have the effect of materially adversely affecting, directly or indirectly, the market price of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering price(s) set forth in the attached Schedule II:

(1) any rating of the Bonds described herein or the rating of any other obligation of the State secured solely by the General Fund of the State (the "General Fund") (*i.e.*, excluding obligations payable primarily out of specified revenue sources other than the General Fund) shall have been downgraded or withdrawn by any of Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's, a Standard and Poor's Financial Services

LLC business (“S&P”), provided that neither a change in outlook or placement on a “watch” list with respect to a rating nor a change in the rating of a credit enhancement provider or liquidity provider for such other debt shall constitute a downgrade for purposes hereof;

(2) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and shall remain in force, or material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(3) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the State [or the Authority];

(4) the income received by any holder of obligations of the same type and character as the Bonds shall be declared under any federal income tax law not to be excludable from gross income or to be subject to alternative minimum tax (in each case either at the time of the declaration or at any future date) either (A) by regulation (other than proposed regulation not applicable to the Bonds), ruling, order, release or other official action of a federal income tax authority, or (B) by any federal court decision which is followed by the Internal Revenue Service, or (C) by enactment of any law by the Congress of the United States (“Congress”);

(5) any law is enacted or approved by the Congress, either house of Congress, a committee of either house of Congress or a conference committee of the Congress which law would have a material adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes or the applicability of any alternative minimum tax to interest on the Bonds; or

(6) there shall have occurred a material effect on the financial markets of the United States resulting from any new material outbreak or escalation of hostilities or any domestic or international calamity or crisis;

(d) at or prior to the Closing, the Representatives shall have received each of the following documents:

(1) the Preliminary Official Statement and the Official Statement, together with any supplements or amendments thereto in the event the Preliminary Official Statement or the Official Statement has been supplemented or amended;

(2) executed counterparts of the First Supplemental Trust Indenture;

(3) executed counterparts of the Continuing Disclosure Agreement;

(4) executed counterparts of the Third Amendment to Lease;

(5) an unqualified opinion of Bond Counsel, dated the date of Closing, relating to the Bonds, in substantially the forms set forth in Appendix E to the Official Statement;

(6) a letter from Bond Counsel, dated the date of Closing and addressed to the Representatives on behalf of the Underwriters, to the effect that its opinion referred to in the immediately preceding subparagraph 5 may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters;

(7) a supplemental opinion of Bond Counsel addressed to the Representatives, substantially in the form attached hereto as Exhibit B with respect the Bonds;

(8) a letter of each Co-Disclosure Counsel for Appendix A relating to the Bonds, dated the date of Closing and addressed to the Authority, the State Treasurer and the Representatives on behalf of the Underwriters regarding information contained in Appendix A to the Official Statement[, including the portion of Appendix A under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement], substantially in the form attached hereto as Exhibit F-1, and a letter of the Attorney General dated the date of Closing and addressed to the Authority, the State Treasurer and the Representatives on behalf of the Underwriters regarding certain information contained in the Official Statement under the caption “LITIGATION” and in Appendix A to the Official Statement (under the caption “LITIGATION”), substantially in the form attached hereto as Exhibit F-2;

(9) an opinion of Underwriters’ Counsel, dated the date of Closing and addressed to the Representatives, in form and substance satisfactory to the Underwriters;

(10) a certificate of the Treasurer of the Authority, dated the date of the Closing, to the effect that:

(i) the Original Indenture has been duly authorized, executed, and delivered by the Authority and, except as amended and supplemented by the First Supplemental Trust Indenture in connection with the issuance of the Bonds, has not been modified, revoked or rescinded, and remains in full force and effect;

(ii) the Consent and Assignment Agreement has been duly authorized, executed, and delivered by the Authority, has not been modified, revoked or rescinded, and remains in full force and effect;

(iii) the representations and warranties of the Authority contained in this Purchase Contract are true and correct as of the date of the Closing as if made on such date; and

(iv) the amount of Base Rental due under the Lease is consistent with the fair rental value of the Premises leased thereunder.

(11) certificates of the State Treasurer dated the date of the Closing, executed on his behalf by any Deputy Treasurer, to the effect that:

(i) the Original Indenture has been duly authorized, executed, and delivered by the State Treasurer and, except as amended and supplemented by the First Supplemental Trust Indenture in connection with the issuance of the Bonds, has not been modified, revoked or rescinded, and remains in full force and effect;

(ii) the Consent and Assignment Agreement has been duly authorized, executed, and delivered by the State Treasurer, has not been modified, revoked or rescinded, and remains in full force and effect;

(iii) the representations of the State Treasurer contained in this Purchase Contract are true, complete and correct as of the date of the Closing as if made on such date; and

(iv) the State Treasurer has authorized the execution and delivery of the First Supplemental Trust Indenture, the Escrow Agreement and the Continuing Disclosure Agreement, and is authorized to perform the obligations on his part to be performed under the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement and the Consent and Assignment Agreement;

(12) certificate executed by an authorized officer of the Department of General Services, dated the date of Closing, substantially in the form attached hereto as Exhibit C;

(13) opinion of counsel to the Department of General Services dated the date of Closing, and addressed to the Authority, and the Representatives on behalf of Underwriters, substantially in the form attached hereto as Exhibit D;

(14) litigation certificate with respect to the Bonds executed by the Attorney General, dated the date of Closing, substantially in the form attached hereto as Exhibit E;

(15) certificates, dated the date of Closing, regarding compliance with the insurance requirements of the Lease;

(16) an opinion of Counsel to the Authority, dated the date of Closing and addressed to the Authority and the Representatives, in substantially the form attached hereto as Exhibit G;

(17) an opinion of Counsel to the City, dated the date of Closing and addressed to the Authority and the Representatives, in substantially the form attached hereto as Exhibit H;

(18) A certificate of the City, dated the date of Closing, executed on its behalf by the City Treasurer or his designee, to the following effect (as used in this Section 11(d)(18), the phrase “actual knowledge of the City” means the actual knowledge of the City Manager, City Treasurer, City Attorney, or City Clerk):

(i) The Original Lease, the First Amendment to Lease and the Second Amendment to Lease have been duly authorized, executed, and delivered by the City, have not been modified, revoked or rescinded, except as aforementioned, and remain in full force and effect;

(ii) The Consent and Assignment Agreement has been duly authorized, executed, and delivered by the City, has not been modified, revoked or rescinded, and remains in full force and effect;

(iii) The City is a municipal corporation duly organized and existing under its charter (the “City Charter”) and the Constitution and laws of the State. The City has full power and authority to and take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in, the Lease

and the Consent and Assignment Agreement. The Lease and the Consent and Assignment Agreement are collectively referred to in this Purchase Contract as the “City Documents.”

(iv) The Lease, the First Amendment to Lease, the Second Amendment to Lease, and the Consent and Assignment Agreement have been duly authorized, executed, and delivered by the City; and on or before the date of this Purchase Contract, the City has duly taken all action to be taken by it before that date for (1) the execution and delivery of the Second Amendment to Lease; and (2) the performance of its obligations under the Lease and the Consent and Assignment Agreement.

(v) Upon the execution and delivery of the Third Amendment to Lease by the City and the Department, the Lease and the Consent and Assignment Agreement will constitute legal, valid, and binding obligations of the City, enforceable against it in accordance with their respective terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent-conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

(vi) To the actual knowledge of the City as of the date of this Purchase Contract, and except as otherwise disclosed in the Official Statement, the City is not in breach of, or in default under, any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument to which the City is a party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents, and no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

(vii) To the actual knowledge of the City as of the date of this Purchase Contract, and except as otherwise disclosed in the Official Statement, the execution and delivery of the Third Amendment to Lease and compliance with the Lease and the Consent and Assignment Agreement do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City under any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties, except as expressly provided or permitted by the Lease or the Consent and Assignment Agreement.

(viii) To the actual knowledge of the City as of the date of this Purchase Contract, and except as described in the Official Statement, the City has not been served with process in, and has not been threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body (1) seeking to restrain or enjoin the execution or delivery of the Third Amendment to Lease; or (2) contesting or affecting in any way the validity of enforceability of the City Documents; or (3) contesting the powers or authority of the City

with respect to the City Documents; or (4) affecting the City and the assets and property of the City, including the Premises, wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or the Premises or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents.

(ix) The City has reviewed the statements contained in the Official Statement relating to the City under the caption “LITIGATION – The City” and such statements do not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(19) An opinion of the State Treasurer, dated the date of Closing, substantially in the form attached hereto as Exhibit I;

(20) letters indicating that the Bonds have received the ratings of “\_\_\_” by Moody’s, “\_\_\_” by Fitch and “\_\_\_” by S&P;

(21) an executed Tax Certificate of the Authority, the City and the Department, together with a certificate executed by the Representatives, regarding the initial offering prices of the Bonds and certain other matters, each of which shall be dated the date of Closing;

(22) evidence of required filings with the California Debt and Investment Advisory Commission;

(23) certificates from the State Treasurer, the Department of Finance and the State Controller in substantially the forms attached hereto as Exhibits A-4, A-5 and A-6, respectively;

(24) the verification report of Causey Demgen & Moore P.C.; and

(25) such additional legal opinions, certificates, instruments or other documents as Bond Counsel reasonably requests to ensure the security of the Bonds or as the Representatives may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the date of the Closing, of the Authority’s or of the State Treasurer’s representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority or the State Treasurer on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority or the State Treasurer.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Authority, the State Treasurer, the Representatives, Bond Counsel, Co-Disclosure Counsel for Appendix A and Underwriters’ Counsel. If the State Treasurer and the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract (unless waived by the Underwriters) or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither

the Underwriters, the Authority, nor the State Treasurer shall be under further obligation hereunder, except that: (i) the amount of the deposit referred to in Section 4 of this Purchase Contract shall immediately be returned to the Underwriters by the State Treasurer and (ii) the respective obligations of the Authority, the State Treasurer, and the Underwriters set forth in Section 12 of this Purchase Contract shall continue in full force and effect.

Section 12. (a) The Underwriters shall be under no obligation to pay any expenses incident to the performance of the Authority's or the State Treasurer's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the fees and disbursements of any counsel other than Underwriters' Counsel, including Co-Disclosure Counsel for Appendix A, auditors, engineers, consultants or others retained by the State Treasurer, or the Authority in connection with the transactions contemplated herein; (iii) any fees charged by investment rating agencies for the rating of the Bonds; and (iv) the fees of the financial advisor to the State Treasurer.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds except as provided by the State Treasurer by agreement, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds; (iii) the fees and disbursements relating to the qualifications of the Bonds for sale under the securities or "Blue Sky" laws of various jurisdictions and the preparation of the "Blue Sky" Memoranda or Legal Investment Survey; (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel and (v) the fee of the California Debt and Investment Advisory Commission.

Section 13. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing to:

Office of the State Treasurer  
Public Finance Division  
915 Capitol Mall, Room 261  
Sacramento, California 95814  
Attention: Blake Fowler

Sacramento City Financing Authority and City of Sacramento  
915 I Street, HCH, 3rd Floor  
Sacramento, CA 95814-2604  
Attention: City Treasurer

Underwriters:  
Stifel, Nicolaus & Company, Incorporated  
One Ferry Building, Suite 275  
San Francisco, CA 94111  
Attention: Scott Sollers

and

E. J. De La Rosa & Co., Inc.  
456 Montgomery St., 19th Floor  
San Francisco, CA 94104  
Attention: Paul Rosenstiel

Section 14. This Purchase Contract is made solely for the benefit of the Authority, the State Treasurer and the Underwriters (including the successors or assigns of any Underwriter), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the Authority's and State Treasurer's representations contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 15. If any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. (a) This Purchase Contract shall be governed by and interpreted under the laws of the State of California.

(b) Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Purchase Contract, the Preliminary Official Statement or the final Official Statement or any document relating hereto or thereto shall be brought in the courts of the State located in the County of Sacramento and, by execution and delivery of this Purchase Contract, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum nonconveniens, which they may now or hereafter have to the bringing of any such action or proceedings in such jurisdiction.

Section 18. Each of the State Treasurer, the Authority and the Underwriters hereby acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the Authority, the State Treasurer and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Authority or the State Treasurer; (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the Authority or the State Treasurer with respect to this Purchase Contract, the offering of the Bonds and the discussions, undertakings, and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the Authority or the State Treasurer on other matters); (iii) the only contractual obligations the Underwriters have to the Authority and the State Treasurer with respect to the transactions contemplated hereby are those set forth in this Purchase Contract; and (iv) the Underwriters have financial and other interests that differ from those of the Authority and the State Treasurer. Each of the Authority, the State Treasurer and the Underwriters have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed

appropriate. The Representatives acknowledge and agree that nothing in the this paragraph is intended to limit the Underwriters' obligations of fair dealing under MSRB Rule G-17.

[Remainder of Page Left Intentionally Blank.]

Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building 2013 Series A  
Purchase Contract

Section 19. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the Authority and the State Treasurer and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,  
INCORPORATED,  
AS REPRESENTATIVE OF THE  
UNDERWRITERS**

By: \_\_\_\_\_  
Authorized Signatory

**E. J. DE LA ROSA & CO., INC.,  
AS REPRESENTATIVE OF THE  
UNDERWRITERS**

By: \_\_\_\_\_  
Authorized Signatory

Accepted this \_\_\_ day of August, 2013

**TREASURER OF THE STATE OF  
CALIFORNIA**

By: \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer Bill Lockyer

**SACRAMENTO CITY FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Treasurer  
Sacramento City Financing Authority

SCHEDULE I  
(to Purchase Contract)

List of Underwriters

***Joint Senior Managing Underwriters***

Stifel, Nicolaus & Company, Incorporated

E. J. De La Rosa & Co., Inc.

***Co-Managing Underwriter***

BMO Capital Markets GKST

Cabrera Capital Markets, LLC

Edward D. Jones & Co., LP

Goldman, Sachs & Co.

Hutchinson Shockey Erley & Co.

Lebenthal & Co., LLC

Mesirow Financial Inc.

Rice Financial Products Company

Stern Brothers & Co.

SCHEDULE II  
(to Purchase Contract)

**[\$[Principal Amount]]**  
**Sacramento City Financing Authority**  
**Lease Revenue Refunding Bonds**  
**State of California - Cal EPA Building**  
**2013 Series A**

<i>Maturity</i> <i>(May 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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<sup>1</sup>Term Bond

**Redemption Provisions**

Redemption of Bonds.

***Extraordinary Redemption.*** The Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the Authority, on any [Interest Payment Date][date], in whole or in part, from proceeds of insurance or eminent domain proceedings received in connection with the Premises, at the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

***[Optional Redemption.*** The Bonds maturing on and after May 1, \_\_\_\_ are subject to redemption prior to their respective maturity dates, at the option of the Authority, from any available

funds, either in whole or in part on any date on or after May 1, 20\_\_, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.]

SCHEDULE III  
(to Purchase Contract)

PAR AMOUNT, UNDERWRITERS' DISCOUNT, NET PREMIUM AND PURCHASE PRICE

<i>PAR AMOUNT</i>	<i>UNDERWRITERS' DISCOUNT</i>	<i>NET ORIGINAL ISSUE PREMIUM</i>	<i>PURCHASE PRICE<sup>1</sup></i>
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<sup>1</sup> There will be credited toward the aggregate purchase price of the Bonds at Closing the amount of the deposit made pursuant to Section 4 of this Purchase Contract.

EXHIBIT A-1  
(to Purchase Contract)

SACRAMENTO CITY FINANCING AUTHORITY

\$ \_\_\_\_\_\*  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

**CERTIFICATE OF THE  
SACRAMENTO CITY FINANCING AUTHORITY  
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies as follows:

1. That he is the duly appointed and qualified Treasurer of the Sacramento City Financing Authority (the “*Authority*”), and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That, based in [substantial] part on certifications of the City, the Department of General Services of the State of California, the State Treasurer’s Office, the State Controller’s Office and the Department of Finance, the Authority “deems final,” for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“*Rule 15c2-12*”), except for information permitted to be omitted therefrom by Rule 15c2-12, the preliminary official statement with respect to the above-captioned bonds (the “*Bonds*”), dated August \_\_, 2013 (including the cover page and all appendices thereto, the “*Preliminary Official Statement*”).

3. That the statements contained in the Preliminary Official Statement under the captions “THE AUTHORITY” and “LITIGATION – The Authority” do 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 under which they were made, not misleading.

4. That the Authority hereby approves the use and distribution of the Preliminary Official Statement in connection with the offering of the Bonds.

Dated: August \_\_, 2013

SACRAMENTO CITY FINANCING AUTHORITY

By: \_\_\_\_\_

Russell T. Fehr  
Authority Treasurer

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\* Preliminary, subject to change.

EXHIBIT A-2  
(to Purchase Contract)

SACRAMENTO CITY FINANCING AUTHORITY

\$ \_\_\_\_\_\*  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

**CERTIFICATE OF THE CITY OF SACRAMENTO  
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That he is the duly appointed and qualified Treasurer of the City of Sacramento (the “City”), and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the statements contained in the preliminary official statement, dated the date hereof, with respect to the above-captioned bonds (the “Bonds”) (including the cover page and all appendices thereto, the “*Preliminary Official Statement*”) under the caption “LITIGATION – The City” does 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 under which they were made, not misleading.

Dated: August \_\_, 2013

CITY OF SACRAMENTO

By: \_\_\_\_\_  
Russell T. Fehr  
Treasurer

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\* Preliminary, subject to change.

EXHIBIT A-3  
(to Purchase Contract)

SACRAMENTO CITY FINANCING AUTHORITY

\$ \_\_\_\_\_\*  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

**CERTIFICATE OF THE DEPARTMENT OF GENERAL SERVICES  
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That she is the duly appointed and qualified Chief Deputy Director of the Department of General Services of the State of California (the “*Department*”) and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That there has been prepared a preliminary official statement, dated the date hereof, with respect to the above-captioned bonds (the “*Bonds*”) (including the cover page and all appendices thereto, the “*Preliminary Official Statement*”), which, excluding the information relating to the Authority and the City, does 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 under which they were made, not misleading; *provided, however*, that in making this representation, the Department has relied in [substantial] part on the certifications of the State Treasurer’s Office, the State Controller’s Office and the Department of Finance.

3. That the Department hereby approves the use and distribution of the Preliminary Official Statement in connection with the offering of the Bonds.

Dated: August \_\_, 2013

DEPARTMENT OF GENERAL SERVICES  
OF THE STATE OF CALIFORNIA

By: \_\_\_\_\_  
Chief Deputy Director

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\* Preliminary, subject to change.

EXHIBIT A-4  
(to Purchase Contract)

[\$[Principal Amount]  
SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
State of California - Cal EPA Building  
2013 Series A

**CERTIFICATE OF THE  
TREASURER OF THE STATE OF CALIFORNIA  
AS TO OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. He or she is a duly appointed, qualified and acting Deputy Treasurer of the State of California (the “State Treasurer”) and as such, is authorized to execute this Certificate on behalf of the State Treasurer.

2. The information and statements contained in the Covered Portions (as hereinafter defined) of the Official Statement dated [Pricing Date] (the “Official Statement”) relating to the above-identified Bonds are complete, true and correct in all material respects. The Covered Portions of the Official Statement do not, as of its date, 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. “Covered Portions” means the following sections:

With respect to the front portion of the Official Statement:

A. The information in the third paragraph under the caption “CONTINUING DISCLOSURE.”

Within Appendix A to the Official Statement:

A. “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A—State General Obligation Debt and Other Obligations”

B. “STATE INDEBTEDNESS AND OTHER OBLIGATIONS”

C. “INVESTMENT OF STATE FUNDS”

D. “BANK ARRANGEMENTS”

E. “STATE DEBT TABLES”

3. While the State Treasurer was not primarily responsible for the Official Statement (other than the Covered Portions), he has reviewed the Official Statement in its entirety and is not aware of any material misstatements or omissions in the Official Statement.

4. This certificate shall be effective on the date written below and shall be deemed to remain true and correct to and including August \_\_, 2013 unless the undersigned has notified the Sacramento City Financing Authority and the Underwriters of the Bonds to the contrary.

Dated: August \_\_, 2013

TREASURER OF THE STATE OF CALIFORNIA

By: \_\_\_\_\_

Deputy Treasurer  
for California State Treasurer Bill Lockyer

EXHIBIT A-5  
(to Purchase Contract)

\$(Principal Amount)  
SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
State of California - Cal EPA Building  
2013 Series A

**CERTIFICATE OF THE DEPARTMENT OF FINANCE  
AS TO THE OFFICIAL STATEMENT**

I, Ana J. Matosantos, Director of the Department of Finance of the State of California, acting on behalf of Department of Finance of the State of California (Department of Finance), certify, with respect to the above-captioned Bonds (the “Bonds”), that to the best of my knowledge, information and belief:

1. The information and statements contained in the Covered Portions (as hereinafter defined) of the Official Statement dated [Pricing Date] (the “Official Statement”), relating to the above-identified Bonds are complete, true and correct in all material respects. The Covered Portions of the Official Statement do not, as of its date, 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. “Covered Portions” means the following sections of the Official Statement:

With respect to the front portion of the Official Statement:

A. “INTRODUCTION—State Financial Condition”

Within Appendix A to the Official Statement:

A. “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A” (excluding the subheadings “State General Obligation Debt and Other Obligations” and “Financial Statements”)

B. “RECENT DEVELOPMENTS”

C. “CURRENT STATE BUDGET” – excluding certain data supplied by the State Controller’s Office in the table “Statement of Estimated Revenues, Expenditures, and Changes in Fund Balance – General Fund (Budgetary Basis)” under the subheading “Summary of State Revenues and Expenditures”

D. “PROPOSED FISCAL YEAR 2013-14 STATE BUDGET”

E. “2011 BUDGET ACT”

F. “STATE INDEBTEDNESS AND OTHER OBLIGATIONS” – only information supplied by the Department of Finance under the subheadings “Tobacco Settlement Revenue Bonds” and “Indirect, Nonpublic or Contingent Obligations”

G. "STATE FINANCES" - excluding certain data supplied by the State Controller's Office in the table "Comparative Yield of State Taxes—All Funds" and information under the subheadings "Inter-Fund Borrowings" (other than information provided by the Department of Finance in the table "Internal Borrowable Resources," which is not excluded), "State Warrants," "State Expenditures" and "Retiree Health Care Costs" (other than information provided by the Department of Finance in the table "Actual Costs/Budget for Other Post Employment Benefits," which is not excluded)

H. "PENSION TRUSTS"

I. "THE BUDGET PROCESS"

J. "OVERVIEW OF STATE GOVERNMENT"

K. "ECONOMY AND POPULATION"

2. While the Department of Finance was not primarily responsible for the Official Statement (other than the Covered Portions), it has reviewed the Official Statement in its entirety and is not aware of any material misstatements or omissions in the Official Statement.

3. This certificate shall be effective on the date written below and shall be deemed to remain true and correct to and including August \_\_, 2013, unless the undersigned has notified the Sacramento City Financing Authority and the Underwriters of the Bonds to the contrary.

Dated: August \_\_, 2013

Department of Finance of the State of  
California

By: \_\_\_\_\_  
Ana J. Matosantos, Director

EXHIBIT A-6  
(to Purchase Contract)

[\$[Principal Amount]]  
SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
State of California - Cal EPA Building  
2013 Series A

**CERTIFICATE OF STATE CONTROLLER AS TO  
OFFICIAL STATEMENT**

I, John Chiang, Controller of the State of California (the “State Controller”), acting on behalf of the State of California (the “State”), certify, with respect to the above-captioned Bonds (the “Bonds”), that to the best of my knowledge, information and belief:

1. The information and statements contained in the Covered Portions (as hereinafter defined) of the Official Statement dated [Pricing Date] (the “Official Statement”), relating to the above-identified Bonds are true and correct in all material respects. The Covered Portions of the Official Statement do not, as of its date, 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. “Covered Portions” means the following sections within Appendix A of the Official Statement:

A. “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A—Financial Statements”

B. “CURRENT STATE BUDGET” - certain data supplied by the State Controller’s Office in the table “Statement of Estimated Revenues, Expenditures, and Changes in Fund Balance—General Fund (Budgetary Basis)” under the subheading “Summary of State Revenues and Expenditures”

C. “CASH MANAGEMENT”

D. STATE FINANCES – information under the subheadings “Inter-Fund Borrowings” (other than information provided by the Department of Finance in the table “Internal Borrowable Resources,” which is excluded), “State Warrants,” “Recent Tax Receipts,” – certain data supplied by the State Controller’s Office in the table “Comparative Yield of State Taxes—All Funds,” “State Expenditures” and “Retiree Health Care Costs” (other than information provided by the Department of Finance in the table “Actual Costs/Budget for Other Post Employment Benefits,” which is excluded)

E. “FINANCIAL STATEMENTS” - including audited financial statements that are included as Appendix H to the Official Statement and unaudited statements of General Fund cash receipts and disbursements that are attached as exhibits to Appendix A

2. While the State Controller's Office was not primarily responsible for the Official Statement (other than the Covered Portions), it has reviewed the Official Statement in its entirety and is not aware of any material misstatements or omissions in the Official Statement.

3. This certificate shall be effective on the date written below and shall be deemed to remain true and correct to and including August \_\_, 2013, unless the undersigned has notified the Sacramento City Financing Authority and the Underwriters of the Bonds to the contrary.

Dated: August \_\_, 2013

John Chiang, Controller of the State of  
California

By: \_\_\_\_\_

EXHIBIT B  
(to Purchase Contract)

[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

[\$Principal Amount]  
Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

This letter is addressed to you as, as Underwriters, pursuant to Section 11(d)(7) of the Purchase Contract, dated [Pricing Date] (the “Purchase Contract”), among you, the Sacramento City Financing Authority (the “Authority”) and the Treasurer of the State of California, as agent for sale, providing for the purchase of [\$Principal Amount] aggregate principal amount of Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “Bonds”). The Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53580) of the California Government Code, and pursuant to a Trust Indenture, dated as of November 1, 1998, as supplemented by a First Supplemental Trust Indenture, dated as of August 1, 2013 (collectively, the “Indenture”), by and between the Authority and the Treasurer of the State of California, as trustee (the “State Treasurer”). Capitalized terms used herein not otherwise defined shall have the meanings set forth in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

In our role as bond counsel, we have reviewed the Indenture, the Sacramento/State Building Lease, dated April 23, 1997, a First Amendment to Sacramento/State Building Lease, dated as of November 1, 1998, a Second Amendment to Sacramento/State Building Lease entered into in September 1999, and a Third Amendment to Sacramento/State Building Lease, dated as of August 1, 2013 (collectively, the “Lease”), each by and between the City of Sacramento (the “City”) and the Department of General Services of the State of California (the “Department”), certifications of the Authority, the City, the Department, the State Treasurer and others, opinions of counsel to the Authority, the City, the Department and others, a final judgment by the Sacramento County Superior Court, dated August 31, 1995, in favor of the City, in the case of City of Sacramento v. All Person Interested in the validity of a Building Lease to

be entered into by and between the City of Sacramento and the State of California for an office building to be located on the block bounded by 10<sup>th</sup> and 11<sup>th</sup> Streets and H and I Streets in the City of Sacramento (Case No. 95-AS-03765), and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City, the Authority and the State Treasurer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof.

Based upon and subject to the foregoing, as of the date hereof, we are of the following opinions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Consent and Assignment Agreement has been duly executed and delivered by the Authority and the City and constitutes a valid and binding agreement of the Authority and the City. The Purchase Contract has been duly executed and delivered by the Authority and constitutes a valid and binding agreement of the Authority

3. The Purchase Contract, the Consent and Assignment Agreement and the Indenture have each been duly authorized, executed and delivered by the State Treasurer and constitute the valid and binding obligations of the State Treasurer enforceable in accordance with their respective terms.

4. The State Treasurer has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Purchase Contract, the Consent and Assignment Agreement and the Indenture.

5. The statements contained in the Official Statement under the captions “INTRODUCTION,” “TERMS OF THE SERIES 2013A BONDS,” “SECURITY FOR THE SERIES 2013A BONDS,” and “TAX MATTERS, and in “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT” (excluding the statements under each such caption relating to The Depository Trust Company (“DTC”), Cede & Co. and the book-entry system, as to all of which we express no view), insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Lease, the Consent and Assignment Agreement, the Continuing Disclosure Agreement and our opinion concerning certain tax matters relating to the Bonds, present an accurate summary of such provisions for the purpose of use in the Official Statement.

The opinions expressed in paragraphs 2 through 4 above are qualified to the extent the enforceability of the Purchase Contract, the Consent and Assignment Agreement and the Indenture, may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization,

moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Bonds, the Indenture and the Lease is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification). We advise you that we have not made or undertaken to make any investigation of the state of title to, or ownership of, any of the property described in or subject to the lien of the Lease or the Indenture, or of the accuracy or sufficiency of the descriptions of such property contained therein, and we express no opinion with respect to such matters.

Based upon our participation in the preparation of the Official Statement as bond counsel and on the basis of the information made available to us in the course of the foregoing, but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement (except to the extent expressly set forth in paragraph 5 above), as of the date hereof no facts have come to the attention of the personnel in our respective firms directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement that causes us to believe that the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (excluding therefrom the description of any litigation, any information relating to DTC, Cede & Co., the book-entry system, any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, included therein, and Appendices A, B, D, G and H thereto, as to all of which we express no view).

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended to or were likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

We are furnishing you this letter at the request of the Authority and solely for the information of, and assistance to, you in conducting and documenting your investigation of the affairs of the Authority, the Department and the State in connection with the offering of the Bonds and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, including but not limited to the purchase or sale of the Bonds, nor is it to be referred to in whole or in part in the Official Statement or any other document, except that it may be included in, and

reference may be made to it in any list of, the closing documents pertaining to the delivery of the Bonds. The provision of this opinion to you shall not create any attorney-client relationship between either of our firms and you. This opinion may not be relied upon by any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

EXHIBIT C  
(to Purchase Contract)

[\$[PRINCIPAL AMOUNT]]  
SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
STATE OF CALIFORNIA - CAL EPA BUILDING  
2013 SERIES A

CERTIFICATE OF DEPARTMENT OF GENERAL SERVICES

The undersigned, \_\_\_\_\_ of the Department of General Services (“Department of General Services”), acting in [his/her] official capacity, hereby certifies as follows in connection with the issuance of the above-captioned Lease Revenue Refunding Bonds of the Sacramento City Financing Authority (the “Bonds”).

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms as set forth in the Purchase Contract dated [Pricing Date] among the Sacramento City Financing Authority (the “Authority”), the Treasurer of the State of California (the “State Treasurer”), and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as representatives of the underwriters named therein.

1. I am the duly appointed and qualified [\_\_\_\_\_] of the Department of General Services.

2. The Department of General Services is a duly organized and validly existing entity under the laws of the State of California (the “State”), with all requisite legal right, power and authority to: (a) enter into the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement; (b) manage and control property for the use and benefit of the Department of General Services; and (c) perform all of the transactions contemplated by the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement.

3. The Original Lease, the First Amendment to Lease and the Second Amendment to Lease have been duly authorized, executed, and delivered by the Department of General Services, have not been modified, revoked or rescinded, except as aforementioned, and remain in full force and effect.

4. The Consent and Assignment Agreement has been duly authorized, executed, and delivered by the Department of General Services, has not been modified, revoked or rescinded, and remains in full force and effect.

5. The Department of General Services has duly authorized the execution and delivery of the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement, and the performance of all obligations on its part to be performed thereunder.

6. The Department of General Services is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, resolution, agreement or

other instrument to which the Department of General Services is a party or otherwise subject, which breach or default would in any way materially and adversely affect the Lease, the Consent and Assignment Agreement or the Continuing Disclosure Agreement or the performance by the Department of General Services of its obligations thereunder, and no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default, and the execution and delivery by the Department of General Services of the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement and compliance with the provisions thereof will not materially conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the Department of General Services is a party or otherwise subject; nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the Department of General Services except as expressly provided or permitted by the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement.

7. No consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained is required to be obtained by the Department of General Services for the execution and delivery of the Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement and except as described in the Official Statement relating to the Bonds, dated [Pricing Date] (the “Official Statement”), no consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained by the Department of General Services is required to be obtained by the Department of General Services for the performance thereof.

8. After due investigation, to the knowledge of the Department of General Services, except as set forth in the Official Statement, there are no recorded or unrecorded encumbrances or restrictions on use which would materially, adversely affect the Department of General Services’ right to quiet enjoyment of the leasehold estate or which would interfere with the Department of General Services’ beneficial use and occupancy of the Premises as contemplated by the Lease.

9. The information and statements contained in the Official Statement, excluding the information relating to the Authority or the City, was as of the date of the Official Statement and are as of the date hereof complete, true and correct. The information and statements contained in the Official Statement, excluding the information relating to the Authority and the City, did not as of its date and do not as of the date hereof 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.

10. Except as set forth in the Official Statement, no litigation is pending (with service of process having been accomplished) or, to the knowledge of the undersigned after due investigation, threatened (a) to restrain or enjoin the execution of the Lease, the Consent and Assignment Agreement or the Continuing Disclosure Agreement, (b) to restrain or enjoin performance under the Lease or the use and occupancy by the Department of General Services of the Premises, or (c) in any way contesting or affecting the validity of the Lease, the Consent and Assignment Agreement or the Continuing Disclosure Agreement or

performance by the Department of General Services under the Lease or the Continuing Disclosure Agreement.

11. Except as set forth in the Official Statement, there is no litigation pending (with service of process having been accomplished), or, to the knowledge of the undersigned after due investigation, threatened against the Department of General Services or involving any of the property or assets under the control of the Department of General Services including, without limitation, the Premises, that involves the possibility of any judgment or uninsured liability which would materially and adversely affect the performance by the Department of General Services under the Lease, the Consent and Assignment Agreement or the Continuing Disclosure Agreement or any other agreements or instruments entered into by the Department of General Services relative to the transaction contemplated by the Bonds.

12. The Department of General Services hereby affirms that the amount of Base Rental due under the Lease is consistent with and does not exceed the fair rental value of the Premises.

13. The Department of General Services acknowledges that the Lease requires written consent of the Authority to any assignment, subletting or transfer of all or any part of the interest of the Department of General Services in the Lease and provides that the Department of General Services will not create or suffer to be created any recorded or unrecorded mortgage, pledge, lien, charge, easement, rights of way or other rights, reservations, covenants, conditions, restrictions or encumbrance upon the Premises except the liens and encumbrances permitted by Section 8 of the Lease. The Department of General Services hereby covenants to comply with such requirements of the Lease.

14. The Lease and the Consent and Assignment Agreement conform to the descriptions thereof contained in the Official Statement, and the references to and summaries of the Lease and Consent and Assignment Agreement contained in the Official Statement fairly reflect the provisions thereof.

IN WITNESS WHEREOF, I have executed this certificate this 29th day of August, 2013.

DEPARTMENT OF GENERAL SERVICES

By: \_\_\_\_\_  
[Name]  
[Title]

EXHIBIT D  
(to Purchase Contract)

[FORM OF OPINION OF STAFF COUNSEL OF  
THE DEPARTMENT OF GENERAL SERVICES]

[Closing Date]

Sacramento City Financing Authority  
Sacramento, California

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

Department of General Services  
Sacramento, California

[\$[PRINCIPAL AMOUNT]]  
SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
STATE OF CALIFORNIA - CAL EPA BUILDING  
2013 SERIES A

Ladies and Gentlemen:

I am Staff Counsel for the Department of General Services (“Department of General Services”) and have represented the Department of General Services in connection with the issuance and sale of the above-captioned bonds (the “Bonds”).

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms as set forth in the Trust Indenture, dated as of November 1, 1998 (the “Original Indenture”), as supplemented by the First Supplemental Trust Indenture, dated as of August 1, 2013 (the “First Supplemental Trust Indenture” and, together with the Original Indenture, the “Indenture”), each by and between the Sacramento City Financing Authority (the “Authority”) and the Treasurer of the State of California (the “State Treasurer”), as trustee.

I am of the opinion that:

1. The Department of General Services is a duly organized and validly existing entity of the State of California with all requisite legal right, power and authority to enter into and perform its obligations under the Lease, the Consent and Assignment Agreement and the

Continuing Disclosure Agreement, dated the date of delivery of the Bonds (the “Continuing Disclosure Agreement”), by and between the State Treasurer and the Department of General Services.

2. The Lease, the Consent and Assignment Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Department of General Services and the Lease, Consent and Assignment Agreement and the Continuing Disclosure Agreement are valid and binding upon and enforceable against the Department of General Services in accordance with their respective terms and, [if they are in like fashion, valid and binding upon and enforceable against the City, the Authority and the State Treasurer, as applicable, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors’ rights in general and by the application of equitable principles if equitable remedies are sought.

3. The Department of General Services’ execution and delivery of the Lease, Consent and Assignment Agreement and the Continuing Disclosure Agreement and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the Department of General Services a material breach or default under any existing law, regulation, court order or consent decree to which the Department of General Services is subject that would materially adversely affect the ability of the Department of General Services to make Base Rental or Additional Rental payments under the Lease and when due or, to the best of my knowledge after due inquiry, under any agreement or instrument to which Department of General Services is a party or by which the Department of General Services is bound that would materially adversely affect the ability of the Department of General Services to make Base Rental or Additional Rental payments under the Lease and when due.

4. All actions on the part of the Department of General Services necessary for the execution and delivery of the Lease, Consent and Assignment Agreement and the Continuing Disclosure Agreement and the undertaking of the activities with respect to its Premises described in the Official Statement as activities which the Department of General Services has undertaken have been duly and effectively taken. No consent, authorization or approval of, or filing or registration with, any governmental or regulatory office or body not already obtained by the Department of General Services is required to be obtained by the Department of General Services for the execution and delivery by the Department of General Services of the Lease, Consent and Assignment Agreement and the Continuing Disclosure Agreement, and except as set forth in the Official Statement, no consent, authorization or approval of or filing or registration with, any governmental or regulatory office or body not already obtained by the Department of General Services is required to be obtained by the Department of General Services for the performance thereof.

5. Based upon my review of the Official Statement relating to the Bonds, dated [Pricing Date] (the “Official Statement”), and without having undertaken to determine independently the accuracy or completeness of the statements contained therein, I have no reason to believe that the information relating to the Department of General Services and the Premises contained in the Official Statement, including in APPENDIX B thereto, as of the date thereof or hereof (except for the financial, statistical and engineering data included therein as to which no view is expressed) contained or contains any untrue statement of a

material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

6. Except as set forth in the Official Statement, to the best of my knowledge after due investigation, no litigation is pending (with service of process having been accomplished) or threatened (a) to restrain or enjoin the execution or delivery of the Bonds, the Indenture, the Lease, the Consent and Assignment Agreement or the Continuing Disclosure Agreement, or the use and occupancy by the Department of General Services of the Premises, (b) to restrain or enjoin performance by the Department of General Services under the Lease, Consent and Assignment Agreement or the Continuing Disclosure Agreement, or (c) in any way contesting or affecting the validity of the Bonds, the Indenture, the Lease, Consent and Assignment Agreement, the Continuing Disclosure Agreement or any other document, license, permit or approval necessary to the performance by the Department of General Services with respect to the foregoing.

Very truly yours,

DEPARTMENT OF GENERAL SERVICES

By: \_\_\_\_\_

Name:

Title:

EXHIBIT E  
(to Purchase Contract)

[FORM OF LITIGATION CERTIFICATE OF THE ATTORNEY GENERAL]

[\$[Principal Amount]  
Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A

The undersigned, Attorney General of the State of California, hereby certifies in connection with the issuance of the above-referenced bonds (“Bonds”):

1. Capitalized terms used in this Certificate and not otherwise defined shall have the meanings given to such terms as set forth in that certain Trust Indenture, dated as of November 1, 1998 (the “Original Indenture”), as supplemented by the First Supplemental Trust Indenture, dated as of August 1, 2013 (the “First Supplemental Trust Indenture” and, together with the Original Indenture, the “Indenture”), each by and between the Sacramento City Financing Authority (the “Authority”) and the Treasurer of the State of California (the “State Treasurer”), as trustee.

2. To the knowledge of the undersigned, except as disclosed in the Official Statement relating to the Bonds dated [Pricing Date] (“Official Statement”), no litigation is pending (with service of process having been accomplished) or threatened (a) against or affecting the title of the Office of the State Treasurer, (b) to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or the undertaking of any activities with respect to the Bonds, the Indenture[, the Lease, the Consent and Assignment Agreement] or the Continuing Disclosure Agreement which the Official Statement describes as activities that the State Treasurer has undertaken or will undertake, (c) in any way contesting, challenging or affecting the validity of the Bonds, the Indenture, [the Lease, the Consent and Assignment Agreement, the Continuing Disclosure Agreement, the Purchase Contract dated [Pricing Date] among the Authority, the State Treasurer and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as Representatives of the underwriters named therein, or any other document, license, permit or approval necessary to the execution and delivery of the Bonds or any proceeding of the Authority, or of [the Department of General Services], relating to the Bonds or (d) contesting the powers of the State Treasurer with respect to any authority for the execution, delivery or performance of the Purchase Contract, the Indenture, [the Consent and Assignment Agreement or the Continuing Disclosure Agreement], nor is the undersigned presently aware of any reasonable basis for an action, suit or proceeding before or by any court which will prevail and materially and adversely affect the validity or enforceability of the Purchase Contract, the Indenture, [the Consent and Assignment Agreement or the Continuing Disclosure Agreement].

3. You are advised that, pursuant to Government Code Section 11041 and certain other laws and waivers described in Government Code Section 11040, subdivision (c), the Attorney General is not counsel to all State agencies on all of their litigation matters. Accordingly, there may be litigation matters pending or threatened of which we have no actual knowledge.

4. For purposes of the above certifications, the term “to the knowledge of the undersigned” does not include the performance of a docket search of federal or state court filings. The term “to the knowledge of the undersigned” does include discussions between the undersigned and senior legal staff and executive staff within the Attorney General’s Office responsible for coordinating and managing judicial and administrative actions for the State. For purposes of the above certifications, no matter has been deemed to be “threatened” litigation because it is the subject of a pending administrative action.

Dated: [Closing Date]

KAMALA D. HARRIS  
Attorney General

By: \_\_\_\_\_  
Deputy Attorney General

EXHIBIT F-1  
(to Purchase Contract)

[FORM OF OPINION OF CO - DISCLOSURE COUNSEL FOR APPENDIX A]

[Letterhead of each Co-Disclosure Counsel]

[Closing Date]

Sacramento City Financing Authority of the  
State of California  
Sacramento, California

Honorable Bill Lockyer  
State Treasurer  
Sacramento, California

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

*Re:     \$[Principal Amount] Sacramento City Financing Authority Lease Revenue Refunding  
       Bonds State of California - Cal EPA Building 2013 Series A*

Dear Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the State of California (the “State”) for the preparation of Appendix A (defined below) in connection with the sale and issuance of the above-captioned Bonds (the “Bonds”), pursuant to a Purchase Contract, dated [Pricing Date] (the “Purchase Contract”) among the Sacramento City Financing Authority (the “Authority”), the Treasurer of the State of California (the “State Treasurer”), as agent for sale on behalf of the Authority, and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc. as Representatives of the Underwriters named in the Purchase Contract. Capitalized terms not otherwise defined in this letter shall have the meanings set out in the Official Statement relating to the Bonds dated [Pricing Date] (the “Official Statement”).

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the electronic version of the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. During the course of serving as Co-Disclosure Counsel, we participated in conferences with representatives of the Authority, the City of Sacramento (the “City”), the State Department of Finance, the State Treasurer’s Office, the State Controller’s Office, the Department of General Services, the Attorney General’s Office, [Stradling Yocca Carlson & Rauth, a Professional Corporation] [Orrick, Herrington & Sutcliffe LLP], as Co-Disclosure Counsel for Appendix A, the Underwriters, Underwriters’ Counsel, the Financial Advisor to the State and others, during which the contents of Appendix A of the Official Statement (“Appendix A”) and related matters were discussed. The statements made and the information contained in Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA

AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement,] were either provided by or reviewed on numerous occasions for their accuracy and completeness by the aforementioned representatives of the State. Our services do not include financial or other non-legal advice.

Based upon our participation in the above-mentioned conferences, and in reliance thereon, on oral and written statements and representation of the State and others, and on other records and documents which we have examined, we advise you as a matter of fact and not opinion that no facts came to the attention of the attorneys in our firm rendering legal services in connection with this matter which caused us to believe that Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement,] as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, included therein, and information under the caption “LITIGATION,” as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We advise you that, other than reviewing the various certificates and opinions regarding the Official Statement delivered in connection with the issuance of the Bonds, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement,] as of the date hereof. We were not engaged to review, and express no opinion with respect to, any portion of the Official Statement other than Appendix A.

By acceptance of this letter you acknowledge that the preceding paragraph is neither a legal opinion nor a guarantee regarding Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement]; rather it is a statement of negative assurance regarding factual information that did not come to the attention of attorneys in our firm working on this matter during the limited activities we performed as Co-Disclosure Counsel concerning Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement]. Further, in accepting this letter the Authority and the State Treasurer recognize and acknowledge that (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the State may be responsible to undertake in preparing Appendix A[, including the portion thereof under the caption entitled “INTRODUCTION TO THE STATE OF CALIFORNIA AND APPENDIX A - State Financial Condition” incorporated into the forepart of the Official Statement], (ii) those activities performed by us relied substantially on representations, warranties certifications and opinions made by representatives of the State and others, and are otherwise subject to the matters set forth in this letter, and (iii) while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging their responsibilities under federal securities laws, the responsibilities of the Authority and the State Treasurer under those laws may differ from those of underwriters in material respects, and the preceding paragraph may not serve the same purpose or provide the same utility to them as it would to the underwriters.

We are furnishing this letter to you pursuant to Section 11(d)(8) of the Purchase Contract solely for your benefit as the Underwriters, the State Treasurer and the Authority. We have no attorney-client relationship with any of the Underwriters named in the Purchase Contract. Our engagement with respect to this matter has terminated as of the date hereof and we have no obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any purpose or by any person to whom it is not specifically addressed without our prior approval, except that reference thereto may be made in any list of closing documents pertaining to the issuance of the Bonds. This letter is not intended to be, and may not be, relied upon by the owners of the Bonds.

Very truly yours,

EXHIBIT F-2  
(to Purchase Contract)

[FORM OF LETTER  
OF ATTORNEY GENERAL]

[LETTERHEAD OF ATTORNEY GENERAL]

[Closing Date]

Sacramento City Financing Authority  
Sacramento, California

Honorable Bill Lockyer  
State Treasurer  
Sacramento, California

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

[\$[Principal Amount]  
Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

We have acted as counsel to the State of California (the "State") in connection with the authorization, sale and issuance of the above-referenced bonds (the "Bonds") as described in a Purchase Contract dated [Pricing Date] (the "Purchase Contract"), among the Sacramento City Financing Authority (the "Authority"), the Treasurer of the State of California (the "State Treasurer") and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as representatives of the underwriters (the "Underwriters") set forth therein. In such capacity, we have assisted the State in preparing the information under the caption "LITIGATION" contained in the body of the Official Statement relating to the Bonds dated [Pricing Date] (the "Official Statement") and the information under the caption "LITIGATION - The Department and the State" contained in Appendix A to the Official Statement.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. During the course of serving as counsel to the State in connection with the issuance of the Bonds, no information came to the attention of the attorneys in our office rendering legal services in connection

with such issuance which caused us to believe that the information under the captions described in the previous paragraph as contained in the Official Statement (except for any forecasts, numbers, estimates, projections, assumptions or expressions of opinion, included therein, as to which we express no opinion or view), as of its date and as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state any 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. You are advised that, pursuant to Government Code Section 11041 and certain other laws and waivers described in Government Code Section 11040, subdivision (c), the Attorney General is not counsel to all State agencies on all of their litigation matters. Accordingly, there may be litigation matters pending or threatened of which we have no actual knowledge. We express no opinion with respect to any other portion of the Official Statement.

We are furnishing this letter to you pursuant to Section 11(d)(8) of the Purchase Contract solely for the benefit of the Authority, the State Treasurer and the Underwriters of the Bonds, respectively. We have no attorney-client relationship with the Underwriters. Our engagement with respect to this matter has terminated as of the date hereof and we have no obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any purpose or by any other person. This letter is not intended to, and may not, be relied upon by the owners of the Bonds or by any other party to whom it is not specifically addressed without our prior approval.

Sincerely,

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Deputy Attorney General

For KAMALA D. HARRIS  
Attorney General

EXHIBIT G  
(to Purchase Contract)

[FORM OF OPINION OF COUNSEL TO THE AUTHORITY]

[Closing Date]

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

Re: Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

We have been acting as legal counsel for the Sacramento City Financing Authority (“**Authority**”) in connection with the issuance and delivery of the Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “**Bonds**”). This opinion is furnished to you in connection with the Purchase Contract dated [Pricing Date] (the “**Purchase Contract**”), between the Authority, the Treasurer of the State of California (the “**State Treasurer**”), and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as Representatives of the underwriters named in the Purchase Contract (the “**Underwriters**”). Among other things, the Purchase Contract provides for the purchase of the Bonds in the aggregate principal amount of \$[Principal Amount]. Unless otherwise defined in this opinion, or unless the context otherwise requires, capitalized terms below have the meanings given them in the Purchase Contract.

This opinion is governed by, and is to be interpreted in accordance with, the Legal Opinions Accord included in the *Third-Party Legal Opinion Report of the ABA Section of Business Law (1991)*. This opinion is also governed by, and is to be interpreted in accordance with, the “California Provisions” set out 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)*. As a consequence, this opinion is subject to a number of qualifications, exceptions, definitions, limitations on coverage, understandings, and other matters, all as more particularly described in the Legal Opinions Accord and the California Provisions, and it must be read in conjunction with those documents.

Based upon our examination of the Authority Documents and of such information, papers, and documents as we considered necessary or advisable to examine before rendering an opinion (including the Constitution and laws of the State and the governing instruments, ordinances, resolutions, and public proceedings of the Authority), we have concluded that the following statements are accurate as of the date of this opinion:

1. The Authority is a duly constituted and validly existing joint-exercise-of-powers agency organized under the laws of the State and has all requisite right, power, and authority—
  - (a) to conduct its business;
  - (b) to cause the execution and delivery of the Purchase Contract, the First Supplemental Trust Indenture, and the Escrow Agreement;
  - (c) to issue the Bonds and to deliver or cause to be delivered the Bonds to the Underwriters as provided in the Purchase Contract;
  - (d) to perform all of the transactions contemplated by the Purchase Contract, the Indenture, and the Escrow Agreement; and
  - (e) to undertake the activities described in the Official Statement as activities that the Authority has undertaken or will undertake.
2. The Authority had full right and lawful authority to execute and deliver the Authority Documents; has duly authorized the distribution of the Official Statement; and has duly authorized, executed, and delivered the Authority Documents and the Bonds.
3. The governing board of the Authority duly adopted the Authority Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been amended, modified, or rescinded.
4. The Bonds and the Authority Documents are legally valid and binding obligations of the Authority and are enforceable against the Authority in accordance with their terms, except as enforcement may be limited by—
  - (a) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance laws); or
  - (b) general principles of equity, including concepts of materiality, reasonableness, and good faith and fair dealing; or
  - (c) the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or
  - (d) the exercise of judicial discretion in appropriate cases; or
  - (e) the limitations on legal remedies against public entities in the State.
5. To our actual knowledge as of the date of this opinion, the adoption of the Authority Resolution and the execution and delivery of the Bonds, the First Supplemental Trust Indenture, the Escrow Agreement, and the Purchase Contract (as well as the Authority's compliance with the Bonds and the Authority Documents under the circumstances contemplated by them) do not and will not in any material way—

- (a) conflict with, or constitute on the part of the Authority a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the Authority or any of its properties; or
  - (b) violate any existing law, regulation, court order, or consent decree to which the Authority or any of its properties is subject.
6. To our actual knowledge on the date of this opinion, and except as described in the Official Statement, the Authority has not been served with process in, and has not been threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body—
- (a) that contests in any way the completeness or accuracy of the Official Statement; or
  - (b) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the transactions contemplated by the Purchase Contract or the Official Statement; or
  - (c) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Bonds or the Authority Documents.

• • •

We express no opinion with respect to any indemnification or contribution provision contained in the Authority Documents. We also express no opinion with respect to the state or federal laws that pertain to the tax-exempt status of the Bonds.

Sincerely yours,

James Sanchez  
City Attorney

By: \_\_\_\_\_  
Joseph Cerullo Jr.  
Senior Deputy City Attorney

EXHIBIT H  
(to Purchase Contract)

[FORM OF OPINION OF CITY ATTORNEY OF THE CITY OF SACRAMENTO]

[Closing Date]

Stifel, Nicolaus & Company, Incorporated  
E. J. De La Rosa & Co., Inc.  
as Representatives of the Underwriters  
as described in the Purchase Contract

Re: Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

We have been acting as legal counsel for the City of Sacramento (“**City**”) in connection with the issuance and delivery of the Sacramento City Financing Authority Lease Revenue Refunding Bonds State of California – Cal EPA Building 2013 Series A (the “**Bonds**”). This opinion is furnished to you in connection with the Purchase Contract dated [Pricing Date] (the “**Purchase Contract**”), between the Sacramento City Financing Authority (the “**Authority**”), the Treasurer of the State of California (the “**State Treasurer**”), and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as Representatives of the underwriters named in the Purchase Contract (the “**Underwriters**”). Among other things, the Purchase Contract provides for the purchase of the Bonds in the aggregate principal amount of \$[Principal Amount]. Unless otherwise defined in this opinion, or unless the context otherwise requires, the capitalized terms used below have the meanings given them in the Purchase Contract.

This opinion is governed by, and is to be interpreted in accordance with, the Legal Opinions Accord included in the *Third-Party Legal Opinion Report of the ABA Section of Business Law (1991)*. This opinion is also governed by, and is to be interpreted in accordance with, the “California Provisions” set out 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)*. As a consequence, this opinion is subject to a number of qualifications, exceptions, definitions, limitations on coverage, understandings and other matters, all as more particularly described in the Legal Opinions Accord and the California Provisions, and it must be read in conjunction with those documents.

Based upon our examination of the City Documents and of such information, papers, and documents as we considered necessary or advisable before rendering an opinion (including the Constitution and laws of the State and the governing instruments, ordinances, and public proceedings of the City), we have concluded that the following statements are accurate as of the date of this opinion:

1. The City is a municipal corporation duly organized and validly existing under the City Charter and the Constitution and the laws of the State.

2. The Sacramento City Council duly adopted the City Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been amended, modified, or rescinded.
3. The City had full right and lawful authority to execute and deliver the City Documents, and the City has duly authorized, executed, and delivered the City Documents.
4. The City Documents are legally valid and binding obligations of the City and are enforceable against the City in accordance with their terms, except as enforcement may be limited by—
  - (a) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including fraudulent-conveyance laws); or
  - (b) general principles of equity, including concepts of materiality, reasonableness, and good faith and fair dealing; or
  - (c) the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or
  - (d) the exercise of judicial discretion in appropriate cases; or
  - (e) the limitations on legal remedies against public entities in the State.
5. To our actual knowledge as of the date of this opinion, the adoption of the City Resolution, and the execution and delivery of the City Documents (as well as the City's compliance with the City Documents under the circumstances contemplated by them) do not and will not in any material way—
  - (a) conflict with, or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or
  - (b) violate the City Charter; or
  - (c) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties is subject.
6. To our actual knowledge on the date of this opinion, and except as described in the Official Statement, the City has not been served with process in, and has not been threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or public body that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Resolution or the City Documents.

• • •

We express no opinion with respect to any indemnification or contribution provision contained in the City Documents. We also express no opinion with respect to the state or federal laws that pertain to the tax-exempt status of the Bonds.

Sincerely yours,

James Sanchez  
City Attorney

By: \_\_\_\_\_  
Joseph Cerullo Jr.  
Senior Deputy City Attorney

EXHIBIT I  
(to Purchase Contract)

[FORM OF OPINION OF STATE TREASURER'S OFFICE]

[Closing Date]

Sacramento City Financing Authority  
Sacramento, California

Re: Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California - Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

This opinion is being delivered in connection with the issuance of [Principal Amount Written Out] (\$[Principal Amount]) aggregate principal amount of Sacramento City Financing Authority Lease Revenue Refunding Bonds State of California - Cal EPA Building 2013 Series A (the "Bonds"). The Bonds are being issued pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Joint Powers Act") and the Trust Indenture dated as of November 1, 1998 (the "Original Indenture"), as supplemented by a First Supplemental Trust Indenture, dated as of August 1, 2013 (the "First Supplemental Trust Indenture" and, together with the Original Indenture, the "Indenture"), each by and between the Sacramento City Financing Authority (the "Authority") and the Treasurer of the State of California (the "State Treasurer"), as trustee. Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein shall have the respective meanings ascribed to them in the Indenture or, if not defined in the Indenture, in the Purchase Contract, dated [Pricing Date] (the "Purchase Contract"), among the Authority, the State Treasurer and Stifel, Nicolaus & Company, Incorporated and E. J. De La Rosa & Co., Inc., as representatives of the underwriters named therein.

We are of the following opinions and conclusion:

The execution, delivery and performance by the State Treasurer of the Purchase Contract, the Indenture, the Consent and Assignment Agreement and the Continuing Disclosure Agreement will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument known to us to which the State Treasurer is a party or otherwise subject.

This opinion is addressed to the Authority at the request of the State Treasurer.

Very truly yours,

MARK PAXSON  
Counsel to the State Treasurer

By: \_\_\_\_\_  
General Counsel

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST \_\_\_\_, 2013****NEW ISSUE–BOOK-ENTRY ONLY****RATINGS: (See “RATINGS” herein.)**

*In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the 2013 Series A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the 2013 Series A Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.*

\$ \_\_\_\_\_ \*

**SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
STATE OF CALIFORNIA – CAL EPA BUILDING  
2013 SERIES A**

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

The Sacramento City Financing Authority (the “Authority”), a California joint-exercise-of-powers agency, is issuing its Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “2013 Series A Bonds”) to provide funds to (i) currently refund all or a portion of its outstanding Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the “1998 Series A Bonds”) and (ii) pay certain costs of issuance of the 2013 Series A Bonds. The 1998 Series A Bonds were issued primarily to finance and refinance the costs of the construction, installation and equipping of an office building and related improvements to be occupied by various State of California agencies, including those operating under the California Environmental Protection Agency (the “Project”). The Project is located in and was built by the City of Sacramento (the “City”) for the benefit of the Department of General Services of the State of California (the “Department”). The Project, together with the site upon which it is located (collectively, the “Premises”), is leased by the City to the Department pursuant to a long-term lease as described herein.

The 2013 Series A Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 1998 (the “Original Trust Indenture”), as amended and supplemented by a First Supplemental Trust Indenture, dated as of August 1, 2013 (the “First Supplemental Trust Indenture” and, together with the Original Trust Indenture, the “Trust Indenture”), each by and between the Authority and the Treasurer of the State of California, as trustee (the “Trustee”). Interest on the 2013 Series A Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2013. The 2013 Series A Bonds may be purchased in authorized denominations of \$5,000 and integral multiples thereof in book-entry form only. See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” The 2013 Series A Bonds may be redeemed prior to their respective stated maturities as described herein. See “TERMS OF THE 2013 SERIES A BONDS – Redemption Provisions.”

The 2013 Series A Bonds are special obligations of the Authority and are payable solely from the Revenues and other funds pledged under the Trust Indenture, consisting primarily of Base Rental payments payable by the Department to the City pursuant to a long-term lease as described herein. The Department is required to make Base Rental payments only if the Department has beneficial use and occupancy of the Premises. No other funds, except the Revenues and amounts held in certain funds and accounts under the Trust Indenture, have been set aside for, or pledged to secure, the payment of principal or interest on the 2013 Series A Bonds. See “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – Annual Appropriations.”

**THE 2013 SERIES A BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE CITY, THE DEPARTMENT, THE STATE OF CALIFORNIA OR ANY STATE AGENCY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION THEREOF HAS AN OBLIGATION TO LEVY OR PLEDGE ANY FORM OF TAXATION, AND THE OWNERS OF THE 2013 SERIES A BONDS HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED BY THE STATE LEGISLATURE OR THE CITY FOR THE PAYMENT OF AMOUNTS DUE ON THE 2013 SERIES A BONDS. THE AUTHORITY HAS NO TAXING POWER.**

This cover page contains information for general reference only. It is not a summary of the terms of the 2013 Series A Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS**  
(See Inside Cover Page)

The 2013 Series A Bonds are offered when, as and if delivered to and received by the Underwriters, subject to the approval of validity by Fulbright & Jaworski LLP, Bond Counsel, a member of Norton Rose Fulbright, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, Underwriters’ Counsel. Certain legal matters will be passed upon for the Department by Department Counsel and for the Authority by the City Attorney. In connection with the issuance of the 2013 Series A Bonds, Lamont Financial Services Corporation is serving as Financial Advisor to the State Treasurer. Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth, a Professional Corporation, are serving as Co-Disclosure Counsel to the State of California regarding Appendix A. It is expected that the 2013 Series A Bonds will be available for delivery through the facilities of DTC on or about August [29], 2013.

*Honorable Bill Lockyer*  
*Treasurer of the State of California*

**Stifel**  
(Joint Senior Manager)

**De La Rosa & Co.**  
(Joint Senior Manager)

\* Preliminary; subject to change.  
57152492.7

BMO Capital Markets GKST  
Goldman, Sachs & Co.  
Mesirow Financial Inc.

Cabrera Capital Markets, LLC  
Hutchinson Shockey Erley & Co.  
Rice Financial Products Company

Edward D. Jones & Co., LP  
Lebenthal & Co., LLC  
Stern Brothers & Co.

Dated: \_\_\_\_\_, 2013

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES  
OR YIELDS AND CUSIPS**

\$ \_\_\_\_\_ \* **Serial Bonds**

Maturity Date (May 1)	Principal Amount*	Interest Rate	Yield/Price	CUSIP No.†
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				

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\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Department, the State Treasurer or the Underwriters and are included solely for the convenience of the registered owners of the 2013 Series A Bonds. None of the Authority, the City, the Department, the State Treasurer or the Underwriters is responsible for the selection or the uses of these CUSIP numbers, and no representation is made as to their correctness on the 2013 Series A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2013 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2013 Series A Bonds.

No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations other than those contained herein, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor may the 2013 Series A Bonds be sold in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2013 Series A Bonds.

The information set forth herein under the captions “THE AUTHORITY” and “LITIGATION – The Authority” has been furnished by the Authority, which has no responsibility for any other portion of this Official Statement. The information set forth herein under the caption “LITIGATION – The City” has been furnished by the City, which has no responsibility for any other portion of this Official Statement. The information set forth in APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” has been furnished by DTC. The information set forth herein under the caption “UNDERWRITING” and in APPENDIX G – “LETTERS FROM CERTAIN UNDERWRITERS” has been furnished by the Underwriters. All other information in this Official Statement has been obtained from the Department and the State of California (the “State”) and other sources believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Department or the State since the date hereof.

A wide variety of information concerning the Authority, the Department and the State is available from publications and websites of the City and the State. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreement (described in Appendix F), none of the Authority, the Department or the State plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2013 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2013 SERIES A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT YIELDS HIGHER THAN THOSE STATED ON THE INSIDE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.**

The 2013 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance on an exemption from the registration requirements contained in such Act.

Copies of this Official Statement may be obtained from:

HONORABLE BILL LOCKYER  
Treasurer of the State of California  
P.O. Box 942809  
Sacramento, California 94209-0001  
(800) 900-3873

The Preliminary Official Statement is available as public information on the State Treasurer’s internet site at <http://www.treasurer.ca.gov>.

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**SACRAMENTO CITY FINANCING AUTHORITY**

**AUTHORITY BOARD OF DIRECTORS**

Kevin Johnson, Mayor and Chairperson  
Angelique Ashby, Vice Mayor and Vice Chairperson, District No. 1  
Allen Wayne Warren, District No. 2  
Steve Cohn, District No. 3  
Steve Hansen, District No. 4  
Jay Schenirer, District No. 5  
Kevin McCarty, District No. 6  
Darrell Fong, District No. 7  
Bonnie Pannell, District No. 8

**Staff**

John F. Shirey, City Manager  
James Sanchez, City Attorney and Authority Legal Counsel  
Russell T. Fehr, City Treasurer and Authority Treasurer  
Shirley Concolino, MMC, City Clerk and Authority Secretary  
Leyne Milstein, City Finance Director and Authority Controller

**SPECIAL SERVICES**

**Bond Counsel**

Fulbright & Jaworski LLP  
Los Angeles, California,  
a member of Norton Rose Fulbright

**Trustee and Agent for Sale**

The Honorable Bill Lockyer  
Treasurer of the State of California

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## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
Purposes; Authorization.....	1
Sources of Payment of the 2013 Series A Bonds.....	2
General Terms of the 2013 Series A Bonds.....	3
State Financial Condition.....	3
Continuing Disclosure .....	4
Certain Information Related to this Official Statement .....	4
Additional Information .....	4
PLAN OF REFUNDING .....	5
ESTIMATED SOURCES AND USES OF FUNDS .....	6
THE PROJECT.....	6
TERMS OF THE 2013 SERIES A BONDS.....	6
Description of the 2013 Series A Bonds.....	6
Redemption Provisions .....	7
Additional Bonds .....	7
Annual Fiscal Year Debt Service Requirements.....	8
SECURITY FOR THE 2013 SERIES A BONDS .....	9
General.....	9
Reserve Account .....	9
The Lease.....	10
Consent and Assignment Agreement.....	12
CERTAIN RISK FACTORS .....	13
Limited Recourse Upon Default .....	13
Enforcement of Remedies.....	14
No Limitation on Additional Bonds.....	15
Natural Disasters.....	15
No Earthquake Insurance .....	15
[State Financial Condition .....	15
Other Risks .....	15
THE AUTHORITY .....	16
THE DEPARTMENT OF GENERAL SERVICES .....	16
TAX MATTERS.....	17
Tax Exemption.....	17
Tax Accounting Treatment of Bond Premium and Original Issue Discount.....	18
Other Tax Consequences .....	19
CERTAIN LEGAL MATTERS.....	19
LITIGATION.....	20
The Authority.....	20
The City .....	20

## TABLE OF CONTENTS

(continued)

	Page
The Department and the State.....	20
VERIFICATION OF MATHEMATICAL COMPUTATIONS .....	20
UNDERWRITING .....	21
RATINGS .....	21
FINANCIAL STATEMENTS .....	21
CONTINUING DISCLOSURE.....	21
MISCELLANEOUS .....	22
APPENDIX A – THE STATE OF CALIFORNIA.....	A-1
APPENDIX B – THE PROJECT .....	B-1
APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	C-1
APPENDIX D – DTC AND THE BOOK-ENTRY ONLY SYSTEM.....	D-1
APPENDIX E – PROPOSED FORM OF OPINION OF BOND COUNSEL .....	E-1
APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT .....	F-1
APPENDIX G – LETTERS FROM CERTAIN UNDERWRITERS .....	G-1
APPENDIX H – AUDITED BASIC FINANCIAL STATEMENTS OF THE STATE OF CALIFORNIA FOR THE YEAR ENDED JUNE 30, 2012.....	H-1

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**SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
STATE OF CALIFORNIA – CAL EPA BUILDING  
2013 SERIES A**

**INTRODUCTION**

*This Introduction contains only a brief summary of certain of the terms of the 2013 Series A Bonds being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement (including the inside cover page and the Appendices). All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the laws of the State of California (the “State”) or any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions thereof. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Trust Indenture (as defined herein). See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions of Certain Terms” for definitions of certain words and terms used but not otherwise defined herein.*

**Purposes; Authorization**

This Official Statement is provided to furnish information relating to the issuance and sale by the Sacramento City Financing Authority (the “Authority”) of its Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “2013 Series A Bonds”) in the aggregate principal amount of \$ \_\_\_\_\_\*. The Authority is a joint-exercise-of-powers agency duly organized and operating pursuant to Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the California Government Code (the “Joint Powers Act”). See “THE AUTHORITY.”

The 2013 Series A Bonds are being issued to (i) currently refund all or a portion of the Authority’s \$110,720,000 outstanding aggregate principal amount of Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the “1998 Series A Bonds”) and (ii) pay certain costs of issuance of the 2013 Series A Bonds. See “PLAN OF REFUNDING.” The 1998 Series A Bonds were issued primarily to finance and refinance the costs of the construction, installation and equipping of an office building and related improvements now occupied by various State of California agencies, including those operating under the California Environmental Protection Agency (the “Project”). The Project is located in and was built by the City of Sacramento (the “City”) for the benefit of the Department of General Services of the State of California (the “Department”).

The 2013 Series A Bonds are being issued pursuant to the provisions of the Joint Powers Act, including Article 4 (commencing with Section 6584) thereof, Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53580) of the California Government Code, and a Trust Indenture dated as of November 1, 1998 (the “Original Trust Indenture”), as amended and supplemented by the First Supplemental Trust Indenture, dated as of August 1, 2013 (the “First Supplemental Trust Indenture” and, together with the Original Trust Indenture, the “Trust Indenture”), each by and between the Authority and the Treasurer of the State of California, as trustee (the “Trustee”).

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\* Preliminary; subject to change.

## Sources of Payment of the 2013 Series A Bonds

**Rental Payments.** The Department and the City have entered into a Sacramento/State Building Lease dated April 23, 1997, as amended by a First Amendment to Sacramento/State Building Lease dated as of November 1, 1998, and a Second Amendment to Sacramento/State Building Lease entered into in September 1999, and as further amended by a Third Amendment to Sacramento/State Building Lease dated as of August 1, 2013 (collectively, the “Lease”), pursuant to which the Department leases from the City the Project, together with the site upon which it is located (collectively, the “Premises”). See “THE PROJECT.” The 2013 Series A Bonds will be secured by the Lease under which the Department has agreed to make base rental payments (“Base Rental”) for the use and occupancy of the Premises and to pay certain insurance and operating costs of the Premises and administrative expenses of the City as described herein (“Additional Rental” and, together with Base Rental, “Rental”). All Rental payments received are to be applied first to the Base Rental due and, thereafter, to all Additional Rental. Base Rental payments are designed to be sufficient, in both time and amount, to pay when due the principal of and interest on the Bonds (as defined below), including the 2013 Series A Bonds. See “SECURITY FOR THE 2013 SERIES A BONDS – The Lease” for a discussion of the obligations of the Department under the Lease. As provided for in the Consent and Assignment Agreement, dated as of June 1, 1998 (the “Consent and Assignment Agreement”), by and between the City, the Authority, the Department and the Trustee, the City has assigned to the Trustee, for the benefit of the owners of the Bonds, certain of its rights and interest in and to, among other things, the Lease (including its rights to receive all Base Rental payments and its rights to enforce the payment of such amounts when due in the event of a default by the Department). See “SECURITY FOR THE 2013 SERIES A BONDS – Consent and Assignment Agreement.”

Under the Lease, the Department has covenanted to take such action as may be necessary to include all Rental payments due thereunder in its annual budgets and to make necessary annual allocations for all such Rental payments. The Department’s obligation to take such action is subject to and dependent upon the Department’s beneficial use and occupancy of the Premises. The Department is only obligated to make Rental payments for that portion of the Premises for which it has beneficial use and occupancy. **Even though the Department has covenanted to include Rental payments in its annual budget and is obligated to make such Rental payments if not abated, such annual Rental payments constitute a current expense of the Department for which money can only be drawn from the State Treasury through an appropriation made by law. The State Legislature is not obligated to appropriate funds for such Rental payments and no assurances can be given that the State Legislature will appropriate such funds.** For a discussion of the remedies available upon an event of default in the timely payment of Rental under the Lease, see “CERTAIN RISK FACTORS – Limited Recourse Upon Default.” See also “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – Annual Appropriations.”

**Reserve Account.** The Trust Indenture establishes a reserve account (“Reserve Account”) for the payment of bonds issued pursuant to the Trust Indenture, including the 2013 Series A Bonds, any 1998 Series A Bonds remaining outstanding upon the issuance of the 2013 Series A Bonds, and any additional lease revenue bonds hereafter issued by the Authority under the Trust Indenture (“Additional Bonds,” and collectively with the 2013 Series A Bonds and any 1998 Series A Bonds remaining outstanding, the “Bonds”). On the date of issuance of the 2013 Series A Bonds, an amount equal to the Reserve Account Requirement will be on deposit on the Reserve Account. In accordance with the Trust Indenture, the Authority may at any time satisfy its obligation to fund the Reserve Account in an amount equal to the Reserve Account Requirement through the use of a letter of credit, an insurance policy or a surety bond meeting the requirements of the Trust Indenture. See “SECURITY FOR THE 2013 SERIES A BONDS – Reserve Account.” See also “TERMS OF THE 2013 SERIES A BONDS – Additional Bonds.”

**Insurance.** The Trust Indenture and the Lease require the Department to maintain or cause to be maintained fire, lightning and extended coverage insurance on the Premises and to maintain public liability insurance and rental interruption insurance to cover certain losses as a result of certain hazards. See “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – *Insurance.*”

### **General Terms of the 2013 Series A Bonds**

The 2013 Series A Bonds are being issued in the aggregate principal amount shown on the front cover hereof, and will mature on the dates and in the amounts shown on the inside front cover. The 2013 Series A Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof. The 2013 Series A Bonds will be dated their date of delivery and will bear interest from such date at the interest rates set forth on the inside cover of this Official Statement. Interest on the 2013 Series A Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2013. Interest on the 2013 Series A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The record date for interest payments is the close of business on the 15<sup>th</sup> day of the calendar month (whether or not a Business Day) next preceding each interest payment date.

The 2013 Series A Bonds will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2013 Series A Bonds. Beneficial interests in the 2013 Series A Bonds may be purchased in book-entry form only, in denominations as set forth above. While in the book-entry system, the principal of and interest on the 2013 Series A Bonds will be paid as described in APPENDIX D.

The 2013 Series A Bonds are subject to redemption prior to their respective stated maturities as described herein. See “TERMS OF THE 2013 SERIES A BONDS – Redemption Provisions.”

### **State Financial Condition**

*[The following paragraphs present an abbreviated summary of certain information regarding the State, all of which are described in more detail in APPENDIX A. Capitalized terms used in the following paragraphs and not defined herein are defined in APPENDIX A. Investors should review all of APPENDIX A in addition to all other sections of this Official Statement to obtain information essential to making an informed investment decision.]*

During the recent recession, which officially ended in 2009, the State experienced the most significant economic downturn since the Great Depression of the 1930s. As a result, State tax revenues declined precipitously, resulting in large budget gaps and occasional cash shortfalls in the period from 2008 through 2011.

In 2011, the State faced \$20 billion in expected annual gaps between its revenues and spending for the ensuing several years. With significant spending cuts enacted over the past two years and new temporary revenues provided by the passage of Proposition 30, the 2013-14 Governor’s Budget projects that the State will end fiscal year 2012-13 with a positive reserve. Further, the State’s budget is projected to remain balanced for the foreseeable future. In addition, continued moderate growth in California’s economy is expected to produce an improvement in General Fund revenue through the end of fiscal year 2013-14.

Despite the significant budgetary improvements of the past two years, there remain a number of major risks and pressures that threaten the State’s financial condition, including the overhang of billions of dollars of obligations which were deferred to balance budgets during the economic downturn.

There can be no assurance that the State will not face fiscal stress and cash pressures again, or that other impacts of the current economic situation will not materially adversely affect the financial condition of the State.] {If included, to be updated by co-disclosure counsel from Appendix A when available}

### **Continuing Disclosure**

No financial or operating data concerning the Authority is being included or incorporated by reference in this Official Statement, and the Authority has not agreed to provide any such financial or operating data either currently or on an on-going basis. The Authority has no continuing disclosure obligations in relation to the 2013 Series A Bonds. The Department and the State Treasurer, on behalf of the State, will undertake, pursuant to a Continuing Disclosure Agreement, dated the date of delivery of the 2013 Series A Bonds (the “Continuing Disclosure Agreement”), to provide certain annual financial information and notices of the occurrence of certain enumerated events. See APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT” and “CONTINUING DISCLOSURE.”

### **Certain Information Related to this Official Statement**

The descriptions herein of the Trust Indenture, the Lease, the Consent and Assignment Agreement, the Escrow Agreement, the Continuing Disclosure Agreement and the other documents relating to the 2013 Series A Bonds are qualified in their entirety by reference to such documents, and the description herein of the 2013 Series A Bonds is qualified in its entirety by the forms thereof and the information with respect thereto included in the aforesaid documents. See APPENDIX C for a summary of the rights and duties of the Department, the Authority, and the City under such documents, the rights and remedies of the Trustee and the registered owners of the 2013 Series A Bonds (the “Holders”) upon an event of default, provisions relating to any amendment of the Trust Indenture, the Lease and the Consent and Assignment Agreement and procedures for defeasance of the 2013 Series A Bonds.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement (including the Appendices) nor any sale made hereunder nor any uses of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Department or the State since the date hereof.

All information presented in this Official Statement has been provided by the Authority, the City, the Department or the State from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Department or the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

A wide variety of information concerning the Authority, the Department and the State is available from publications and websites of the City and the State. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

### **Additional Information**

Questions regarding this Official Statement and the issuance of the 2013 Series A Bonds may be addressed to the office of the Honorable Bill Lockyer, Treasurer of the State of California, Public Finance Division, P.O. Box 942809, Sacramento, California 94209-0001, Telephone (800) 900-3873.

**PLAN OF REFUNDING**

The Authority issued the 1998 Series A Bonds in November 1998 primarily to refinance a portion of the cost of the construction, installation and equipping of the Project and to finance the costs of completion of the Project. As of the date hereof, \$110,720,000 principal amount of the 1998 Series A Bonds remain outstanding.

The 2013 Series A Bonds are being issued for the purpose of providing funds to refund and defease all or a portion of the outstanding 1998 Series A Bonds described in the following table.

**1998 Series A Refunded Bonds\***

<i><b>Maturity Date (May 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>CUSIP Number</b></i>	<i><b>Redemption Price</b></i>
2014	\$ 8,775,000	5.00%	785846CF1	100%
2015	9,215,000	5.25	785846CG9	100
2016	9,700,000	5.25	745846CH7	100
2017	10,210,000	4.75	785846CJ3	100
2019 <sup>†</sup>	21,950,000	5.25	785846CK0	100
2023 <sup>†</sup>	50,870,000	4.75	785846CL8	100

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<sup>†</sup>Term Bond

Pursuant to an Escrow Agreement, dated as of August 1, 2013 (the “Escrow Agreement”), by and between the Authority and the State Treasurer, as escrow agent, a portion of the proceeds of the 2013 Series A Bonds, together with certain other available moneys, will be deposited into an escrow fund created thereunder. Amounts deposited into the escrow fund will be held as cash and will be in an amount sufficient to pay on October 1, 2013 (the “Redemption Date”), the redemption price (being 100% of the principal amount) of the 1998 Series A Bonds to be redeemed on such date (the “Refunded 1998 Series A Bonds”), plus accrued interest thereon to the Redemption Date. Upon such deposit, the Refunded 1998 Series A Bonds will no longer be deemed to be Outstanding under the Trust Indenture except as to the rights of the owners of such Refunded 1998 Series A Bonds to receive payment from the amounts on deposit in the escrow fund. The monies held in the escrow fund do not secure the 2013 Series A Bonds and will not be available for the payment of the 2013 Series A Bonds.

See also “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

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\* Preliminary, subject to change.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds in connection with the 2013 Series A Bonds are as set forth below.

<u>Sources of Funds</u>	
Principal Amount of Bonds .....	\$
Net Original Issue Premium/Discount .....	
Transfers From Refunded 1998 Series A Bonds Funds and Accounts .....	
<b>TOTAL ESTIMATED SOURCES .....</b>	<b>\$</b>
<u>Use of Funds</u>	
Escrow Fund .....	\$
Costs of Issuance <sup>(1)</sup> .....	
Underwriters' Discount.....	
<b>TOTAL ESTIMATED USES .....</b>	<b>\$</b>

<sup>(1)</sup> Includes the State Treasurer's fee for serving as trustee, legal and rating agencies' fees and other costs of issuance, including City administration fees.

**THE PROJECT**

As described herein, the 1998 Series A Bonds were issued for the purpose of financing and refinancing certain costs of the construction, installation and equipping of the Project. The Project is located downtown in the City of Sacramento, County of Sacramento, on a site (the "Site") owned by the City, consisting of the City block bounded by "I", 10th, "H" and 11th Streets (approximately four blocks from the State Capitol). The Project included the construction, installation and equipping of an office building (the "Building"), and related improvements, including art work in public places, a courtyard, sidewalk improvements, off-site improvements across from the Building at Caesar Chavez Plaza and the acquisition of equipment and furnishings. The Project is located in and was built by the City for the benefit of the Department. The Site and the Project compose the Premises, which are leased by the City to the Department pursuant to the Lease. No title insurance policy with respect to the Premises is being obtained in connection with the issuance of the 2013 Series A Bonds. See APPENDIX B for more detailed information concerning the Project.

**TERMS OF THE 2013 SERIES A BONDS**

**Description of the 2013 Series A Bonds**

The 2013 Series A Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement. The 2013 Series A Bonds will be dated the date of delivery thereof, and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The 2013 Series A Bonds will be issuable in authorized denominations of \$5,000 principal amount and any integral multiple thereof. Interest on the 2013 Series A Bonds is payable from their dated date at the per annum interest rates set forth on the inside cover page of this Official Statement, semiannually on May 1 and November 1 of each year, commencing on November 1, 2013 (each, an "Interest Payment Date"). Interest on the 2013 Series A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The 2013 Series A Bonds will be issued as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, the securities depository for the 2013 Series A

Bonds. Ownership interests in the 2013 Series A Bonds may be purchased in book-entry only form, in the authorized denominations set forth above. So long as DTC or its nominee is the registered owner of the 2013 Series A Bonds, the principal of and interest on the 2013 Series A Bonds will be made to DTC as described in APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

### **Redemption Provisions\***

***Extraordinary Redemption.*** The 2013 Series A Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the Authority, on any [Interest Payment Date][date], in whole or in part, from proceeds of insurance or eminent domain proceedings received in connection with the Premises, at the principal amount of the 2013 Series A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

[***Optional Redemption.*** The 2013 Series A Bonds maturing on and after May 1, \_\_\_\_ are subject to redemption prior to their respective maturity dates, at the option of the Authority, from any available funds, either in whole or in part on any date on or after May 1, \_\_\_\_, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption.]

***Selection of Bonds for Redemption.*** If less than all Outstanding Bonds under the Trust Indenture are to be redeemed at any one time from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity on a proportionate basis: provided that within each maturity such Bonds shall be selected by lot. If less than all Outstanding Bonds are to be redeemed at any one time other than from the proceeds of insurance or eminent domain proceedings, the Trustee shall select such Bonds to be redeemed from each maturity at his discretion; provided that within each maturity such Bonds shall be selected by lot. See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” concerning DTC’s redemption procedures.

***Notice of Redemption.*** So long as DTC is acting as securities depository for the 2013 Series A Bonds, notice of redemption will be given by sending copies of such notice to DTC (and not to the beneficial owners of the 2013 Series A Bonds designated for redemption) at least 30 days but not more than 60 days prior to the date fixed for redemption. Pursuant to the Trust Indenture, notice of redemption will also be provided through the EMMA portal of the MSRB (the “repository”). Failure by the Trustee to give notice pursuant to the Trust Indenture to any one or more of the securities depositories who are not Holders or to the repository, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption. The Trust Indenture provides that if notice of redemption has been duly given and money for payment of the redemption price of the 2013 Series A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, the 2013 Series A Bonds so called for redemption will become due and payable, and from and after the date fixed for redemption, interest on the 2013 Series A Bonds so called for redemption will cease to accrue and be payable, and the Holders of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Additional Bonds**

To the extent that any 1998 Series A Bonds remain Outstanding upon the delivery of the 2013 Series A Bonds, the 2013 Series A Bonds and all such unrefunded 1998 Series A Bonds will be equally and ratably secured by the Revenues and other funds pledged therefor under the Trust Indenture as described herein. See “SECURITY FOR THE 2013 SERIES A BONDS – General.”

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\* Preliminary, subject to change.

The Authority may at any time issue Additional Bonds under the Trust Indenture that are secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2013 Series A Bonds and any unrefunded 1998 Series A Bonds remaining Outstanding for the purpose of (i) financing or refinancing the completion of and/or construction, installation and equipping of additions, betterments, extensions or improvements to the Premises, (ii) refunding any Bonds then Outstanding under the Trust Indenture, (iii) payment of all costs incidental to or connected with any financing described in (i) or (ii) above, and/or (iv) making deposits to the Reserve Account. The 2013 Series A Bonds, together with any unrefunded 1998 Series A Bonds remaining Outstanding and any such Additional Bonds hereafter issued, are collectively referred to herein as the “Bonds.”

The Trust Indenture requires that in connection with the issuance of any Additional Bonds, the Lease will be amended to provide for Base Rental payments thereunder sufficient, in both time and amount to pay when due the annual principal of and interest on the Bonds to then be Outstanding (including the 2013 Series A Bonds and any unrefunded 1998 Series A Bonds) and any such Additional Bonds. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST INDENTURE – Issuance of Additional Bonds.”

**Annual Fiscal Year Debt Service Requirements**

Set forth below are the annual fiscal year principal, interest and total debt service requirements for the 2013 Series A Bonds (assuming no redemptions).

Payment Date	Principal	Interest	Total Debt Service	Annual Fiscal Year Debt Service
11/01/2013				
05/01/2014				
11/01/2014				
05/01/2015				
11/01/2015				
05/01/2016				
11/01/2016				
05/01/2017				
11/01/2017				
05/01/2018				
11/01/2018				
05/01/2019				
11/01/2019				
05/01/2020				
11/01/2020				
05/01/2021				
11/01/2021				
05/01/2022				
11/01/2022				
05/01/2023				

## SECURITY FOR THE 2013 SERIES A BONDS

### General

***Pledge of Revenues.*** The 2013 Series A Bonds are special obligations of the Authority issued pursuant to the Trust Indenture, payable solely from, and equally secured (together with any unrefunded 1998 Series A Bonds and any Additional Bonds) by a pledge of (i) all rentals (except Additional Rental or similar payments to the City that would not be deemed Base Rental and parking fees to the City provided for under the Lease) received by the City as lessor under the Lease and pledged to the Trustee as a result of the Consent and Assignment Agreement, (ii) all other revenues, proceeds, benefits, charges, income, profits, receipts, rents or other amounts, including insurance proceeds, and any damages received under the Lease by or on behalf of the Authority or the City in connection with the Premises, and (iii) all other interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Trust Indenture (collectively, the “Revenues”), and all amounts on deposit in the funds and accounts established under the Trust Indenture. Except as expressly permitted under the Trust Indenture, the Revenues shall not be used for any other purpose while any Bonds remain Outstanding. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST INDENTURE.”

**THE 2013 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS PLEDGED THEREFOR AS DESCRIBED HEREIN. THE 2013 SERIES A BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE CITY, THE DEPARTMENT, THE STATE OR ANY STATE AGENCY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION THEREOF HAS AN OBLIGATION TO LEVY OR PLEDGE ANY FORM OF TAXATION, AND THE OWNERS OF THE 2013 SERIES A BONDS HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED BY THE STATE LEGISLATURE OR THE CITY FOR THE PAYMENT OF AMOUNTS DUE ON THE 2013 SERIES A BONDS. THE AUTHORITY HAS NO TAXING POWER.**

### Reserve Account

The Trust Indenture establishes a reserve account (the “Reserve Account”) for the payment of the Bonds issued thereunder to be maintained in an amount equal to one-half (1/2) maximum annual debt service payments on the Outstanding Bonds (the “Reserve Account Requirement”). The Reserve Account secures the payment all Bonds issued under the Trust Indenture, including the Bonds, any 1998 Series A Bonds remaining outstanding, and any Additional Bonds hereafter issued. Upon the delivery of the 2013 Series A Bonds, the Reserve Account Requirement will be \$\_\_\_\_\_, which amount is on deposit in the Reserve Account. All money in the Reserve Account is to be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account established for the payment of the Bonds, in such order, in the event of any deficiency at any time in either of such accounts, or for the purpose of paying the principal of, and redemption premium, if any, or interest on, the Bonds in the event that no other money of the Authority is lawfully available therefor, or for the purpose of paying the final principal and interest payment on the Bonds. Any amount in the Reserve Account in excess of the Reserve Account Requirement may be withdrawn from the Reserve Account and deposited in the Revenue Fund; provided that the Trustee, upon the written request of the Department and upon receipt of such documentation as it may require, shall withdraw from the Reserve Account and pay to the Department money sufficient to reimburse the Department for any Base Rental theretofore paid by the

Department under the Lease for a period of time during which the payment of Base Rental under the Lease is abated and for which no other money (including proceeds of rental interruption or use and occupancy insurance) is available. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST INDENTURE – Establishment of Funds and Accounts.”

In lieu of funding the Reserve Account with cash, the Authority may satisfy all or any portion of its obligation to fund or maintain the Reserve Account through delivery of a letter of credit, insurance policy or surety bond meeting the requirements set forth in the Trust Indenture, or a combination thereof, in an aggregate amount equal to the Reserve Account Requirement.

## **The Lease**

**General.** Under the Lease, the Department leases the Premises from the City and has agreed to make the Base Rental payments due thereunder for the use and occupancy of such Premises. In addition, the Department also agrees under the Lease to pay certain Additional Rental payments sufficient to pay certain insurance and operating costs of the Premises and administrative expenses of the City. The Additional Rental payments made by the Department to the City have not been pledged to the payment of the Bonds. The Lease provides that the City shall hold legal title to the Premises unless the Department exercises its option to purchase the Premises. Subject to approval by the State Legislature, the Department may at any time during the term of the Lease purchase the Premises for an amount equal to all unpaid Base Rental payments, together with any prepayment fees. Such amounts shall be deposited with the Trustee for redemption of the Bonds pursuant to the terms of the Trust Indenture. If at the time such option is exercised, all Base Rental payments and related amounts have been paid by the Department, then it may purchase the Premises for an amount equal to one dollar (\$1.00). See “–*Abatement*” below and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE.”

The City has assigned to the Trustee, under the Consent and Assignment Agreement, for the benefit of the owners of the Bonds, (i) all its rights to receive the Base Rental scheduled to be paid by the Department under and pursuant to the Lease, (ii) all rents, profits, products and proceeds from the Premises to which the City has any right or claim (except for parking revenues provided for in the Lease and Additional Rental as defined in the Lease or similar payments to the City that would not be deemed to be Base Rental), (iii) the right to take all actions and give all consents under the Lease related to the timely payment and receipt of the Base Rental to support payment on the Bonds, (iv) any right of access provided in the Lease, and (v) any and all other rights and remedies of the City in the Lease as lessor necessary thereunder to collect the Base Rental due thereunder to support payment on the Bonds; provided, that so long as no event of default (as defined in the Lease) shall have occurred or be continuing, the City shall have and may exercise all rights of the lessor under the Lease other than the right to receive the Base Rental due and owing under the Lease. The Base Rental portion of the Rental payments are designed to be sufficient, in both time and amount, to pay when due the annual principal of and interest on all Bonds Outstanding under the Trust Indenture. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CONSENT AND ASSIGNMENT AGREEMENT.”

**Annual Appropriations.** Under the Lease, the Department has covenanted to take such action within its power as may be necessary to include all Rental payments due thereunder in its annual budget and to make necessary allocations for all such Rental payments. The Lease provides that the Department’s covenant to include such Rental payments in its annual budget shall be deemed to be a duty imposed by law. The obligation of the Department to make Rental payments under the Lease constitutes a current expense of the Department, payable from funds of the State lawfully available therefor. Under the State’s budget process, Rental payments under the Lease will be included in the Department’s operating budget. The Department’s budget provides for funding of all projects that are leased by the

Department. The Governor's Office in consultation with the Department of Finance of the State of California (the "Department of Finance") makes the final determination of all amounts to be included in the annual budget proposed by the Governor to the State Legislature. Under the State Constitution, money can be drawn from the State Treasury only through an appropriation made by law. An appropriation may be made to the Department in the Budget Act or in other legislation, each of which must be approved by the State Legislature and signed by the Governor. Appropriations are generally limited to a one-year period of availability. See APPENDIX A – "THE STATE OF CALIFORNIA – THE BUDGET PROCESS" for additional information regarding the State's budget process. **Even though the Department has covenanted to include Rental payments in its annual budget and is obligated to make such Rental payments if not abated, such annual Rental payments constitute a current expense of the Department for which money can only be drawn from the State Treasury through an appropriation made by law. The State Legislature is not obligated to appropriate funds for such Rental payments and no assurances can be given that the State Legislature will appropriate such funds.**

If Base Rental payments are not paid when due because the Department has neglected or refused to include the Rental payments in the Department's budget for any fiscal year and/or the State Legislature fails to appropriate funds for the Rental payments, and no other funds are otherwise available to make such payments, then the Trustee, on behalf of the Bondholders, shall pursue all remedies available under the Lease, the Trust Indenture and the Consent and Assignment Agreement, including re-letting the Premises to another tenant; provided, however, in no event shall the Trustee have the right to accelerate and declare due and payable all future Base Rental payments under the Lease. For a further discussion of the remedies available upon an event of default in the timely payment of Base Rental under the Lease, see "CERTAIN RISK FACTORS – Limited Recourse Upon Default." Also see "– *Abatement*" below.

***Abatement.*** The Department's obligation to make Rental payments is subject to and dependent upon the Department's beneficial use and occupancy of the Premises. The Department is only obligated to make Rental payments for that portion of the Premises for which it has beneficial use and occupancy. The Rental payments shall be abated during any period in which, by reason of any damage, destruction or condemnation, there is a substantial interference with the use and occupancy of all or a portion of the Premises by the Department. In the event that only a portion of the Premises is damaged, destroyed or condemned, only the portion of the Rental payments representing such portion of the Premises will be abated. An abatement shall continue from the period commencing with such damage, destruction or condemnation and ending when such use and occupancy are restored. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE – Rental – Damage, Destruction, Condemnation."

If damage, destruction or condemnation with respect to the Premises results in abatement of Rental payments and the resulting Rental payments, if any, together with moneys from rental interruption insurance (in the event of any insured loss due to damage or destruction, see "– *Insurance*" below) and moneys available in certain funds and accounts held under the Trust Indenture, are insufficient to make all payments of principal and interest on the Bonds during the period the Project is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made. Under the Lease, no remedy is available to the owners of the Bonds for nonpayment under such circumstances.

***Insurance.*** Under the Lease, the Department is required to secure and maintain insurance with respect to the Premises which shall include, but not be limited to (1) all risk insurance for fire, lightning and extended coverage (including earthquake if such insurance is available at a reasonable cost as determined in good faith by the Department and loss or damage by flood if required by like properties similarly situated) in the amount of the full replacement cost of the Project (except that such insurance may be subject to deductible clauses of not to exceed \$500,000 for any one loss); (2) public liability

insurance with limits of not less than \$3,000,000 (except that such insurance may be subject to a deductible clause for any one accident of not to exceed \$50,000) for which the Department may self-insure; and (3) rental interruption or use and occupancy insurance to cover loss for all casualties, total or partial, of the use of the Premises as a result of the hazards covered by clauses (1) and (2) above in an amount not less than the amount of Base Rental due under the Lease for any period of three consecutive years.

In the event any damage or destruction of any part of the Premises occurs as a result of the perils covered by all-risk insurance, such all-risk insurance proceeds may be applied, at the option of the City, to (1) repair, reconstruct or replace such portion of the Project, or (2) redeem any outstanding Bonds so long as certain conditions are satisfied. Rental interruption or use and occupancy insurance proceeds are to be applied to pay debt service on the Bonds during the period in which Rental payments are abated. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE – Insurance.”

***Termination of Lease.*** In the event the Lease is terminated pursuant to its terms, the City and the Trustee shall pursue all actions legally available to lease, rent or sell the Premises to provide lease or rental payments or sale proceeds to support or pay principal and interest on any outstanding Bonds; provided however, that the City shall not be obligated to advance its own funds for such purpose. See “SECURITY FOR THE 2013 SERIES A BONDS – Consent and Assignment Agreement.”

### **Consent and Assignment Agreement**

As described above, pursuant to the Consent and Assignment Agreement, the City has assigned to the Trustee, for the benefit of the owners of the Bonds, certain of its rights and interest in and to, among other things, the Lease (including its rights to receive all Base Rental payments and its rights to enforce the payment of such amounts when due in the event of a default by the Department). In addition, the City, the Authority, the Department and the Trustee have made certain covenants under the Consent and Assignment Agreement, including but not limited to those listed below.

(1) ***Compliance With Lease.*** The City and the Department covenant to comply in all respects with the Lease.

(2) ***Lease and Other Documents.*** For so long as any Bonds are outstanding pursuant to their terms, each of the City and the Trustee agree that they will at all times maintain and vigorously enforce all its rights under the Lease, and will promptly collect all rents and charges due for the use and occupancy of the Premises as the same become due under the Lease, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due under the Lease.

(3) ***Termination of Lease.*** For so long as any Bonds are outstanding pursuant to their terms, the City and the Department agree that they will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease. As described above, in the event that the Lease terminates or is terminated pursuant to its terms, then the City and the Trustee covenant to lease, rent or sell the Premises to provide lease or rental payments or sale proceeds to support or pay principal and interest on the Bonds; provided, however, that the City shall not be obligated to advance its own funds for such purpose.

(4) ***Sale or Other Disposition.*** Except for the purpose of paying the principal of and interest on the Bonds, the City agrees it will not encumber, sell or otherwise dispose of the

Premises or any part thereof essential to its proper operation or to the maintenance of the Revenues. The City will not enter into any agreement which impairs the operation of the Premises or any part thereof necessary to secure adequate Revenues for the payment of principal of and interest on the Bonds, or which would otherwise impair the rights of holders of the Bonds with respect to the Revenues.

(5) *Tax Covenant.* The City covenants that it shall not take any action, or fail to take any action, if such action or failure to take action would adversely affect the exclusion from gross income of the interest payable with respect to the Bonds under Section 103 of the Internal Revenue Code, as amended.

For a more complete description of such assignment and covenants, see APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CONSENT AND ASSIGNMENT AGREEMENT.”

### **CERTAIN RISK FACTORS**

*The following factors, along with all other information in this Official Statement, should be considered in evaluating the purchase of the 2013 Series A Bonds. The following does not purport to be an exhaustive list of the risks associated with an investment in the 2013 Series A Bonds. The order in which this information is presented does not reflect the relative importance of the various issues. Any one or more of the risk factors discussed below could lead to a decrease in the market value or liquidity of the 2013 Series A Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

#### **Limited Recourse Upon Default**

In the event Base Rental payments are not paid when due because the Department has neglected or refused to include the Rental payments in the Department’s budget for any fiscal year and the State Legislature fails to appropriate funds for such Rental payments, and no other funds are otherwise available to make such payments, then the City shall have the right to recover the unpaid Base Rental for that fiscal year under the same procedures, in the same manner and to the same extent as provided any landlord against any private tenant under State law and not otherwise prohibited by law with regard to the Department; provided, however, that the City shall have no right to accelerate and declare all future Base Rental payments due. If the Department has included the Rental payments in the Department’s budget for any fiscal year and the State Legislature fails to appropriate funds for such Rental payments, and no other funds are otherwise available to make such payments, the Department shall have the right, but is not obligated, to re-let the Premises in whole or in part, and/or to assign its rights and obligations under the Lease to other tenants, including to non-State agencies approved by the City. In the event that the Department fails or is unable to re-let the Premises, or such re-letting does not provide sufficient funds to pay the Rental payments, then the Lease shall terminate and the Department shall no longer have any right to possession of the Premises and shall forfeit any interest therein. In the event of such termination, the Department shall have no further obligations under the Lease except for the payment of any Rental payments which have become due and payable in accordance with the Lease. The Trustee shall have no right to recover damages for any future Base Rental payments. Further, the Base Rental payable under the Lease may not be accelerated. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE – Rental” and – THE TRUST INDENTURE – Events of Default and Remedies.”

Subject to the remedies described in the immediately preceding paragraph, in the event that the Department fails to perform any covenant or agreement of the Lease, including in the case of a default in

the timely payment of Base Rental, the City shall have the right to (1) maintain the Lease in full force and effect and recover rent and other monetary charges as they become due, without terminating the Department's right to possession or to re-let the Premises as the agent for the Department at such rent, upon such conditions and for such term as the City deems necessary or advisable; provided, however, that the City has covenanted that it will not take any action which could cause interest on the 2013 Series A Bonds to be includable in gross income for federal income tax purposes; or (2) terminate the Lease and the Department's right to possession of the Premises as provided in the Lease and with the effect as described above. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE – Breach; Remedies."

As described above under "SECURITY FOR THE 2013 SERIES A BONDS – The Lease – *General*," in the event of a default by the Department in the payment of Base Rental under the Lease, the City has assigned to the Trustee, pursuant to the Consent and Assignment Agreement, the right to take all actions under the Lease related to the timely payment and receipt of the Base Rental and any and all other rights and remedies of the City in the Lease as lessor necessary to collect the Base Rental due under the Lease to support payment on the Bonds.

In the event the Lease is terminated pursuant to its terms as described above, the City and the Trustee have covenanted under the Consent and Assignment Agreement to pursue all actions legally available to lease, rent or sell the Premises to another tenant to provide lease or rental payments or sale proceeds to support or pay principal and interest on any outstanding Bonds until such time as any Bonds are no longer outstanding or as permitted by law, whichever is earlier; provided, however, that the City shall not be obligated to advance its own funds for such purpose. See "SECURITY FOR THE 2013 SERIES A BONDS – Consent and Assignment Agreement."

The enforcement of any remedies provided in the Lease and the Trust Indenture could prove both expensive and time-consuming. Although the Consent and Assignment Agreement allows the Trustee to re-let the Premises in the event of a default by the Department, no assurances can be given that the Premises can be re-let, or, if they are re-let, that the amounts received from such a re-letting would be sufficient to pay the principal of and interest on the Bonds when due and payable. In addition, there is no assurance that if the Premises are re-let that the interest on the Bonds will continue to be excludable from gross income for federal income tax purposes.

### **Enforcement of Remedies**

The enforceability of the rights and remedies of the Holders of the 2013 Series A Bonds and the obligations of the Department, the Authority and the City under the Lease, the Trust Indenture and the Consent and Assignment Agreement may become subject to the following: the exercise of judicial discretion; equity principles which may limit the specific enforcement under state law of certain remedies; the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and with respect to the Authority and the City, the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Bankruptcy proceedings involving the Authority or the City could subject the owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail delays in payments under the 2013 Series A Bonds.

## **No Limitation on Additional Bonds**

The Trust Indenture does not contain any limitation on the principal amount of Bonds that the Authority may issue for the purpose of financing or refinancing of the completion of and/or construction, installation and equipping of additions, betterments, extensions or improvements to the Premises, although the Authority currently has no plans to issue Bonds under the Trust Indenture other than 2013 Series A Bonds offered by this Official Statement. In connection with the issuance of any Additional Bonds, the Lease would be amended to provide for Base Rental thereunder in an amount sufficient, in both time and amount, to pay when due the annual principal of and interest on the 2013 Series A Bonds, any 1998 Series A Bonds remaining Outstanding and any such Additional Bonds. See “TERMS OF THE 2013 SERIES A BONDS – Additional Bonds.”

## **Natural Disasters**

In the event the Premises are damaged or destroyed as the result of a natural disaster, Rental payments with respect to the portion of the Premises that are damaged or destroyed will be abated. See also APPENDIX B –“THE PROJECT – Seismicity” and “– Flood Control.” Such abatement will continue from the period commencing with such damage or destruction and ending when use and occupancy is restored. See “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – *Abatement*.” During any such period, if the resulting Base Rental payments, if any, together with moneys from rental interruption insurance and moneys available in certain funds and accounts held under the Trust Indenture, are insufficient to make all payments of principal and interest on the Bonds during the period the Project is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made. Abatement is not an event of default and under the Lease no remedy is available to the owners of the Bonds for nonpayment under such circumstances. As described under “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – *Insurance*,” the Department maintains rental interruption or use and occupancy insurance to cover loss for casualties resulting from certain hazards covered by insurance in an amount not less than the amount of Base Rental due under the Lease for any period of three consecutive years.

## **No Earthquake Insurance**

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. The Lease requires earthquake insurance only if the premiums, coverage and availability thereof are reasonable as determined in good faith by the Department. The Department does not currently maintain earthquake insurance on the Project and is unable to predict when or if such insurance will be available at premiums and coverage levels that the Department deems to be reasonable. See also APPENDIX B –“THE PROJECT – Seismicity.”

## **[State Financial Condition**

As described in Appendix A, there remain a number of major risks and pressures that threaten the State’s financial condition, including the overhang of billions of dollars of obligations which were deferred to balance budgets during the economic downturn. See “INTRODUCTION – State Financial Condition” and APPENDIX A.] {if included, to be updated when available}

## **Other Risks**

There may be other risk factors inherent in ownership of the 2013 Series A Bonds in addition to those described in this section.

**THE AUTHORITY**

The Authority is a joint-exercise-of-powers agency organized and existing under the Joint Powers Act. The Authority was created pursuant to a joint exercise of powers agreement, dated as of October 1, 1989, as amended (the “JPA Agreement”), between the City and the former Sacramento City Redevelopment Agency, which are the sole members of the Authority. The Authority was created for the purpose, among others, of issuing its bonds to be used to finance and refinance the acquisition, construction, and improvement of certain public capital improvements.

The Authority is administered by a governing board (the “Board”) which consists of the members of the City Council. Each Board member’s term of office is equal to his or her term of office as a member of the City Council. The Mayor serves as the Chairperson of the Board and the Vice Mayor serves as the Vice Chairperson of the Board. The City Clerk serves as the Secretary of the Board.

The current officers of the Authority are as follows:

Chairperson.....	Kevin Johnson
Vice Chairperson .....	Angelique Ashby
Treasurer .....	Russell T. Fehr
Secretary .....	Shirley Concolino
Controller .....	Leyne Milstein
Counsel .....	James Sanchez

The Authority has no employees; all staff work is done by City employees or by consultants to the City.

The 2013 Series A Bonds are special obligations of the Authority and are payable solely from the Revenues and other funds pledged under the Trust Indenture, consisting primarily of Base Rental payments payable by the Department to the City pursuant to the Lease as described herein. Except for the statements and information set forth in this section and under the caption “LITIGATION – The Authority,” the Authority makes no representations with respect to the accuracy or completeness of the statements and information set forth herein.

**THE DEPARTMENT OF GENERAL SERVICES**

The Department was created to provide for operating efficiency and economy in California State Government by providing central administration of business management activities. With respect to other State agencies, the Department performs both service and control functions.

The Department was created on October 1, 1963 by Chapter 1768, Statutes of 1963. Legislation in 1965 further defined the authority and responsibilities of the Department in what was the State and Consumer Services Agency, and is now part of the California Government Operations Agency.

Departmental responsibilities are specified primarily in Section 14600 to 14973 of the California Government Code. These responsibilities include: supervising all matters concerning the financial and business policies of the State; providing centralized services including planning, acquisition, construction and maintenance of State buildings and property; purchasing, printing; providing architectural services; conducting administrative hearings; and providing accounting services.

Each year the Department prepares a budget which includes a request for appropriation of all rental obligations of the Department to be paid from the Building Rental Account of the State Budget.

The Department has covenanted to include the Rental payments in its annual budget. The Department, in turn, receives reimbursement for such rental obligations from various State agencies which occupy the leased premises. The operating budgets of the tenants of the Project may consist of general fund revenues or special fund revenues (or both) of the State. In the event such tenant has insufficient funds in its operating budget to reimburse the Department for its proportional share of Rental payments or otherwise fails to reimburse the Department, then the Department is obligated to either find another State agency with sufficient operating funds which can occupy that portion of the Project or pay such amounts from funds legally available therefor. Even though the Department has covenanted to include Rental payments in its annual budget and is obligated to make such Rental payments if not abated, the Governor's Office, in consultation with the Department of Finance makes the final determination of all amounts to be included in the annual State budget proposed by the Governor to the State Legislature. The State Legislature is not obligated to appropriate funds for Rental payments and no assurances can be given that the State Legislature will appropriate such funds.

## **TAX MATTERS**

### **Tax Exemption**

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the 2013 Series A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2013 Series A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the 2013 Series A Bonds. The Authority has covenanted to maintain the exclusion of the interest on the 2013 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP ("Bond Counsel"), a member of Norton Rose Fulbright, under existing statutes, regulations, rulings and court decisions, interest on the 2013 Series A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2013 Series A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the 2013 Series A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the 2013 Series A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2013 Series A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Trust Indenture, the Lease and the Consent and Assignment Agreement, and in the Tax Certificate to be delivered by the Authority, the City and the Department upon the issuance of the 2013 Series A Bonds, the Authority, the City and the Department have made representations relevant to the determination of, and have made certain covenants regarding or affecting, the exclusion of interest on the 2013 Series A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described above, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority, the City and the Department with such covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the 2013 Series A Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law

consequences with respect to the 2013 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2013 Series A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2013 Series A Bonds may affect the tax status of interest on the 2013 Series A Bonds or the tax consequences of the ownership of the 2013 Series A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority, the City and the Department described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2013 Series A Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2013 Series A Bonds, the Authority may have different or conflicting interest from the owners. Public awareness of any future audit of the 2013 Series A Bonds could adversely affect the value and liquidity of the 2013 Series A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the 2013 Series A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the 2013 Series A Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2013 Series A Bonds. Prospective purchasers of the 2013 Series A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2013 Series A Bonds is included in APPENDIX E.

### **Tax Accounting Treatment of Bond Premium and Original Issue Discount**

To the extent that a purchaser of a 2013 Series A Bond acquires that 2013 Series A Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its 2013 Series A Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the 2013 Series A Bond to the owner.

The excess, if any, of the stated redemption price at maturity of 2013 Series A Bonds of a maturity over the initial offering price to the public of the 2013 Series A Bonds of that maturity is "original issue discount." Original issue discount accruing on a 2013 Series A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from

State of California personal income tax to the same extent as would be stated interest on that 2013 Series A Bond. Original issue discount on any 2013 Series A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the 2013 Series A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a 2013 Series A Bond accruing during each period is added to the adjusted basis of such 2013 Series A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2013 Series A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of 2013 Series A Bonds who purchase such 2013 Series A Bonds other than at the initial offering price and pursuant to the initial offering.

Persons considering the purchase of 2013 Series A Bonds with original issue discount or initial bond premium should consult with their tax advisors with respect to the determination of original issue discount or amortizable bond premium on such 2013 Series A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2013 Series A Bonds.

### **Other Tax Consequences**

Although interest on the 2013 Series A Bonds may be exempt from State of California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the 2013 Series A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2013 Series A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2013 Series A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the 2013 Series A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the 2013 Series A Bonds, (iii) interest on the 2013 Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the 2013 Series A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2013 Series A Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the 2013 Series A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

### **CERTAIN LEGAL MATTERS**

The validity of the 2013 Series A Bonds and certain other legal matters are subject to the approval of Fulbright & Jaworski LLP, Bond Counsel, a member of Norton Rose Fulbright. The approving opinion of Bond Counsel will be delivered with the 2013 Series A Bonds in substantially the form set forth in APPENDIX E hereto. Copies of such approving opinion will be available at the time of delivery of the 2013 Series A Bonds. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, Underwriters' Counsel. Certain legal matters will be passed upon for the Department by Department Counsel and for the Authority by the City Attorney. Orrick, Herrington &

Sutcliffe LLP and Stradling Yocca Carlson & Rauth, a Professional Corporation, are serving as Co-Disclosure Counsel to the State regarding Appendix A. Fulbright & Jaworski LLP, Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth, a Professional Corporation, and Hawkins Delafield & Wood LLP undertake no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **LITIGATION**

### **The Authority**

There is not now pending (with service of process on the Authority having been accomplished) any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the 2013 Series A Bonds or in any manner questioning or affecting the validity of the 2013 Series A Bonds, the Trust Indenture, the Lease, the Consent and Assignment Agreement or any proceedings of the Authority taken with respect to the foregoing. Nor is the Authority aware of any such litigation having been threatened.

### **The City**

There is not now pending (with service of process on the City having been accomplished) any litigation in any manner questioning or affecting the validity of the Lease or the Consent and Assignment Agreement or any proceedings of the City taken with respect to the foregoing. Nor is the City aware of any such litigation having been threatened.

### **The Department and the State**

There is not now pending (with service of process on the State having been accomplished) or known to be threatened against the State any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the 2013 Series A Bonds or in any manner questioning or affecting the validity of the 2013 Series A Bonds, the Trust Indenture, the Lease, the Consent and Assignment Agreement or any proceedings of the State or the Department taken with respect to the foregoing.

At any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures and, in some case, its revenues and cash flow. While there can be no assurances as to the ultimate outcome and fiscal impact of such litigation, the Department believes that it is unlikely that the outcome of any such litigation could adversely affect the ability of the Department to pay the Base Rental securing the 2013 Series A Bonds when due. See APPENDIX A – "THE STATE OF CALIFORNIA – LITIGATION."

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon the delivery of the 2013 Series A Bonds, Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent") will verify the accuracy of the mathematical computation concerning the adequacy of the cash deposited and held in the escrow fund to pay on the Redemption Date the redemption price of the Refunded 1998 Series A Bonds to be redeemed on such date, together with accrued and unpaid interest thereon.

The report of such Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

## UNDERWRITING

The 2013 Series A Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement. The Underwriters have agreed to purchase the 2013 Series A Bonds at a purchase price equal to \$\_\_\_\_\_ (which represents the principal amount of the 2013 Series A Bonds less an underwriters' discount of \$\_\_\_\_\_, [plus/less] a [net] original issue [premium/discount] of \$\_\_\_\_\_). The purchase contract pursuant to which the 2013 Series A Bonds are being sold provides that the Underwriters will purchase all of the 2013 Series A Bonds if any such 2013 Series A Bonds are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the 2013 Series A Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriters.

Certain of the Underwriters have provided letters to the Authority, which letters are attached hereto as APPENDIX G, relating to their respective retail distribution practices or other affiliations for inclusion in this Official Statement. None of the Authority, the State or the Department guarantees the accuracy or completeness of the information contained in such letters and the information set forth in each letter is not to be construed as a representation of the Authority, the State, the Department or any Underwriter other than the Underwriter named therein.

## RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings have assigned ratings of "\_\_\_\_" "\_\_\_\_" and "\_\_\_\_," respectively, to the 2013 Series A Bonds. Such ratings assigned to the 2013 Series A Bonds reflect only the views of the rating agencies, and any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. A revision or withdrawal of any such credit rating could have an effect on the market price of the 2013 Series A Bonds.

## FINANCIAL STATEMENTS

Audited Basic Financial Statements of the State of California (the "Financial Statements") for the year ended June 30, 2012 are included as APPENDIX H to this Official Statement. These Financial Statements have been examined by the State Auditor to the extent indicated in her report. See "APPENDIX A – THE STATE OF CALIFORNIA – FINANCIAL STATEMENTS."

Certain unaudited financial information for the thirteen months ended July 31, 2013 is included as Exhibits 1 and 2 to APPENDIX A.

## CONTINUING DISCLOSURE

No financial or operating data concerning the Authority is being included or incorporated by reference in this Official Statement, and the Authority has not agreed to provide any such financing or operating data either currently or on an on-going basis. The Authority has no continuing disclosure obligations in relation to the 2013 Series A Bonds. The Department and the State Treasurer, on behalf of the State, have covenanted for the benefit of Holders and beneficial owners of the 2013 Series A Bonds to provide annually certain financial information and operating data relating to the Department and the State,

respectively, by not later than April 1 of each year in which any 2013 Series A Bonds are Outstanding (the “Annual Report”), commencing with the report to be filed on or before April 1, 2014 for the 2012-13 Fiscal Year financial information, and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notices of specified events will be filed by the State Treasurer with Municipal Securities Rulemaking Board through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of specified events is set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

In the past five years, the Department has never failed to comply in all material respects with any “previous undertakings” as that term is used in the Rule to provide annual financial information or notices of material events.

In the past five years, the State Treasurer has always filed its annual reports on a timely basis as required by its continuing disclosure undertakings. The State Treasurer has also, to his knowledge, complied with its undertakings to report on certain events, with the exception that in 2012 the State Treasurer discovered that the State had failed to file notices relating to downgrades of seven maturities of its general obligation bonds when a bond insurer’s rating was downgraded. The State Treasurer was not aware of these occurrences at the time, since the rating agencies did not notify the State of their actions on the State’s bonds. Reports for the actions have been filed with EMMA. The State has thousands of individual maturities of its general obligation bonds outstanding, and has procedures in place to monitor events which may affect them, including rating changes.

#### **MISCELLANEOUS**

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 2013 Series A Bonds.

The Authority, the Department and the Treasurer have duly authorized the distribution of this Official Statement in connection with the offering of the 2013 Series A Bonds.

**APPENDIX A**  
**THE STATE OF CALIFORNIA**

## **APPENDIX B**

### **THE PROJECT**

#### **Project Background**

The Project was authorized pursuant to Section 14669.6 (Chapter 1036, Statutes of 1992) of the California Government Code which directed the Department to enter into a lease (with an option to purchase) for office space and related facilities needed to consolidate the operations of the California Environmental Protection Agency (“Cal EPA”). On August 2, 1993, the Department requested the submittal of bids for the construction, installation and equipping of the Project. The City (proposing with certain private company development partners) was awarded the winning bid, and on April 23, 1997, the City and the Department entered into the Lease which provided for the construction, operation and financing of the Project and the leasing of the Premises to the Department. See also “SECURITY FOR THE 2013 SERIES A BONDS – The Lease” and “– Consent and Assignment Agreement.”

The Project was part of a consolidation plan then being undertaken by the State for State employees and agencies within the State Capitol area. The plan was designed to utilize new and existing State-owned office space for the consolidation of various State agencies, including Cal EPA. The plan was intended to maximize the value of State-owned real estate in the State Capitol area and to improve the productivity of such agencies through consolidation of fragmented departments.

#### **Project Description**

The Building consists of a 25-story tower of approximately 950,000 square feet. It provides office space for various State agencies, including those which currently operate under the Cal EPA. The Building provides capacity for up to approximately 3,400 employees.

The Building’s vertical structural system consists of a steel moment frame, with composite slabs of concrete fill over metal deck. The construction is Type 1 fire resistant. The Building is fully sprinklered in accordance with the high-rise provisions of Title 24 of the California Building Code. The Building satisfies Title 24 of the California Building Code and the 1994 Uniform Building Code, including supplemental building code changes made after the 1994 Northridge earthquake.

The Project was completed and available for use and occupancy in February 2002.

Set forth in the table below is a description of the current tenants of the Project and the approximate percentage of the Project which such tenants occupy.

**BUILDING CURRENT TENANTS AND PERCENTAGE OF OCCUPANCY**

Tenant	Percentage of Occupancy of Project (Net Sq. Ft.)
Environmental Protection Agency	4%
Department of Toxic Substance Control	13%
Office of Environmental Health Hazard Assessment	3%
Water Resources Control Board	22%
Department of Resources, Recycling and Recovery	16%
Air Resources Board	28%
Department of Pesticide Regulation	14%

The Department and the City have entered into a Property Management Agreement pursuant to which the City (through its subcontractor) provides, at the expense of the Department, all maintenance and repair of the Project.

**Seismicity**

The City, like all areas within the State, is periodically subjected to moderate ground shaking as the result of earthquakes on faults located east of the City in the Sierra Nevada foothills and west of the City within the California coastal ranges. During the past 150 years, the City has been affected by major earthquakes near the City of Winters (Vacaville-Winters earthquake of 1892), the San Francisco earthquake of 1906, and the Loma Prieta earthquake in 1989. The Loma Prieta earthquake was a magnitude of 7.0 and is the most recent major earthquake in the vicinity of the City, with an epicenter located 110 miles west of the City. Damage in the City from earthquakes historically has been limited to older, unreinforced masonry structures. Certain procedures and design standards have been developed to assure that the Project is designed and constructed to meet, at a minimum, the appropriate seismic standards required by law.

**Flood Control**

Major portions of the City of Sacramento, including the Project, are located in a flood hazard area. In recent years, the Sacramento area has been subject to numerous storm events resulting in high flows in the American and Sacramento Rivers. In response to these flood events, the U.S. Army Corps of Engineers has conducted hydrology studies on the lower American River that indicate large portions of the Sacramento area, primarily south of the river, are only protected against a 77-year flood event.

Catastrophic flooding could impact access to the Building and may cause severe damage to the first floor and basement of the Building. The actual damage to the Project in the event of a flood is unknown and may depend on several factors, including how high the water rises and how long it takes the City’s pumping drainage systems to remove the water.

The Department has purchased annual insurance effective October 1, 2012 for the Project against loss or damage caused by flooding in the coverage amounts of \$500,000 on the Building and \$500,000 on the contents of the Building, each with a \$1,000 deductible, as well as rental interruption or use and

occupancy insurance in an amount not less than the amount of Base Rental due under the Lease for any period of three consecutive years. See “SECURITY FOR THE 2013 SERIES A BONDS – The Lease – *Insurance.*”

**APPENDIX C**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX D

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

#### General

*The information in this Appendix D regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the Authority, the State Treasurer, as Trustee, and the Underwriters take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.*

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the 2013 Series A Bonds. The 2013 Series A Bonds will be issued as fully-registered securities certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be delivered for each maturity of the 2013 Series A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC's participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated herein by reference.

Purchases of the 2013 Series A Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the 2013 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013 Series A Bonds, except in the event that use of the book-entry system for the 2013 Series A Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2013 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Series A Bonds, such as redemptions, defaults and proposed amendments to the 2013 Series A Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2013 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the bond registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Series A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2013 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments with respect to the 2013 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owner will be governed by standing instructions and customer practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

THE AUTHORITY AND THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2013 SERIES A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR

OTHER NOTICES TO OWNERS OF THE 2013 SERIES A BONDS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2013 SERIES A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

*The foregoing description of the procedures and record-keeping with respect to beneficial ownership interest in the 2013 Series A Bonds, payment of principal, premium, if any, interest and other payments on the 2013 Series A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the 2013 Series A Bonds or (b) the Authority determines to remove DTC from its functions as a depository, DTC's role as securities depository for the 2013 Series A Bonds and use of the book-entry system will be discontinued. If the Authority fails to select a qualified securities depository to replace DTC, the Authority will execute and deliver new Bonds in fully registered form in such denominations numbered in consecutive order from R-1 up and registered in the names of such persons as are requested in a certificate of the Authority. The Trustee shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such a certificate of the Authority. Upon such registration, such persons in whose names the 2013 Series A Bonds are registered will become the registered owners of the 2013 Series A Bonds for all purposes.

In the event that the book-entry system is discontinued, the following provisions would also apply: (a) Bonds may be exchanged at the office of the Trustee in authorized denominations in a like aggregate principal amount; (b) the transfer of any Bond may be registered on the books required to be kept by the Trustee under the Trust Indenture for such purpose only upon the surrender of such Bond to the Trustee accompanied by a duly executed written instrument of transfer in a form approved by the Trustee; (c) for every exchange or transfer of Bonds, the Trustee shall require the payment by any Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer; (d) no transfer or exchange of Bonds shall be required to be made during the period from the sixteenth (16<sup>th</sup>) day of the calendar month preceding each Interest Payment Date to and including such Interest Payment Date or of any Bond which has been selected for redemption; (e) all interest payments on the 2013 Series A Bonds will be made in lawful money of the United States of America by check mailed on the Interest Payment Dates therefor as provided in the Trust Indenture to the person whose name appears on the registration books maintained by the Trustee or at such other address as may have been filed with the Trustee for such purpose; and (f) all payments of principal and any premium on the 2013 Series A Bond, will be made upon surrender thereof at maturity or on redemption prior to maturity in lawful money of the United States of America at the office of the Trustee, or at such additional offices as the Trustee may select and designate for such purpose.

**APPENDIX E**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Sacramento City Financing Authority  
Sacramento, California

City of Sacramento  
Sacramento, California

\$ \_\_\_\_\_  
Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Sacramento City Financing Authority (the “Authority”) of \$ \_\_\_\_\_ aggregate principal amount of its Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “Bonds”). The Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53580) of the California Government Code, and pursuant to a Trust Indenture, dated as of November 1, 1998, as amended and supplemented by a First Supplemental Trust Indenture, dated as of August 1, 2013 (collectively, the “Indenture”), by and between the Authority and the State Treasurer of the State of California, as trustee (the “State Treasurer”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

As Bond Counsel, we have reviewed the Indenture, the Sacramento/State Building Lease, dated April 23, 1997, a First Amendment to Sacramento/State Building Lease, dated as of November 1, 1998, a Second Amendment to Sacramento/State Building Lease entered into in September 1999, and a Third Amendment to Sacramento/State Building Lease, dated as of August 1, 2013 (collectively, the “Lease”), each by and between the City of Sacramento (the “City”) and the Department of General Services of the State of California (the “Department”), certifications of the Authority, the City, the Department, the State Treasurer and others, opinions of counsel to the Authority, the City, the Department and others, a final judgment by the Sacramento County Superior Court, dated August 31, 1995, in favor of the City, in the case of City of Sacramento v. All Person Interested in the validity of a Building Lease to be entered into by and between the City of Sacramento and the State of California for an office building to be located on the block bounded by 10<sup>th</sup> and 11<sup>th</sup> Streets and H and I Streets in the City of Sacramento (Case No. 95-AS-03765), and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and the Authority, and with respect to the Lease, the Department. We have not

undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof.

Based upon and subject to the foregoing, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by the Authority and constitutes the legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and any other amounts held by the State Treasurer in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.
3. The Lease has been duly executed and delivered by the City and constitutes the legal, valid and binding obligation of the City.
4. The Lease has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of, the Department. The obligation of the Department to make the Base Rental payments pursuant to the Lease constitutes a valid and binding obligation of the Department and does not constitute a debt of the Department or of the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Department or the State of California is obligated to levy or pledge any form of taxation or for which the Department or the State of California has levied or pledged any form of taxation.
5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. The Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, the Lease, the Consent and Assignment Agreement and the *Tax Certificate Pertaining to Arbitrage and the Provisions of Section 103 and 141-150 of the Code* to be delivered by the Authority, the City and the Department in connection with the issuance of the Bonds, the Authority, the City and the Department have made representations relevant to the determination of, and have made certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax

purposes. In reaching our opinions set forth in the immediately preceding paragraph, we have assumed the accuracy of each such representation made by the Authority, the City or the Department and the present and future compliance with each such covenant. Except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 through 4 above are qualified to the extent the enforceability of the Bonds, the Indenture and the Lease, may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Bonds, the Indenture and the Lease is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification). We advise you that we have not made or undertaken to make any investigation of the state of title to, or ownership of, any of the property described in or subject to the lien of the Lease or the Indenture, or of the accuracy or sufficiency of the descriptions of such property contained therein, and we express no opinion with respect to such matters.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Respectfully submitted,

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX G**  
**LETTERS FROM CERTAIN UNDERWRITERS**

**APPENDIX H**

**AUDITED BASIC FINANCIAL STATEMENTS OF THE  
STATE OF CALIFORNIA FOR THE YEAR ENDED JUNE 30, 2012**

**ESCROW AGREEMENT**

**SACRAMENTO CITY FINANCING AUTHORITY  
LEASE REVENUE REFUNDING BONDS  
STATE OF CALIFORNIA – CAL EPA BUILDING  
2013 SERIES A**

This Escrow Agreement (this “Agreement”), dated as of August 1, 2013, by and between the SACRAMENTO CITY FINANCING AUTHORITY, a joint exercise of powers agency organized and existing under the laws of the State of California (the “Authority”), and the TREASURER OF THE STATE OF CALIFORNIA, as trustee with respect to the 1998 Series A Bonds referred to below (the “Trustee”) and as escrow agent hereunder (hereinafter, the “Escrow Agent”);

*WITNESSETH*

WHEREAS, the Authority has previously issued its Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A (the “1998 Series A Bonds”) in the aggregate principal amount of \$196,615,000, pursuant to a Trust Indenture, dated as of November 1, 1998 (the “Indenture”), by and between the Authority and the Trustee, of which \$110,720,000 principal amount is outstanding as of the date hereof;

WHEREAS, the Authority has approved the issuance of its Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A (the “2013 Series A Bonds”) in the aggregate principal amount of \$\_\_\_\_\_, pursuant to the Indenture, as amended and supplemented by a First Supplemental Trust Indenture, dated as of August 1, 2013, by and between the Authority and the Trustee, a portion of the proceeds of which are to be used, together with certain other available funds, to refund and defease all [or a portion] of the outstanding 1998 Series A Bonds as set forth in Exhibit A hereto (such 1998 Series A Bonds being refunded, hereinafter, the “Refunded Bonds”);

WHEREAS, the Refunded Bonds mature on the dates and in the principal amounts, bear interest, payable semiannually, at the rates per annum and are subject to redemption on the dates set forth in Exhibit A attached hereto and by this reference incorporated herein;

WHEREAS, the Authority, the Treasurer of the State of California as agent for sale and the underwriters named therein have executed a Purchase Contract related to the 2013 Series A Bonds;

WHEREAS, the Indenture provides for the transfer to the Escrow Agent of a portion of the proceeds of the 2013 Series A Bonds and other available funds and provides for such amounts to be held in trust under the terms of this Agreement for the benefit of the holders of the Refunded Bonds (the “Holders”); and

WHEREAS, the amounts to be deposited and held hereunder as herein provided will be sufficient to ensure the payment of the principal of and interest on the Refunded Bonds (the “Refunded Bonds Requirements”) as set forth in Exhibit B attached hereto and by this reference incorporated herein;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and in order to secure the payment of the Refunded Bonds Requirements, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

Section 1. Definitions. As used in this Agreement the following terms shall have the following meanings:

Escrow Fund

“Escrow Fund” means the fund by that name established pursuant to Section 2 hereof.

Refunded Bonds Requirements

“Refunded Bonds Requirements” means, as set forth in Exhibit B hereto, the sums necessary to pay on the October 1, 2013 redemption date, the redemption price of the Refunded Bonds (being 100% of the principal amount of such Refunded Bonds being redeemed plus accrued interest thereon to the October 1, 2013 redemption date).

State Treasurer

“State Treasurer” means the Treasurer of the State of California in the Treasurer’s capacities other than as Escrow Agent hereunder.

Section 2. Creation of Escrow.

A. The Escrow Agent shall establish and maintain a fund separate from any other fund or account designated as the 2013 Series A Escrow Fund (the “Escrow Fund”). Simultaneously with the delivery of the 2013 Series A Bonds, and subject to their issuance, in accordance with Section 9.01 of the Indenture, the Authority shall deposit or cause to be deposited in the Escrow Fund to be held in trust by the Escrow Agent and accounted for and paid out as provided in this Agreement and in the Indenture, the sum of \$\_\_\_\_\_ consisting of \$\_\_\_\_\_ from proceeds of the 2013 Series A Bonds, \$\_\_\_\_\_ from funds held in the Reserve Account of the Revenue Fund under the Indenture, and \$\_\_\_\_\_ from funds held in the Surplus Account of the Revenue Fund under the Indenture. All moneys deposited and held in the Escrow Fund under this Section 2 shall be held by the Escrow Agent in cash uninvested.

B. The Escrow Agent hereby acknowledges receipt of the Verification Report of Causey Demgen & Moore P.C. dated August \_\_, 2013, and the Escrow Agent may rely upon the conclusion of such Verification Report that the amounts deposited and held in the Escrow Fund as provided in subsection A of this Section 2 are in aggregate a sum sufficient to permit the prompt payment of the Refunded Bonds Requirements as such become due.

Section 3. Purpose of Escrow.

A. The Escrow Agent shall hold all moneys deposited in the Escrow Fund pursuant to Section 2 hereof in trust to secure the payment of the Refunded Bonds Requirements for application in accordance with the provisions of Section 4 hereof. The moneys held hereunder are irrevocably pledged to the payment of the Refunded Bonds Requirements, subject to the provisions of Section 6 hereof.

B. As soon as practicable, the State Treasurer shall give a notice of the defeasance and intended redemption of the Refunded Bonds to the Holders of the Refunded Bonds and to Ambac Assurance Corporation, as bond insurer of the Refunded Bonds. Such notice shall (1) specify the maturities of the Refunded Bonds; (2) state the date fixed for redemption and the redemption price payable on that date; (3) state that interest on the Refunded Bonds will cease to accrue on the redemption date and (4) state that the Refunded Bonds are to be paid hereafter solely from an escrow of available

cash. Notice of defeasance of the Refunded Bonds is in addition to (but may be given as part of) the notice of redemption required under the Indenture and referenced in subsection C of this Section 3.

C. The Authority hereby gives irrevocable instructions to the State Treasurer to give notice of redemption, as provided in the Indenture, in order to redeem the Refunded Bonds on October 1, 2013. The State Treasurer acknowledges that the provisions of this Agreement shall satisfy the Written Request and Certificate of the Authority requirements referred to in Section 2.03(d)(3) of the Indenture and no further request or direction of the Authority shall be required prior to the giving of such notice.

Section 4. Accounting for and Application of Escrow.

A. The moneys from time to time held hereunder shall not be subject to withdrawal by the Authority or otherwise subject to its order, except as otherwise provided in subsection B of this Section 4 and in Section 5.

B. The Escrow Agent shall transfer funds at the times and in the manner designated in Exhibit B to provide sufficient moneys to permit the State Treasurer to pay without default the Refunded Bonds Requirements as the same become due in accordance with the provisions of the Indenture for the Refunded Bonds.

Section 5. Investments. As provided in Section 2 hereof, all amounts deposited and held in the Escrow Fund hereunder shall be held in cash uninvested. Under no circumstances shall any moneys held hereunder be invested in securities or obligations, the acquisition of which would cause the 2013 Series A Bonds to be an "arbitrage bond" as defined in Section 148(a) of the Internal Revenue Code of 1986 and relevant regulations of the United States Department of the Treasury.

Section 6. Termination of Escrow. When the Escrow Agent shall have transferred to the State Treasurer pursuant to subsection B of Section 4, on October 1, 2013, the amount specified in Exhibit B for such date, the Escrow Agent shall immediately deposit in the Revenue Fund established under the Indenture the moneys, if any, then remaining in the Escrow Fund held hereunder.

Section 7. Character of Deposit.

A. It is recognized that title to the moneys accounted for hereunder from time to time shall remain vested in the State Treasurer for the account of the Authority but subject always to the prior charge and lien thereon of this Agreement and the use thereof required to be made by the provisions hereof.

B. The Escrow Agent shall hold all such moneys as special trust funds and accounts separate and wholly segregated from all other funds and accounts held by the Escrow Agent or deposited therewith, and shall never commingle such moneys with other moneys or securities.

C. The Escrow Agent shall have no lien and shall assert no lien on the moneys accounted from hereunder for the payment of any of its fees as Escrow Agent.

Section 8. Purchasers' Responsibility. The purchasers and holders from time to time of the 2013 Series A Bonds shall in no manner be responsible for the application or disposition of the proceeds thereof nor of any moneys held hereunder.

Section 9. Irrevocability.

A. The 2013 Series A Bonds are being issued in reliance upon this Agreement, and except as herein provided, this Agreement shall be irrevocable and not subject to amendment after any of the 2013 Series A Bonds shall have been issued.

B. If, however, in carrying out their respective duties under this Agreement, the Authority or the Escrow Agent shall find that by reason of some error or omission or otherwise in the provision hereof an amendment is desirable in order to give effect of the true intention and purpose of this Agreement, one or more amendments may be executed by the Authority and the Escrow Agent without the consent of the Holders of the Refunded Bonds, or the holders of the 2013 Series A Bonds, but only if such amendment is not materially adverse to the interests of such Holders and only for one or more of the following purposes:

- (1) to cure any ambiguity or formal defect or omission in this Agreement; or,
- (2) to grant to or confer upon the Escrow Agent for the benefit of such Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon such Holders or the Escrow Agent or any of them.

If this Agreement is severed, amended or revoked, the Authority shall give prior notification of such severance, amendment (including drafts of such amendment) or revocation to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Attention: Public Finance Rating Desk/Refunded Bonds; to Standard & Poor's Ratings Group, 25 Broadway, 20th Floor, New York, New York 10004; and to Fitch IBCA, Inc., One State Street Plaza, New York, NY 10004.

Section 10. Time of Essence. Time shall be of the essence in the performance of the obligations from time to time imposed upon the Escrow Agent and the Authority by this instrument.

Section 11. Successors.

A. Whenever herein the Authority or the Escrow Agent is named or is referred to, such provision shall be deemed to include any successors of the Authority or the Escrow Agent, respectively, immediate or intermediate, whether so expressed or not.

B. All of the stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority or the Escrow Agent contained herein:

- (1) shall bind and inure to the benefit of any such successor, and
- (2) shall bind and inure to the benefit of any officer, board, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority or the Escrow Agent, respectively, or of its successor, the possession of which is necessary or appropriate in order to comply with any such stipulations, obligations, agreements or other provisions hereof.

**CAL EPA REFUNDING 2013 SERIES A  
ESCROW AGREEMENT**

IN WITNESS WHEREOF, the Authority has caused this Agreement to be signed in the Authority's name by its Treasurer and the State Treasurer has caused this Agreement to be signed by one of his authorized deputies, all as of the day and year first above written.

SACRAMENTO CITY FINANCING  
AUTHORITY

By \_\_\_\_\_  
Treasurer

APPROVED AS TO FORM:

By \_\_\_\_\_  
Authority Counsel

TREASURER OF THE STATE OF  
CALIFORNIA, as Escrow Agent

By \_\_\_\_\_  
Deputy Treasurer  
for California State Treasurer Bill Lockyer

Attachments: Exhibit A – Description of Refunded Bonds  
Exhibit B – Refunded Bonds Requirements

EXHIBIT A

Refunded Bonds

The following maturities [(being all outstanding maturities)]**{include if applicable}** of the Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A are to be redeemed on October 1, 2013:

**{revise if partial refunding effected}**

<i>Maturity Date (May 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Price</i>
2014	\$ 8,775,000	5.00%	100.000%
2015	9,215,000	5.25	100.000
2016	9,700,000	5.25	100.000
2017	10,210,000	4.75	100.000
2019*	21,950,000	5.25	100.000
2023*	50,870,000	4.75	100.000

\*Term Bond

EXHIBIT B

Refunded Bonds Requirements

<i>Payment Date</i>	<i>Interest</i>	<i>Principal Redeemed</i>	<i>Total</i>
10/01/13	\$ _____	\$ _____	\$ _____

Recording Requested By and )  
 When Recorded Mail to: )  
 )  
 City Clerk of the City of Sacramento )  
 City Hall )  
 915 “I” Street, 5<sup>th</sup> Floor )  
 Sacramento, California 95814 )  
 )  
 )  
 )  
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(space above this line for Recorder’s use)

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THIRD AMENDMENT TO SACRAMENTO/STATE BUILDING LEASE

By and Between the

CITY OF SACRAMENTO

and the

STATE OF CALIFORNIA  
 DEPARTMENT OF GENERAL SERVICES  
 REAL ESTATE SERVICES DIVISION

To Sacramento/State Building Lease, dated April 23, 1997,  
 first amended as of November 1, 1998,  
 next amended in September 1999, and  
 now amended as of August 1, 2013

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THIS TRANSACTION IS EXEMPT FROM FILING FEES PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 6103 AND TRANSFER TAXES PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 11928

PLEASE NOTE THIS DOCUMENT AMENDS THE FACILITY LEASE DATED AS OF APRIL 23, 1997 AND RECORDED AS DOCUMENT NO. 199706120957 IN THE OFFICIAL RECORDS OF THE OFFICE OF THE RECORDER COUNTY OF SACRAMENTO, CALIFORNIA ON JUNE 12, 1997.

### THIRD AMENDMENT TO SACRAMENTO/STATE BUILDING LEASE

This Third Amendment to the Sacramento/State Building Lease, originally dated April 23, 1997, first amended as of November 1, 1998, next amended in September 1999, and now amended as of August 1, 2013, is entered into by and between the City of Sacramento (the “City”), as lessor, and the Department of General Services of the State of California (the “Department”), as lessee;

#### WITNESSETH:

WHEREAS, the Sacramento/State Building Lease, dated April 23, 1997, by and between the City as lessor and the Department as lessee (the “Original Lease”), creates a leasehold estate on the parcel of land described on Exhibit A to the Original Lease, which is also attached hereto as Exhibit A; and

WHEREAS, the Original Lease was recorded on April 30, 1997, in Book 19970430 of Official Records of Sacramento County, Page 632, and a revised copy thereof was re-recorded on June 12, 1997, in Book 19970612 of Official Records of Sacramento County, Page 957; and

WHEREAS, Section 38 of the Original Lease provides for amendment of the Lease (as hereinafter defined) by the City and the Department; and

WHEREAS, a First Amendment to the Original Lease was recorded on November 10, 1998, in Book 19981110 of Official Records of Sacramento County, Page 479, in connection with the issuance of Bonds (such Bonds designated “Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A” (the “1998 Series A Bonds”)) for the purpose of financing and refinancing the costs of the construction, installation and equipping of the Premises leased thereunder (the Original Lease as so previously amended and as amended in September 1999 by a Second Amendment to the Original Lease, hereinafter the “Lease”); and

WHEREAS, the City and the Department now desire to amend the Lease in certain limited respects in connection with issuance of refunding Bonds (such Bonds designated “Sacramento City Financing Authority Lease Revenue Refunding Bonds, State of California – Cal EPA Building, 2013 Series A” (the “2013 Series A Bonds”)), including in order to amend the rent schedule set forth in Schedule I to provide for the revised Base Rental payments to be payable under the Lease as a result of the issuance of such refunding Bonds and make such other changes as appropriate to reflect the terms of issuance of such refunding Bonds;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in Section 1 of the Lease.

Section 2. Amendment to Section 1.3 of the Lease. Section 1.3 is hereby amended in full as follows:

“1.3 “Bonds” means the bonds issued by City or an issuer designated by the City for financing or refinancing the Project. Bonds which are outstanding shall mean all Bonds: (a) not redeemed with proceeds of the Lease or proceeds received pursuant to provisions of this Lease, such as insurance proceeds; or (b) otherwise outstanding pursuant to the bond indenture or other instrument pursuant to which the Bonds are issued, including any additional bonds (which may include refunding bonds) authorized and issued pursuant to the provisions of any such bond indenture or other instrument. References to City in relation to the Bonds shall mean the actual issuer whether that is City or a designee, provided, however, that the State Treasurer will act as agent for the sale of the Bonds, and as determined by the State Treasurer, as Trustee, pursuant to a Financing Cooperative Agreement Letter of Understanding between City and the State Treasurer.”

Section 3. Amendment to Section 4.1 of the Lease. Section 4.1 is hereby amended to read as follows:

“4.1 Base Rental. Department shall pay, to City, the Base Rental in the amounts specified on the attached Schedule I, the “Rent Schedule,” and which amounts shall provide, as nearly as practicable, level annual Base Rental payments. Such Base Rental shall be due and payable at least fifteen (15) Business Days prior to May 1 and November 1 in each year, commencing on the Rental Commencement Date, in the amounts specified on the Rent Schedule as in effect on the date of payment of any such Base Rental payment. The Base Rental is based upon the “Total Project Cost/Finance Schedule” attached as Schedule II. Each such payment of Base Rental shall be for the use of the Premises for the six-month period ending on the first day of each May or November, as applicable. It is the intent of this section that the final scheduled Base Rental payments shall support the issuance of the Bonds in an amount sufficient to reimburse the City in full for all its costs to develop the Project for its Lease to the State in accordance with the terms and conditions of this Lease. The parties hereto specifically acknowledge that the Base Rental is consistent with the annual fair rental value of the Premises.”

Section 4. Amendment to Schedule I of the Lease. Schedule I referred to in Section 4.1 of the Lease is hereby revised as attached hereto with respect to any Base Rental payments coming due after the date of this Third Amendment to Sacramento/State Building Lease and is added to the Lease as so revised.

Section 5. Authorization. This amendment has been authorized, executed and delivered by the City and the Department, and consented to by the Bond Insurer, in accordance with Section 38 of the Lease, and the City and the Department do hereby both find and determine that this amendment shall not materially adversely affect the registered owner or owners of any Bonds. By its written consent as evidenced by its execution of the Consent of Bond Insurer attached hereto, Ambac Assurance Corporation, as the Bond Insurer, hereby acknowledges that, upon the issuance of the 2013 Series A Bonds and the redemption [or payment] in full of the 1998 Series A Bonds (as such terms are defined in the recitals hereto) all references to Ambac Assurance Corporation and the Bond Insurer contained in the Lease (as previously amended) shall no longer be of any force and effect.

Section 6. Execution in Counterparts. This amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but altogether shall constitute but one and the same amendment.

Section 7. Ratification of Lease. In all other respects, the Lease is hereby ratified and confirmed.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the City and the Department have caused this amendment to be executed below by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF SACRAMENTO

By: \_\_\_\_\_  
City Treasurer

ATTEST:

By: \_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
City Attorney

CALIFORNIA STATE DEPARTMENT OF  
GENERAL SERVICES

By: \_\_\_\_\_  
Chief Deputy Director

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Assistant Chief Counsel









ACKNOWLEDGMENT

STATE OF CALIFORNIA            )  
  ) ss.:  
COUNTY OF YOLO                )

On \_\_\_\_\_, 2013, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

[SEAL]

\_\_\_\_\_  
Notary Public in and for the State of California

CONSENT OF BOND INSURER

BY EXECUTION HEREOF, Ambac Assurance Corporation as Bond Insurer of the outstanding Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A hereby consents to the amendments to the Lease contained in Second Amendment to Sacramento/State Building Lease and in this Third Amendment to Sacramento/State Building Lease as of the date first above written, and hereby acknowledges that, upon the issuance of the 2013 Series A Bonds and the redemption [or payment] in full of the 1998 Series A Bonds (as such terms are defined in the recitals hereto) all references to Ambac Assurance Corporation and the Bond Insurer contained in the Lease (as previously amended) shall no longer be of any force and effect. By providing its consent Ambac Assurance Corporation makes no statement as to the necessity of obtaining other consents or taking other actions prior to effectuating the actions described herein.

AMBAC ASSURANCE CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT A**

### **Legal Description of the Site**

The Site referred to in this Lease is situated in the City of Sacramento, County of Sacramento, State of California as described as:

The Block bounded by 10<sup>th</sup>, 11<sup>th</sup>, I and H Streets.

SCHEDULE I

Sacramento City Financing Authority  
Lease Revenue Refunding Bonds  
State of California – Cal EPA Building  
2013 Series A

Base Rental Payments

Base Rental payable by the Department to the City pursuant to Section 4.1 from and after \_\_\_\_\_, 2013, the date of the Third Amendment to Sacramento/State Building Lease to which this Schedule is attached, shall be in accordance with the following Schedule:

<u>Date<sup>(1)</sup></u>	<u>Net Lease Payment</u>
11/01/2013	
05/01/2014	
11/01/2014	
05/01/2015	
11/01/2015	
05/01/2016	
11/01/2016	
05/01/2017	
11/01/2017	
05/01/2018	
11/01/2018	
05/01/2019	
11/01/2019	
05/01/2020	
11/01/2020	
05/01/2021	
11/01/2021	
05/01/2022	
11/01/2022	
05/01/2023	

<sup>(1)</sup> Payments are due 15 Business Days prior to such dates.

July 10, 2013

Joseph Cerullo, Esq.  
Office of the City Attorney  
City of Sacramento  
915 I Street, 4th Floor  
Sacramento, CA 95814

Fulbright & Jaworski LLP  
555 South Flower Street  
Forty-First Floor  
Los Angeles, California 90071  
United States

Direct line +1 858 461 1874  
cecilia.dyba@nortonrosefulbright.com

Tel +1 213 892 9200  
Fax +1 213 892 9494  
nortonrosefulbright.com

Re: Engagement Letter: Bond Counsel  
Sacramento City Financing Authority State of California – Cal EPA Building  
Lease Revenue Refunding Bonds, 2013 Series A

Dear Joe:

Enclosed please find two (2) executed copies of the engagement letter for professional services and expenses in connection with the above-referenced matter. Please retain one fully executed copy for the City's records and return one fully executed copy to me at the above address.

If you have any questions with respect to the foregoing, please do not hesitate to call me. We thank you for the opportunity to work with the City and the Financing Authority.

Cordially,

  
Cecilia Dyba

CD/hp

July 10, 2013

Joseph Cerullo, Esq.  
Office of the City Attorney  
City of Sacramento  
915 I Street, 4<sup>th</sup> Floor  
Sacramento, CA 95814

Fulbright & Jaworski LLP  
555 South Flower Street  
Forty-First Floor  
Los Angeles, California 90071  
United States

Direct line +1 213 892 9316  
don.hunt@nortonrosefulbright.com

Tel +1 213 892 9200  
Fax +1 213 892 9494  
nortonrosefulbright.com

Dear Mr. Cerullo:

The City of Sacramento, a California municipal corporation (the “**City**”), and the Sacramento City Financing Authority, a joint-powers agency (the “**Authority**,” and collectively with the City, “**Sacramento**”), desire to engage the services of Fulbright & Jaworski LLP, a Texas limited-liability partnership (“**Fulbright**”), as bond counsel in connection with the Authority’s proposed issuance in 2013 of one or more series of lease-revenue refunding bonds (the “**Bonds**”), to be sold at negotiated sale, for the following purpose (the “**Project**”): refunding all or a portion of the outstanding Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A that were issued to refund the Authority’s Bond Anticipation Notes, State of California – Cal EPA Building, 1998 Series A and to finance the construction, installation, and equipping of an office building and related improvements now occupied by various State of California agencies, including those operating under the California Environmental Protection Agency. Fulbright is pleased to provide these services to Sacramento. Fulbright possesses the necessary professional capabilities and resources to provide the legal services required by Sacramento as described in this engagement letter. Sacramento’s engagement of Fulbright on this matter (the “**Representation**”) will be governed by this letter, which becomes effective as an agreement for bond-counsel services on the date the City, the Authority, and Fulbright have each signed it, as indicated by the dates in the signature blocks set forth on the signature page below.

#### *Services as Bond Counsel*

As bond counsel, Fulbright will assist in developing the structure of the financing and provide customary bond-counsel services necessary to enable the Authority to authorize, issue, sell, and deliver the Bonds, as more fully set forth below. In addition, if requested, Fulbright will make its offices available to Sacramento for the purpose of conducting meetings with regard to structuring of the transaction and negotiation of documents relating to an offering of the Bonds or other obligations, and for the closing of the transaction.

Joseph Cerullo, Esq.  
 July 10, 2013  
 Page 2

To the extent necessary, Fulbright will research statutory, decisional, and constitutional law as to the validity and legal authority of any method of financing chosen by the Authority. Fulbright also will provide the following legal services in connection with the Representation:

- (a) preparation of the documents that are required for the authorization, issuance, sale, and delivery of the Bonds, including the various authorizing resolutions or ordinances, a trust indenture, a lease or lease amendments, an escrow agreement, and other agreements required for the transaction (the “**Major Legal Documents**”);
- (b) preparation of the forepart of the official statement describing, among other things, the Bonds, the Project, the Major Legal Documents, the security for the Bonds, and Fulbright’s opinion with respect to the validity and the tax-exempt status of the Bonds;
- (c) review of the portions of the official statement prepared by others, the purchase contract, and the continuing-disclosure agreement;
- (d) preparation of summaries of the Major Legal Documents to be included in the official statement;
- (e) attendance at all requested meetings and conference calls in connection with the financing;
- (f) rendering of Fulbright’s customary form of final approving opinion to Sacramento and its customary form of supplemental opinion to the underwriters with respect to the accuracy of the summaries of the Major Legal Documents contained in the official statement and of the tax portion of the final approving opinion and certain other matters; and
- (g) preparation and delivery to Sacramento of a transcript of the legal proceedings for the Bonds in both loose-leaf and CD ROM formats.

The role of bond counsel, generally, is to prepare or review the procedures for issuance of bonds, notes, or other evidence of indebtedness and to provide an expert legal opinion with respect to the validity thereof and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and reliance thereon by the capital markets, Fulbright’s role as bond counsel as described in this letter is to provide an opinion and related legal services that represent an objective judgment on the matters addressed rather than the partisan position of an advocate.

As bond counsel, Fulbright will act as special counsel to Sacramento with respect to issuance of the Bonds, *i.e.*, will represent Sacramento, but only with respect to validity of the Bonds and the Major Legal Documents Fulbright prepares.

Joseph Cerullo, Esq.  
July 10, 2013  
Page 3

Fulbright's proposed services do not include representation of the City, the Authority, or any other party to the transaction in any litigation or other legal or administrative proceeding, audit, or investigation involving any of the Bonds, the Project, or any related matter. Except as set forth above, Fulbright's services as bond counsel do not include any responsibility for the preparation, content, or dissemination of the official statement; any responsibility for compliance with State Blue Sky laws or with environmental, land use, real estate, or similar laws; for the title to or perfection of security interests in real or personal property; or any financial advice or analysis.

#### *Fulbright Personnel Who Will Be Working on the Representation*

Don Hunt and Cecilia Dyba will be the primary attorneys working on the Representation, with Richard Kornblith handling the tax issues. Cecilia Dyba will be the day-to-day contact for Sacramento, whose representatives may call, write, or e-mail any of these Fulbright attorneys with any questions about the Representation. Other Fulbright personnel, including attorneys and paralegals, will participate in the Representation if, in Fulbright's judgment, their participation is necessary or appropriate.

#### *Legal Fees and Costs*

As consideration for the bond-counsel services set forth in this letter, Sacramento shall compensate Fulbright for legal services rendered based on the time expended by Fulbright's attorneys and paralegals at their hourly rates in effect from time to time. As of the date of this letter, the standard hourly rates for the attorneys and paralegals most likely to work on the Bonds are \$620 for Cecilia Dyba, \$555 for Danny Kim, \$825 for Don Hunt, \$825 for Richard Kornblith, \$350 for Jon Guz, and \$290 for Susan Ohara. From time to time, upon request Fulbright will furnish estimates of legal fees and other charges that it anticipates will be incurred in connection with the Representation. Except as provided under the caption "Termination" below respecting Sacramento's termination of Fulbright's services as bond counsel, payment of legal fees is contingent upon the issuance, sale, and delivery of the Bonds and will be made exclusively from proceeds of the Bonds, and the amounts owed will be due and payable forthwith upon presentation of an invoice by Fulbright following the issuance, sale, and delivery.

In addition to the compensation described above, Sacramento shall reimburse Fulbright for costs and expenses (direct and indirect) incurred in connection with Fulbright's services, including but not limited to costs and expenses for filing and publication, document reproduction and delivery, travel, long-distance telephone calls, telecopy, computer research, transcripts, and other similar expenses. Sacramento shall directly pay any filing, publication, or printing costs required in connection with the Bonds, but if Fulbright pays those costs on Sacramento's behalf, then Sacramento shall reimburse Fulbright immediately upon receipt of an invoice.

#### *Conflicts of Interest*

Before accepting the engagement to undertake the Representation, Fulbright will undertake reasonable and customary efforts to determine whether there are any potential

Joseph Cerullo, Esq.  
July 10, 2013  
Page 4

conflicts of interest that would bar Fulbright from working on the Representation. Fulbright reviews such conflict-of-interest matters in accordance with the California Rules of Professional Conduct. Fulbright believes that those rules will be applicable to the Representation, and Sacramento acknowledges the applicability of those rules.

Fulbright regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Fulbright has represented, is representing, or may in the future represent other public or private entities, underwriters, trustees, rating agencies, insurers, credit-enhancement providers, lenders, contractors, suppliers, financial and other consultants/advisors, accountants, investment providers/brokers, providers/brokers of derivative products, and others who may have a role or interest in the Bond financing or the Project or may be involved with or adverse to Sacramento in this or some other matter. Fulbright shall not represent any such entity in connection with the Bond financing during Fulbright's engagement as bond counsel without Sacramento's written consent, except as follows: with respect to investment or derivative products, it is not practical to seek specific consent in each case because Fulbright has assisted a number of the providers/brokers in designing and developing such products and provides general and transactional advice with respect to such products, so Fulbright agrees to separate the attorneys working on the Bond financing from the attorneys working on the investment or derivative products. Given the special, limited role of bond counsel described above, Sacramento (a) acknowledges that no conflict of interest exists or would exist in connection with any matter other than the Bonds; (b) waives any such conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of the Representation or any other attorney-client relationship of the type described in this paragraph that Fulbright may have had, now has, or later enters into; and (c) consents to any and all such relationships subject to the condition that a separate conflict-waiver letter will be prepared with respect to Fulbright's concurrent representation of Sacramento and any other entity in connection with the issuance of the Bonds.

#### *Termination*

Either Sacramento or Fulbright may terminate the Representation at any time, with or without cause, by giving written notice to the other party. Upon termination, all finished and unfinished documents prepared for adoption or execution by the City and the Authority will, at their option, become their property, and Fulbright shall deliver them to the City or to any party the City may designate, but Fulbright will have no liability whatsoever for any subsequent use of such documents.

If Sacramento terminates Fulbright's services as bond counsel and the Authority subsequently issues the Bonds, then Sacramento shall pay Fulbright for all work performed in connection with the Bonds at the standard hourly rates for the attorneys and others performing such work, unless the termination is made for cause, in which event compensation, if any, will be adjusted in the light of the facts and circumstances involved in the termination.

Joseph Cerullo, Esq.  
 July 10, 2013  
 Page 5

*Insurance*

Fulbright maintains professional liability insurance coverage in excess of \$25,000,000 applicable to the services to be performed by its attorneys and certain staff.

*Conclusion*

This engagement letter and the attached *Additional Terms of Engagement* (together, “**this Agreement**”) set forth all of the terms of the Representation. This Agreement is not subject to any oral agreements or understandings and may be modified only by further written agreement signed by authorized representatives of Sacramento and Fulbright. Unless expressly stated in this Agreement, no obligation or undertaking is implied on the part of Sacramento or Fulbright. If any conflict arises between this letter and the *Additional Terms of Engagement*, then this letter will control.

Nothing in this Agreement or in any of the documents contemplated by this Agreement gives any person or entity other than the City, the Authority, and Fulbright any legal or equitable right or claim under or in respect of this Agreement, which will inure to the sole and exclusive benefit of the City, the Authority, and Fulbright. Fulbright may not assign its obligations under this Agreement without Sacramento’s written consent except to a successor partnership or corporation to which all or substantially all of Fulbright’s assets and operations are transferred. The City and the Authority may not assign their rights or obligations under Agreement without Fulbright’s written consent. All references in this Agreement to Fulbright, the City, or the Authority refer to their respective successors and assigns and will bind and inure to the benefit of their successors and assigns.

The parties may sign this Agreement in any number of counterparts. Each counterpart will for all purposes be deemed to be an original, and all such counterparts will together constitute the same document.

We look forward to working with you on this matter.

*(Signature Page Follows)*

Fulbright & Jaworski LLP

By: Don Hunt  
Donald L. Hunt, Partner

Date: July 10, 2013

ACCEPTED AND AGREED TO ON BEHALF  
OF THE CITY OF SACRAMENTO AND THE  
SACRAMENTO CITY FINANCING AUTHORITY:

By: \_\_\_\_\_  
James Sanchez, City Attorney

Date: \_\_\_\_\_, 2013

APPROVED AS TO FORM  
SACRAMENTO CITY ATTORNEY

By: Joseph Cerullo  
Joseph Cerullo  
Senior Deputy City Attorney

## **FULBRIGHT & JAWORSKI L.L.P.**

### **Additional Terms of Engagement**

This is a supplement to our engagement letter dated July 10, 2013. The purpose of this document is to set out additional terms of our agreement to provide the representation described in our engagement letter (the “**Representation**”) concerning our engagement as Bond Counsel to the City of Sacramento, California (the “**City**”) and the Sacramento City Financing Authority (the “**Authority**,” and collectively with the City, “**Sacramento**”) in connection with the following (the “**Project**”): the Authority’s proposed issuance in 2013 of one or more series of lease-revenue refunding bonds, to be sold at negotiated sale, for the purpose of refunding all or a portion of the outstanding Sacramento City Financing Authority Lease Revenue Bonds, State of California – Cal EPA Building, 1998 Series A issued to refund the Authority’s Bond Anticipation Notes, State of California – Cal EPA Building, 1998 Series A and to finance the construction, installation, and equipping of an office building and related improvements now occupied by various State of California agencies, including those operating under the California Environmental Protection Agency. Because these additional terms of engagement are a part of our agreement to provide legal services, you should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that you retain this statement of additional terms along with our engagement letter and any related documents.

### **The Scope of the Representations**

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement, Fulbright & Jaworski L.L.P. agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by the City and the Authority to us as Bond Counsel; and (2) keep the City and the Authority reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, the City, the Authority, and their respective representatives agree to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request; (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material; (3) attend meetings, conferences, and other proceedings when it is reasonable to do so; and (4) otherwise cooperate fully with us.

We and the City and the Authority acknowledge that the City and the Authority have the City Attorney's Office to render day-to-day and ongoing general-counsel legal services. We shall coordinate our services with the City Attorney's Office to the extent requested by the City and the Authority or the City Attorney's Office. We are entitled to assume that the City Attorney's Office has reviewed all documents and matters submitted to the City Council or Authority Board of Directors for adoption or approval or to officers of the City or the Authority for execution before such adoption, approval, or execution.

In rendering opinions and performing legal services in connection with the Representation, we are entitled to rely on the accuracy and completeness of information provided and certifications made by, and opinions rendered by counsel to, the City and the Authority and other parties, without independent investigation or verification.

Our firm has been engaged to provide legal services in connection with the Representation, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect the City's and the Authority's future rights and liabilities in regard to the Representation. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the firm has no continuing obligation to give you advice with respect to any future legal developments that may pertain to the Representation.

It is our policy, and the City and the Authority agree, that we represent such entities as organizations and that our attorney-client relationship does not include any related persons or entities. As a result, the City and the Authority, in their corporate capacity, are our clients and we do not represent any employees, officers, councilmembers, or directors of Sacramento.

It is further agreed that the attorney-client relationship with you will terminate immediately upon our completion of the services for which we have been retained in the Representation.

### **Who Will Provide the Legal Services**

As our engagement letter confirms, Fulbright & Jaworski L.L.P. will represent you in connection with the Project. Fulbright & Jaworski L.L.P. is a registered limited-liability partnership that has elected to adopt the Texas Revised Partnership Act.

Although our firm will be providing legal services, each client of the firm customarily has a relationship principally with one attorney, or perhaps a few attorneys. At the same time, however, the work required in the Representation, or parts of it, may be performed by other firm personnel, including lawyers and paralegals. Such delegation may be for the purpose of involving other firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

### **Our Relationships With Others**

Our law firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our

independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent.

Rules concerning conflicts of interest vary with the jurisdiction. To avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our firm that prepares the engagement letter for a particular matter. Your acceptance of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship with you.

If a controversy unrelated to the Representation develops between you and any other client of the firm, we will follow the California statutes and rules of professional responsibility to determine whether we may represent either Sacramento or the other client in the unrelated controversy.

### **Communications and Confidentiality**

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as client confidences, as required by the California Rules of Professional Conduct. If the Representation involves transactions, litigation, or administrative proceedings or like proceedings in which our firm appears as counsel of record for Sacramento in publicly available records, we reserve the right to inform others of the fact of the Representation and (if likewise reflected of record in publicly available records) the results obtained, unless you specifically direct otherwise.

### **Disclaimer**

Fulbright & Jaworski L.L.P. has made no promises or guarantees to you about the outcome of the Representation, and nothing in these terms of engagement shall be construed as such a promise or guarantee.

### **Termination**

At any time, Sacramento may, with or without cause, terminate the Representation by notifying us in writing of Sacramento's intention to do so. Any such termination of services will not affect your obligation to pay for legal services rendered and expenses and charges incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the Project.

Under the California Rules of Professional Conduct, there are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal.

A failure by Sacramento to meet any obligations under these terms of engagement will entitle Fulbright & Jaworski L.L.P. to terminate the Representation. In the event of such a termination of the Representation, Sacramento will take all steps necessary to release Fulbright & Jaworski L.L.P. of any further obligations in the Representation or the Project, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Project. The right of Fulbright & Jaworski L.L.P. to withdraw in such circumstances is in addition to any rights created by statute or recognized by the governing rules of professional conduct.

### **Document Retention**

At the close of the Representation, we will send our files to a storage facility for storage at our expense. The attorney closing the file will determine how long we will maintain the files in storage. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we will return to Sacramento any documents that Sacramento requests be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.

### **Charges for Other Expenses and Services**

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for photocopying, long-distance telephone calls, travel and conference expenses, messenger deliveries, computerized research, and facsimile and other electronic transmissions. In addition, we reserve the right to send to the City for direct payment any invoices delivered to us by others, including experts and any vendors.

In situations where we can readily determine the exact amount of expenses for products and services provided by third parties to be charged to Sacramento's account, our invoices will reflect the cost to us of the products and services. In many situations, however, the precise total cost of providing a product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made for such product or service, which charges may vary from or exceed our direct cost of such product or service. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client.