NEW ISSUE—BOOK—ENTRY ONLY **NOT RATED**

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

$11,465,000
CITY OF SACRAMENTO
COLLEGE SQUARE
COMMUNITY FACILITIES DISTRICT NO. 2005-01
2007 SPECIAL TAX BONDS

Dated: Date of Delivery **Due: September 1, 2037**

The City of Sacramento (the "City") is issuing its College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds (the "Bonds") to provide funds to pay for the acquisition and construction of certain public improvements to serve property located within the College Square Community Facilities District No 2005-01 (the "District") of the City

Interest on the Bonds accrues from their date, and is payable on March 1 and September 1 of each year, commencing March 1, 2008

The eligible landowners in the District authorized the issuance of up to $13,000,000 of Bonds Proceeds from the sale of the Bonds will be used (i) to finance the acquisition and construction of certain public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place in the District and to finance certain City fees levied within the District (the "Facilities"), (ii) to fund a reserve fund for the Bonds, and (iii) to pay costs of issuance of the Bonds

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), and an Indenture dated as of October 1, 2007 (the "Indenture") by and between the City and The Bank of New York Trust Company, N A (the "Trustee")

The Bonds are payable from the proceeds of an annual Special Tax to be levied on property located within the District and from certain other funds pledged under the Indenture See APPENDIX B – "Rate and Method of Apportionment of Special Tax" The Special Taxes are to be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the County of Sacramento and, when received, will be placed in the Special Tax Fund established and maintained by the City **The Special Taxes are secured by a lien on the real property within the District and do not constitute a personal indebtedness of the respective landowners. Accordingly, in the event of delinquency, proceedings may be initiated only against the real property securing the delinquent Special Taxes. Consequently, the value of the land within the District is a critical factor in determining the investment quality of the Bonds. See "SECURITY FOR THE BONDS" and "THE DISTRICT."**

The Bonds will be issued in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co , as nominee of The Depository Trust Company, New York, New York (collectively, "DTC") Ownership interests in the Bonds may be purchased in book-entry form only, in integral multiples of $5,000 See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM"

The Bonds are subject to redemption prior to maturity, as more fully described herein See "THE BONDS — Redemption Of Bonds"

NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE AND HELD BY THE TRUSTEE OR THE CITY, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

See "BONDOWNERS' RISKS" for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.

This cover page contains information for quick reference only. It is not a summary of the issue. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
$11,465,000 5.900% Term Bond, Due September 1, 2037, — Yield 5.950%
CUSIP*: 786071-JQ4

The Bonds are offered when, as and if issued and accepted by the Underwriter subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP Bond Counsel to the City, and certain other conditions Certain legal matters will be passed upon for the Underwriter by its counsel Nossaman Guthner, Knox & Elliott, LLP, Sacramento California It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about October 25 2007

STONE & YOUNGBERG

Dated October 17, 2007

* A registered trademark of the American Bankers Association CUSIP data is provided by Standard & Poor's CUSIP Services Bureau, a division of the McGraw Hill Companies Inc

CITY OF SACRAMENTO

MAYOR AND CITY COUNCIL

Heather Fargo, Mayor
Ray Tretheway, Councilmember District 1
Sandy Sheedy, Councilmember District 2
Steve Cohn, Councilmember District 3
Robert King Fong, Councilmember District 4
Lauren Hammond, Councilmember District 5
Kevin McCarty, Councilmember District 6
Robbie Waters, Councilmember District 7
Bonnie J. Pannell, Councilmember District 8

CITY ADMINISTRATIVE PERSONNEL

Ray Kerridge, City Manager
Thomas P. Friery, City Treasurer
Eileen M. Teichert, City Attorney
Shirley Concolino, City Clerk

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

TRUSTEE

The Bank of New York Trust Company, N.A.
San Francisco, California

SPECIAL TAX CONSULTANT

Harris & Associates
Irvine, California

APPRAISER

Morgan, Beebe & Leck, Inc.
dba
Integra Realty Resources
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose This Official Statement shall not be construed as a contract with the purchasers of the Bonds

No Unauthorized Representations No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City

No Unlawful Offers or Sales This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale

Estimates and Projections When used in this Official Statement, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements Any forecast is subject to such uncertainties Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material

Involvement of Underwriter Stone & Youngberg, LLC (the "Underwriter") has provided the following sentence for inclusion in this Official Statement The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information

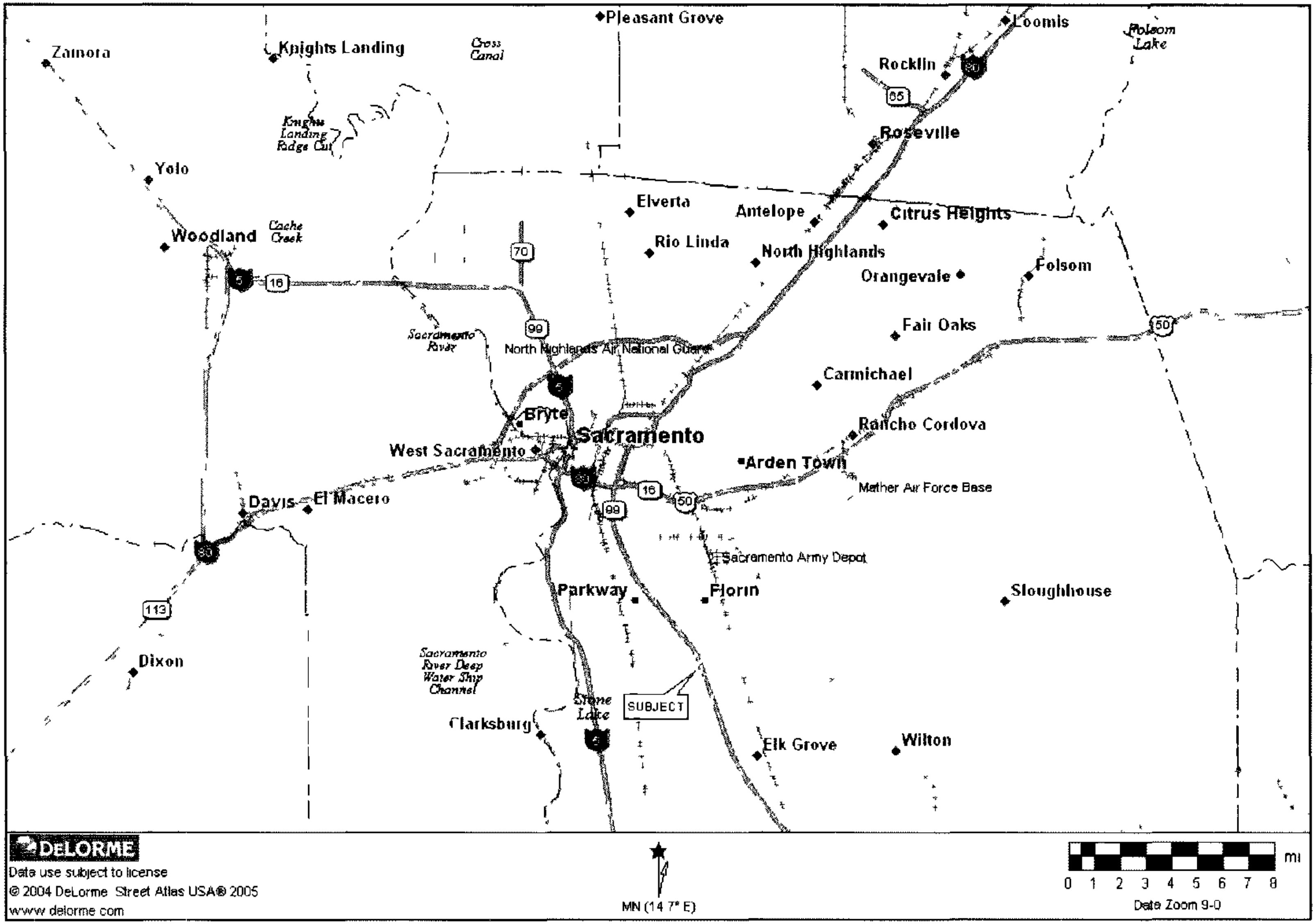
Information Subject to Change The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City or the District since the date hereof

Summaries All summaries of provisions of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions All such documents are on file with the City, copies of which are available for inspection at the office of the City Treasurer, 915 I Street, Historic City Hall, Third Floor, #0900, Sacramento, California 95814-2704, telephone number (916) 808-5168 The City may impose a charge for copying, mailing and handling

Overallotment Or Stabilizing Transactions In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market Such stabilizing, if commenced, may be discontinued at any time

No Registration The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act The Bonds have not been registered or qualified under the securities laws of any state

TABLE OF CONTENTS


Pleasant Grove
Loomis
Zamora
Knights Landing
Cross Canal
Rocklin
Folsom Lake
Knights Landing Ridge Cut
Roseville
Yolo
Elverta
Antelope
Citrus Heights
Woodland
Cache Creek
Rio Linda
North Highlands
Orangevale
Folsom
Sacramento River
Fair Oaks
North Highlands Air National Guard
Carmichael
Bryte
Sacramento
Rancho Cordova
West Sacramento
Arden Town
Mather Air Force Base
Davis
El Macero
Sacramento Army Depot
Parkway
Florin
Sloughhouse
Dixon
Sacramento River Deep Water Ship Channel
Stone Lake
SUBJECT
Clarksburg
Elk Grove
Wilton
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AREA MAP

OFFICIAL STATEMENT

$11,465,000
CITY OF SACRAMENTO
COLLEGE SQUARE COMMUNITY FACILITIES DISTRICT
NO. 2005-01
2007 SPECIAL TAX BONDS

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page and attached Appendices, is to provide information concerning the issuance of the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the "Bonds"). The Bonds are being issued by the City of Sacramento (the "City") pursuant to an Indenture dated as of October 1, 2007 (the "Indenture"), by and between the City and The Bank of New York Trust Company, N.A. (the "Trustee").

This introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements regarding any such document are qualified in their entirety by reference to such document. All capitalized terms used in this Official Statement and not otherwise defined have the same meaning as in the Indenture. See APPENDIX C — "SUMMARY OF THE INDENTURE — Definitions."

Authority For Issuance

The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the California Government Code (the "Mello-Roos Act"), the approving vote of the eligible landowner voters of the College Square Community Facilities District No. 2005-01 (the "District"), a resolution of the City Council of the City and the Indenture.

The eligible landowners in the District authorized the issuance of up to $13,000,000 of College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the "Bonds"). Following the issuance of the Bonds there will be $1,535,000 of authorization remaining; however, the City has covenanted that it will issue no additional bonds secured by Special Tax Revenues on a parity with the Bonds so long as any of the Bonds remain outstanding. See "SECURITY FOR THE BONDS — No Additional Parity Indebtedness."

Purpose Of The Bonds

The District was formed and the Bonds are being issued to finance the acquisition and construction of certain public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place within the District, including road improvements, water distribution lines, drainage facilities, storm water treatment facilities, sewer lines, public dry utilities, all together with necessary appurtenances, as well as the financing of certain City fees levied within the District (the "Facilities"). See "FINANCING PLAN" and "THE DISTRICT — Facilities To Be Financed With The Bonds."

Security For The Bonds

Limited Obligation. **Neither the full faith and credit nor the general taxing power of the City, the County of Sacramento, the State of California, or any political subdivision of the State is pledged to the payment of the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City payable solely from the proceeds of the Special Tax and other sources described in the Indenture.**

The Special Tax. Payments of interest on and principal of the Bonds are to be made from the proceeds of a special tax authorized to be levied annually by the City on all Taxable Property in the District under and pursuant to the Mello-Roos Act and the election held in the District on July 19, 2005 (the "Special Tax"). See "SECURITY FOR THE BONDS — The Special Tax," and "THE DISTRICT — The Special Tax Formula."

Appraised Value of Property Within the District. An appraisal of the taxable property within the District (the "Appraisal"), has been prepared by Morgan, Beebe & Leck, Inc., dba Integra Realty Resources, Sacramento, California (the "Appraiser"). Based on the assumptions contained in the Appraisal, the Appraiser estimated that the total market value of the taxable property within the District as of July 1, 2007 was $34,200,000. An executive summary of the Appraisal is attached as APPENDIX A. See "THE DISTRICT — Appraisal Of Parcels Within The District" for a discussion of the Appraisal and the assumptions and methodology used by the Appraiser. See also "THE DISTRICT — Cumulative Tax, Assessment, And Fee Burden On Property" for a description of certain additional debt or other obligations secured by liens on the property within the District.

Additional Bonds. Following the issuance of the Bonds, there will remain authorization for the issuance under the Indenture of $1,535,000 principal amount of additional Bonds secured by special taxes to be levied within the District; however, the City has covenanted that it will issue no additional bonds secured by Special Tax Revenues on a parity with the Bonds so long as any of the Bonds remain outstanding. See "SECURITY FOR THE BONDS — No Additional Parity Indebtedness."

Bond Reserve Fund. The Indenture establishes a Bond Reserve Fund, which is required to be funded in an amount equal to the Required Bond Reserve, which is equal to the least of (i) 10% of the original principal amount of the Bonds (ii) the maximum Debt Service payable under the Indenture in the current or any future Bond Year, or (iii) 125% of the average Debt Service payable under the Indenture in the current or any future Bond Year. See "SECURITY FOR THE BONDS — Bond Reserve Fund."

Credit Enhancement. The City and College Square Marketplace LLC, a property owner within the District, have entered into an Agreement for Credit Enhancement Letter of Credit for the purpose of providing to the City a source of funds for the payment of certain Special Taxes in the event that College Square Marketplace LLC is delinquent in the payment of such Special Taxes. See, "SECURITY FOR THE BONDS - Credit Enhancement."

Risk Factors

Certain events could affect the ability of the City to pay debt service on the Bonds when due. See "BONDOWNERS' RISKS" for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds.

Tax Status

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

Professionals Involved In The Offering

The Bank of New York Trust Company, N.A. will serve as Trustee with respect to the Bonds. The Bonds will be delivered subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman, Guthner, Knox & Elliott, LLP, Sacramento, California. An appraisal of land within the District has been prepared by Morgan, Beebe & Leck, Inc. dba Integra Realty Resources, Sacramento, California. Harris & Associates, Irvine, California, has served as special tax consultant to the City for the financing.

Continuing Disclosure

The City and certain landowners separately and independently have covenanted for the benefit of the Bondowners to provide, in the case of the City annually, and with respect to the landowners semiannually, certain financial information and operating data relating to the District (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Reports and the notices of material events are set forth in APPENDIX E — "FORMS OF CONTINUING DISCLOSURE CERTIFICATES." See also "CONCLUDING INFORMATION — Continuing Disclosure."

FINANCING PLAN

Financing Purpose

The proceeds of the Bonds are anticipated to finance the costs of the Facilities in the District. See "THE DISTRICT — Facilities To Be Financed With The Bonds."

Estimated Sources And Uses of Funds

Proceeds from the sale of the Bonds will be used as follows:

(i) to finance the costs of the acquisition and construction of Facilities in the District,

(ii) to fund the initial deposit to the Bond Reserve Fund to the Required Bond Reserve under the Indenture, and

(iii) to pay costs of issuing the Bonds.

The following table sets forth the sources and uses of funds for these purposes:

Table 1
College Square
Community Facilities District No. 2005-01,
2007 Special Tax Bonds

Sources And Uses Of Funds

SOURCES OF FUNDS	
Principal Amount of the Bonds	$11,465,000.00
less Original Issue Discount	80,713.60
less Underwriter's Discount	206,370.00
Total Sources of Funds	$11,177,916.40
USES OF FUNDS	
Facilities	$9,737,642.75
Bond Reserve Fund[1]	1,115,273.65
Costs of Issuance[2]	325,000.00
Total Uses of Funds	$11,177,916.40

[1] Equal to the Required Bond Reserve.
[2] Includes, among other things, the fees and expenses of Bond Counsel, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Trustee, the cost of the Appraisal, and the fees of the Special Tax Consultant.

For a more detailed discussion of these and other funds and accounts and the application of monies on deposit therein, see APPENDIX C — "SUMMARY OF THE INDENTURE."

THE BONDS

Authority For Issuance

The Mello-Roos Act was enacted by the California Legislature to provide an alternate method of financing certain public capital facilities and services, especially in developing areas of the State of California (the "State"). Once established, a community facilities district is a legally constituted governmental entity within defined boundaries, with the governing board or legislative body of the local agency that established the district acting on its behalf. Subject to approval by a two-thirds vote of eligible landowner electors and compliance with the provisions of the Mello-Roos Act, a legislative body of a local agency may issue debt securities for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Mello-Roos Act, on June 21, 2005, the City Council (the "City Council") of the City of Sacramento (the "City") adopted Resolution No. 2005-483 and Resolution No. 2005-484 forming the College Square Community Facilities District No. 2005-01 (the "District") and calling an election on July 19, 2005, to authorize the issuance of bonds and the levying of a special tax within the District.

On July 19, 2005, the eligible landowner voters of the District, by more than a two-thirds supermajority, authorized the issuance of not to exceed $13,000,000 principal amount of Bonds to finance the acquisition and construction of the Facilities and approved the maximum rate and method of apportionment of a special tax (the "Special Tax") to pay debt service on Bonds issued to finance the Facilities. Following the issuance of the Bonds there will be $1,535,000 authorization remaining; however, the City has covenanted that it will issue no additional bonds secured by the Special Tax Revenues on a parity with the Bonds so long as any of the Bonds remain outstanding. See "SECURITY FOR THE BONDS — No Additional Parity Indebtedness."

Description Of The Bonds

The Bonds will be dated the date of their delivery and will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth on the cover page of the Official Statement. Interest on the Bonds will accrue from their date, and will be payable semiannually on March 1 and September 1 each year (each an "Interest Payment Date") commencing March 1, 2008. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued in fully registered form without coupons in denominations of $5,000. All of the Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM." Purchasers will not receive physical certificates representing their interests in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants (as defined herein), who will remit such payments to the beneficial owners of the Bonds. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

Redemption Of Bonds

Optional Redemption. The Bonds are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any Interest Payment Date on or after September 1, 2017, from any source of available funds other than Sinking Fund Account Payments, upon mailed notice as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date, without premium.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption by the City, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption.

Redemption Date	Redemption Price
March 1, 2008 to March 1, 2015	103%
September 1, 2015 to March 1, 2016	102
September 1, 2016 to March 1, 2017	101
September 1, 2017 and thereafter	100

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 2008 through 2037, both years inclusive, solely from amounts deposited in the Sinking Fund Account, upon mailed notice as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without a redemption premium, as follows:

Redemption Date (September 1)	Principal to be Redeemed
2008	$80,000
2009	0
2010	10,000
2011	25,000
2012	40,000
2013	55,000
2014	75,000
2015	95,000
2016	115,000
2017	135,000
2018	160,000
2019	185,000
2020	215,000
2021	245,000
2022	275,000
2023	310,000
2024	345,000
2025	380,000
2026	425,000
2027	465,000
2028	515,000

2029	565,000
2030	615,000
2031	675,000
2032	735,000
2033	800,000
2034	865,000
2035	940,000
2036	1,020,000
2037 (Maturity)	1,100,000

If any Bonds are optionally redeemed, the amounts of the Sinking Fund Account payments shown above will be reduced proportionately by the principal amount of the Bonds optionally redeemed.

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed at any one time, the City will select the maturity date or dates of the Bonds to be redeemed. If less than all of the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Bonds or portions thereof in integral multiples of $5,000 to be redeemed shall be determined by the Trustee in any manner that it deems appropriate.

Notice of Redemption. Notice of redemption prior to maturity shall be given by mail not less than 30 nor more than 90 days prior to the date fixed for redemption to (i) the respective registered owners of all Bonds selected for redemption in whole or in part, (ii) all securities information services selected by the City in accordance with the Indenture, and (iii) the Underwriter.

Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed, and, in the case of the Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice shall also state that interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date.

Neither failure to receive the notice nor any immaterial defect in the notice shall affect the sufficiency or validity of the proceedings for the redemption of the Bonds.

So long as Cede & Co., as nominee of DTC, continues to be the registered owner of the Bonds, any notices of redemption will be given only to Cede & Co., as nominee of DTC, and not to DTC, DTC Participants or Beneficial Owners. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the amount necessary for the payment of the redemption price is held by the Trustee, then the Bonds, or portion thereof, designated for redemption shall become due and payable at the redemption prices thereof and interest thereon shall cease to accrue.

Debt Service Schedule

Table 2 below sets forth the scheduled annual debt service for the Bonds, the estimated maximum annual Special Taxes and the projected debt service coverage for the bond years ending September 1, 2008 through September 1, 2037

TABLE 2
College Square
Community Facilities District No. 2005-01,
2007 Special Tax Bonds

Debt Service and Coverage Table

Bond Year Ending Sept 1	Bonds Debt Service	Maximum Special Tax [2]	Coverage
2008	$654,969 75	$728,754 34	1 11
2009	671,715 00	743,329 43	1 11
2010	681,715 00	758,196 02	1 11
2011	696,125 00	773,359 94	1 11
2012	709,650 00	788,827 14	1 11
2013	722,290 00	804,603 68	1 11
2014	739,045 00	820,695 76	1 11
2015	754,620 00	837,109 67	1 11
2016	769,015 00	853,851 86	1 11
2017	782,230 00	870,928 90	1 11
2018	799,265 00	888,347 48	1 11
2019	814,825 00	906,114 43	1 11
2020	833,910 00	924,236 72	1 11
2021	851,225 00	942,721 45	1 11
2022	866,770 00	961,575 88	1 11
2023	885,545 00	980,807 40	1 11
2024	902,255 00	1,000,423 55	1 11
2025	916,900 00	1,020,432 02	1 11
2026	939,480 00	1,040,840 66	1 11
2027	954,405 00	1,061,657 47	1 11
2028	976,970 00	1,082,890 62	1 11
2029	996,585 00	1,104,548 43	1 11
2030	1,013,250 00	1,126,639 40	1 11
2031	1,036,965 00	1,149,172 19	1 11
2032	1,057,140 00	1,172,155 63	1 11
2033	1,078,775 00	1,195,598 75	1 11
2034	1,096,575 00	1,219,510 72	1 11
2035	1,120,540 00	1,243,900 93	1 11
2036	1,145,080 00	1,268,778 95	1 11
2037	1,164,900 00	1,294,154 53	1 11
TOTAL [1]	$26,632,734 75	$29,564,163 95	

[1] Totals may not add due to rounding

[2] Assumes maximum Special Tax is levied on all parcels as provided under the Special Tax Formula and in the same development condition as considered in the Appraisal See, "THF DISTRICT – The Special Tax Formula"

Source Stone & Youngberg, LLC and Harris & Associates

SECURITY FOR THE BONDS

Limited City Obligation

The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund and other funds established under the Indenture, and the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is not a general debt, liability or obligation of the City.

The Special Tax

The Special Tax will be levied pursuant to and in accordance with the rate and method of apportionment (the "Special Tax Formula") set forth in APPENDIX B. Capitalized terms in this section are defined in the Special Tax Formula.

Levy of the Special Tax. The City Council will levy the Special Tax against property within the District on an annual basis according to the Special Tax Formula. See "THE DISTRICT — The Special Tax Formula." Pursuant to the Indenture, so long as any Bonds are outstanding, the City is required annually to levy the Special Tax against all Taxable Property in the District and to make provision for the collection of the Special Tax in amounts that will be sufficient, after making reasonable allowances for contingencies and errors in estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for, and redemption premiums, if any, on the Bonds as they become due, to replenish the Bond Reserve Fund to the Required Bond Reserve and to pay all expenses as they become due and payable.

The Special Tax is a special tax under Section 4 of California Constitution Article XIII A and therefore, so long as it is not an ad valorem tax under Section 1 of Article XIII A, is excepted from the tax rate limitation of that Section. Consequently, the City has the power and is obligated to cause the levy and collection of the Special Tax in an amount determined according to the Special Tax Formula, which the City Council and the eligible landowner electors within the District have approved.

The Mello-Roos Act prohibits the City Council from adopting a resolution to initiate proceedings to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council determines that the reduction or termination of the Special Tax "would not interfere with the timely retirement" of outstanding Bonds secured by the Special Tax.

Manner of Collection. The Special Tax will be collected in the manner and at the same time as ad valorem property taxes are collected by the County of Sacramento (the "County") and, except as described below under the caption "Delinquent Special Taxes; Covenant To Foreclose," shall be subject to the same penalties and the same procedures, sale and lien priority in the case of delinquency as is provided for ad valorem property taxes.

Taxes are levied by the County for each fiscal year on taxable real property situated in the County as of the preceding January 1. For collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed and collected on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on June 30 of the fiscal year, and may thereafter be redeemed by payment of the penalty set forth in the Revenue and Taxation Code, together with the defaulted taxes, the delinquency penalty, costs, and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the event the County Assessor determines that the total property taxes assessed against a given parcel exceed the value of that parcel and, therefore, the tax lien against the parcel is *not* sufficient to secure payment of property taxes owed, the parcel will be transferred to the unsecured roll for assessment and collection. Property taxes on the unsecured roll are due as of the lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Teeter Plan. In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, for which the County acts as the tax-levying or tax-collecting agency. The Teeter plan became effective for each fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprising delinquent taxes, penalties, and interest) that had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and in respect of those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make such eligibility determinations annually, and may exclude a district or individual parcel that had previously been included in the plan. The County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. There can be no assurance that the County will decide that any given delinquent special tax is eligible for the Teeter Plan. If the County determines that delinquent Special Taxes are not eligible for the Teeter Plan, the City retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions.

Special Tax is not a Personal Obligation. Although the Special Tax will constitute a lien on property subject to taxation within the District, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of the property owners not paying the annual Special Tax is more fully described in "BONDOWNERS' RISKS — Collection Of The Special Tax."

Deposit of Taxes Collected. All proceeds of the annual Special Tax are to be deposited in the Special Tax Fund established by the Indenture, and first applied to the Bond Redemption Fund to pay bond debt service payments on all outstanding Bonds, then to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve, and then to the Expense Fund to pay administrative costs of the District. All money remaining in the Special Tax Fund on September 1 of each year after the applications of funds described above have been made is to be deposited in the Community Facilities Fund, and expended by the City for the payment of costs of the acquisition and construction of the Authorized Facilities or otherwise for the benefit of the District in accordance with the Mello-Roos Act. See APPENDIX C — "SUMMARY OF THE INDENTURE."

Special Tax Formula. The Special Tax Formula is used to allocate the amount of the Special Tax that is needed to be collected each fiscal year among the Taxable Parcels within the District, based upon the development status of the Taxable Parcels and their location, subject to a Maximum Annual Special Tax rate that may be levied against each category of Taxable Parcel. The Special Tax Formula is set forth in full in APPENDIX B; for a synopsis of the Special Tax Formula see "THE DISTRICT — The Special Tax Formula."

Duration of Levy. The Improvement Special Tax is authorized to be levied for as long as needed to pay debt service on bonds issued to fund Authorized Facilities, but not later, on any parcel, than 60 years after the fiscal year in which a building permit for new construction was issued for that parcel. A description of the Special Tax Formula and the Maximum Annual Special Tax Rate that can be levied against the various land use categories in the District, the manner of apportioning the Special Tax and the property exempt from the Special Tax is set forth in APPENDIX B. All parcels in the District remain subject to the Maintenance Special Tax in perpetuity.

Exemptions. Pursuant to Section 53340 of the Mello-Roos Act, the Special Tax Formula exempts properties that are or are intended to be publicly owned; except that the Special Tax on property not otherwise exempt that is acquired by a public entity shall remain subject to the Special Tax or be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Mello-Roos Act. Tax Exempt Parcels within the District are exempt from the Special Tax. Parcels for which the owner has prepaid and satisfied the Special Tax are also exempt from further Improvement Special Taxes. See "BONDOWNERS' RISKS — Exempt Properties."

Delinquent Special Taxes; Covenant To Foreclose

Sale of Property for Nonpayment of Taxes. The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Accelerated Foreclosure. Pursuant to Section 53356.1 of the Mello-Roos Act, if any payment of the Special Tax for a Taxable Parcel is delinquent. the City may order the institution of a court action to foreclose thc lien on the Taxable Parcel within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "BONDOWNERS' RISKS — Bankruptcy and Foreclosure Delays."

Such judicial foreclosure action is not mandatory. However, the City has covenanted to review the County's records in connection with the collection of the Special Tax not later than October 1 of each year to determine the amount of Special Tax collected in the prior fiscal year. If the amount of Special Tax collected for the prior fiscal year is less than 95% of the amount levied, then the City will, not later than the next December 1, institute civil actions to foreclose the liens securing the delinquent installments of the Special Tax and will diligently prosecute the actions to judgment and sale. The City will in any case, not later than the next December 1, institute foreclosure proceedings against any parcel that is delinquent by more than $1,000 in payments of the Special Tax at the end of the fiscal year in which the levy was placed on the tax roll for collection. (The City need not pursue foreclosure against any property for which it has received Special Tax installments pursuant to the Teeter Plan. However, it is the City's practice to pursue foreclosure against any parcel that is delinquent by more than $1000 in payments of the Special Tax as described in the preceding sentence.)

Subject to the maximum rates, the Special Tax Formula is designed to generate from all non-exempt property within the District the current year's debt service, administrative and other expenses, and replenishment of the Bond Reserve Fund to the Required Bond Reserve. However, if foreclosure proceedings are necessary, and the Bond Reserve Fund has been depleted, there could be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale.

Priority of Lien. The Mello-Roos Act specifies that the Special Tax will have the same lien priority as ad valorem property taxes in the case of delinquency but does not further specify the priority relationship, if any, between the Special Tax and other special taxes and ad valorem taxes on a taxed parcel. The City (and other jurisdictions) may levy additional special taxes to finance other infrastructure needed for the development of the area. See "SECURITY FOR THE BONDS — Overlapping Mello-Roos And Assessment Districts."

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Speeial Tax payment to protect its security interest.

Sufficiency of Foreclosure Sale Proceeds. No assurance can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Mello-Roos Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale. Section 53356.6 of the Mello-Roos Act requires that property sold pursuant to foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus postjudgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained.

Delinquency History. Special Taxes have not yet been levied in the District; as a result there have been no delinquencies in the payment of the Special Taxes. The current owners of land within the District are not delinquent in the payment of any property taxes on property within the District.

Bond Reserve Fund

Pursuant to the Indenture, the Trustee will establish a Bond Reserve Fund at the time of issuance of the Bonds, and maintain in the Bond Reserve Fund an amount equal to the Rcquired Bond Reserve for the Bonds. The Required Bond Reserve is defined in the Indenture as an amount equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) the maximum Debt Service on the Bonds payable under the Indenture in the current or any future Bond Year, or (iii) 125% of average Debt Service on the Bonds payable under the Indenture in the current or any future Bond Year. The proceeds of the sale of the Bonds will fund the initial deposit in the Bond Reserve Fund. See APPENDIX C — "SUMMARY OF THE INDENTURE."

Credit Enhancement

The City and College Marketplace LLC, which owns property within the District, have entered into an "Agreement for Credit Enhancement: Letter of Credit" (the "Letter of Credit Agreement"). The Letter of Credit Agreement obligates College Marketplace LLC to provide the City with either an irrevocable standby letter of credit (naming the City as beneficiary) or a cash deposit in an initial amount of $1,598,000, equal to approximately two years of the average maximum annual Special Tax (as defined in the Special Tax Formula) derived from property owned by College Marketplace LLC within the District. The City will be entitled to draw on the letter of credit or cash deposit if the Special Taxes derived from the property owned by College Marketplace LLC in the District are delinquent or if College Marketplace LLC fails to replace the letter of credit as required by the Letter of Credit Agreement. The City will use the proceeds of any draw on the letter of credit or the cash deposit to pay debt service on the Bonds or to prepay the Special Taxes for property owned by College Marketplace LLC. Any remaining un-drawn balance of the letter of credit will be released to College Marketplace LLC five years after the date of sale of the Bonds.

The letter of credit or cash deposit will be reduced proportionately as parcels in the District receive certificates of occupancy. The letter of credit or cash deposit will be released in full when the City has issued certificates of occupancy for parcels responsible for 75% of the Special Tax obligation for the entire District.

Overlapping Mello-Roos And Assessment Districts

Elk Grove Unified School District CFD No. 1. All of the parcels within the District are subject to a lien of special taxes associated with the Elk Grove Unified School District CFD No. 1 ("EGUSD CFD No. 1"). EGUSD CFD No. 1 was formed in 1987 by a two-thirds vote of the electorate within the EGUSD CFD No. 1 District boundaries. The EGUSD CFD No. 1 special tax supports Elk Grove Unified School District's bonds issued to provide funds necessary to pay thc cost of building and modernizing school classrooms and related facilities. Further information may be obtained from the Elk Grove Unified School District Facilities and Planning office at (916) 686-7562.

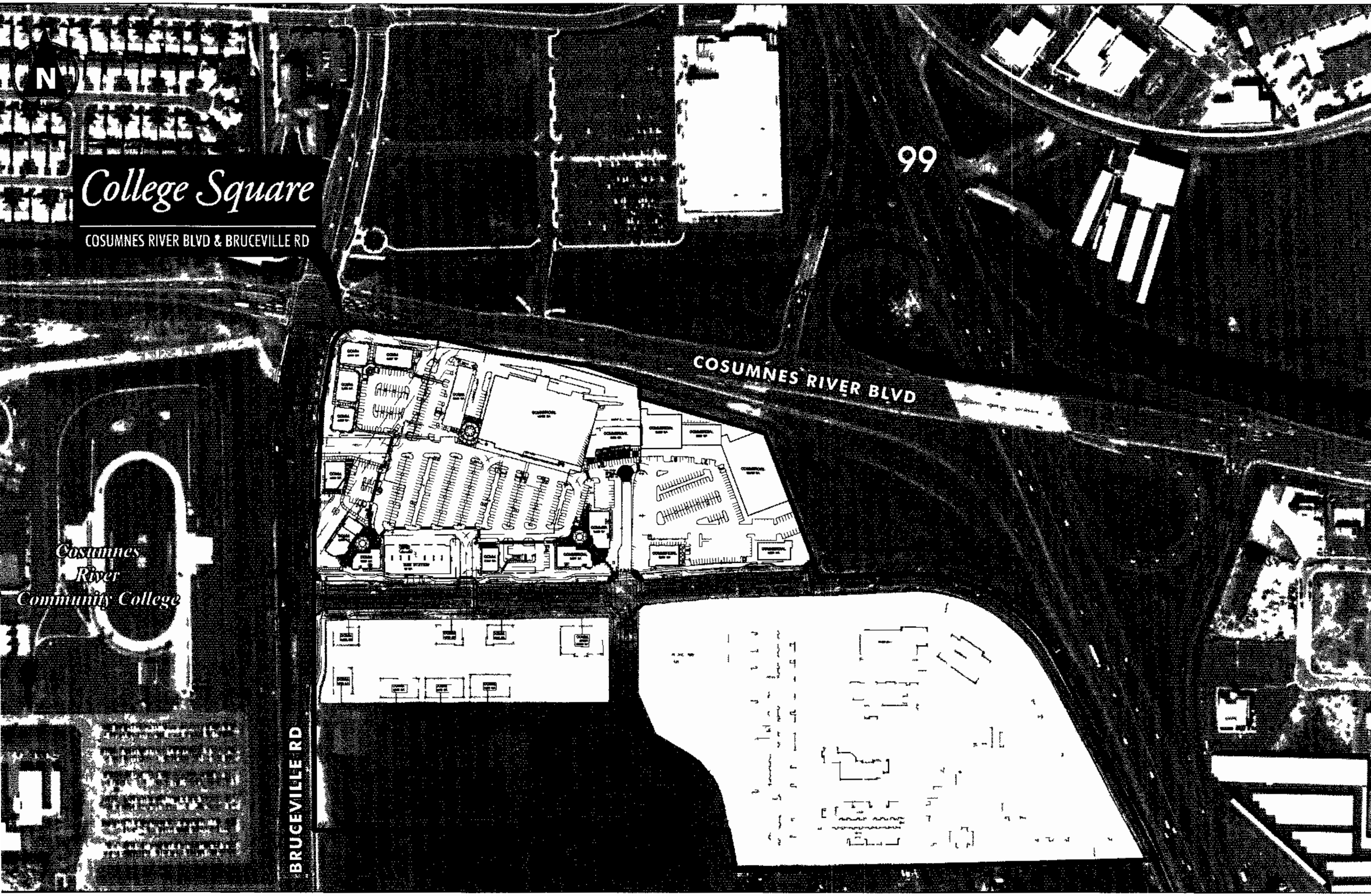
Other Mello-Roos and Assessment Districts. Landscaping and lighting assessment districts may be formed within the District to fund services such as transportation and air quality mitigation, the maintenance of parks, roadway landscaping, and landscaping of connective use acreage within detention basins.

If additional service districts are formed that include the District, the special taxes and assessments levied therein will be an additional encumbrance on property. Formation of additional districts would require the approval of the affected property owners or registered voters.

For a listing of bonded indebtedness currently outstanding against the property in the District, see the Table entitled "Direct and Overlapping Bonded Debt," and the Table entitled "Value-To-Lien Ratio for All Taxable Parcels."

No Additional Parity Indebtedness

Pursuant to the Indenture, the City has covenanted that it will issue no additional bonds secured by the Special Tax Revenues on a parity with the Bonds so long as any of the Bonds remain outstanding. See, APPENDIX C – "SUMMARY OF THE INDENTURE."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College Square
COSUMNES RIVER BLVD & BRUCEVILLE RD
99
COSUMNES RIVER BLVD
Cosumnes River Community College
BRUCEVILLE RD

THE DISTRICT

General Description And Location Of The District

District Location. The District is located in the southern portion of the City directly east of Cosumnes River College. The District is bounded by Bruceville Road on the west, Cosumnes River Boulevard to the north and State Highway 99 to the east. The District features West Stockton Boulevard as the main artery through the center of the District. The District encompasses approximately 42.76 acres.

College Square Planned Unit Development. All of the approximately 42.76 acres of property within the boundaries of the District lies within the larger, approximately 62-acre College Square planned unit development ("College Square PUD"), so known due to its proximity to Cosumnes River College. The College Square PUD is anticipated to be developed to include a mix of uses such as retail, commercial, office and multifamily residential and is being developed by College Marketplace, LLC and Granite Bay Holdings, LLC (collectively, the "Property Owners"). ***The property contained within the boundaries of the District and subject to the Special Tax is a portion of the larger College Square PUD. Property within the College Square PUD but not within the boundaries of the District is not subject to the Special Tax and was not the subject of the Appraisal discussed below. Description of additional development which is within the College Square PUD but not within the District is given for informational purposes only.***

For a detailed description of proposed development within the District see "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT."

Appraisal and Assessed Valuation Of Parcels Within The District

The Appraisal. The Appraiser, Morgan, Beebe & Leck, Inc., dba Integra Realty Resources, Sacramento, California (the "Appraiser"), has prepared an appraisal of the taxable property within the District entitled "An Appraisal of Real Property – College Square CFD" with an effective date of July 1, 2007 (the "Appraisal"), and a date of value of July 1, 2007. The Appraisal was prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which fully incorporate the Uniform Standard of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. The Appraisal development process conforms to the requirements of Standards Rule 1 and Standards Rule 6 (mass appraisal) of the USPAP, and the Appraisal Standards for Land–Secured Financings, which is published by the California Debt and Investment Advisory Commission.

Basis of Value and Assumptions. The value opinions in the Appraisal represent the "as is" market value (bulk sale value) for all properties within the District, subject to special tax and assessment liens on the properties, as of the July 1, 2007 date of valuation. Unless stated otherwise in the Appraisal, all factors pertinent to the value determination were considered as of that date.

The value opinion set forth in the Appraisal is subject to certain assumptions and limiting conditions, including without limitation, the following:

(i) that title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions and the property is under responsible ownership and competent management and available for its highest and best use;

(ii) there are no existing judgments or pending or threatened litigation that could affect the value of the property;

(iii) there are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable and there is no asbestos in the property;

(iv) the property is in compliance with all applicable building, environmental, zoning and other federal, state and local laws, regulations and codes; and

(v) the information furnished to the Appraiser by others is believed to bc reliable, but no warranty is given for its accuracy.

Methodology. The property within the District includes both "Improved" and "Unimproved" parcels. Given the composition of parcels and uses that comprise the District, various methodologies were utilized to estimate the "as is" market value (bulk sale value) for the entire District. The Appraiser utilized the three traditional approaches to value (the Cost, Income and Sales Comparison approaches) to estimate the value of the Improved Parcels within the District. A bulk discount was then applied to the concluded value of the Improved Parcels to estimate their contribution to the overall bulk value of the District. Thc Sales Comparison Approach and Discounted Cash Flow Analysis were utilized to estimate the bulk market value for the Unimproved Parcels. Finally, the bulk values of the Improved and Unimproved Parcels were summed to render a total bulk value for the entire District.

The "bulk" appraisal premise represents the market value that would be realized if a single buyer purchased multiple properties from a single seller and reflects that a bulk buyer would sell individual units over a market-based projected sell-out period. The various methodologies including the discounted cash flow analysis reflect all estimated costs to carry and sell the units, while providing a reasonable return to the buyer of the total property in bulk. The valuation methodologies incorporated an absorption forecast developed and supported by the Appraiser. The Appraiser did not rely upon a third-party absorption forecast or market study commissioned by the City.

A description of the methodology utilized by the Appraiser, relevant definitions and the assumptions and conditions utilized in the analysis, may be found in APPENDIX A – "EXECUTIVE SUMMARY OF APPRAISAL."

Value Conclusion. The Appraiser concluded that subject to its Assumptions and Limiting Conditions and its Special Assumptions and Limiting Conditions, as of the July 1, 2007 date of value, the Taxable Property in the District had a fee simple value subject to special taxes and special assessment liens of $34,200,000. The allocation of value to the Improved and Unimproved Parcels within the District is set forth below.

Bulk Value Estimate – Total District

	Land Area (acres)	Value Estimate
Improved Parcels	5.69	$22,400,000
Unimproved Parcels	37.07	11,800,000
TOTAL BULK VALUE	42.76	$34,200,000

Source: Morgan, Beebe & Leck, Inc. dba Integra Realty Resources.

An executive summary of the Appraisal is attached as APPENDIX A. APPENDIX A does not purport to be definitive or complete and is qualified in its entirety by reference to the complete Appraisal, a copy of which is available from the City Treasurer. *The City and the District make no representation as to the accuracy or completeness of the Appraisal.*

Cumulative Tax, Assessment, And Fee Burden On Property

In addition to paying the Special Tax, property owners within the District will be obligated to pay ad valorem property taxes and other existing and additional special taxes, assessments, and fees (some of which secure other debt issued by the City and overlapping jurisdictions). The table below shows the overlapping general obligation bonded indebtedness and community facilities district having bonded indebtedness affecting property in the District as of July 1, 2007.

TABLE 3
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

Direct and Overlapping Bonded Debt

Direct and Overlapping Lien	Bonded Indebtedness
Los Rios Community College G.O.	$ 8,583
Elk Grove Unified School District CFD #1	71,063
Total	$79,646

Source: California Tax Data, Harris & Associates.

Value To Lien Analysis

The table below shows the ratio of the appraised value of all Taxable Property in the District to the lien of the Special Tax for the Bonds together with other overlapping bonded indebtedness represented by existing special taxes and liens. The table shows the value to lien ratios of Taxable Property which is currently classified under the Special Tax Formula as "Developed" and "Undeveloped" together with the value to lien ratio of Developed and Undeveloped Taxable Property combined. No assurance can be given that the appraised values and amounts shown in this table will conform to those ultimately realized.

TABLE 4
College Square
Community Facilities District No. 2005-01,
2007 Special Tax Bonds
Value-To-Lien Ratio for All Taxable Property

Developed Property

Appraised Value	Special Tax Lien	Other Bonded Liens	Total Liens	Value-to-Lien Ratio
$22,400,000	$1,787,256	$3,533[1]	$1,790,789	12.51 to 1

Undeveloped Property

Appraised Value	Special Tax Lien	Other Bonded Liens	Total Liens	Value-to-Lien Ratio
$11,800,000	$9,677,744	$67,530[1]	$9,745,274	1.21 to 1

All Property

Appraised Value	Special Tax Lien	Other Bonded Liens	Total Liens	Value-to-Lien Ratio
$34,200,000	$11,465,000	$71,063[1]	$11,536,063	2.96 to 1

[1] See, "SECURITY FOR THE BONDS – Overlapping Mello-Roos and Assessment Districts" and "THE DISTRICT - Cumulative Tax, Assessment, And Fee Burden On Property."

Sources: Morgan, Beebe & Leck, Inc. dba Integra Realty Resources, Harris & Associates, and City of Sacramento

Facilities To Be Financed With The Bonds

The Bonds are being issued to provide financing for the construction of certain necessary public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place in the District and to finance certain City fees levied within the District (the "Facilities").

List of Facilities. The Facilities eligible to be financed with Bond proceeds are as follows:

(i) Streets and Roads: Bruceville Road, West Stockton Boulevard, Kastanis Way, Cosumnes River Boulevard and necessary mobilization and traffic control and traffic signals;

(ii) Public utilities along Bruceville Road, Kastanis Way, Cosumnes River Boulevard and West Stockton Boulevard: storm drainage, water, sanitary sewer and dry utilities;

(iii) Landscaping along Bruceville Road, West Stockton Boulevard and Cosumnes River Boulevard and Kastanis Way; and

(iii) Engineering, construction staking, construction management, plan check and inspection, administrative and legal costs for Facilities and City mitigation fees.

Construction and Acquisition of Facilities. Facilitics have been constructcd by College Marketplace LLC pursuant to an Acquisition and Shortfall Agreement entered into between the City and College Marketplacc LLC. College Marketplace LLC has constructed Facilities with its own funds, and the Facilities will be acquired from the proceeds of the Bonds and other sources under procedures and conditions agreed upon by the City and College Marketplace LLC. The City may also directly construct Facilities using procecds of the Bonds. In cither casc, the Facilitics will be owned and operated by the City and the applicable utility. The City and the applicable utility will maintain the Facilities within the District and the District will provide ongoing landscape services.

The proceeds of District bonds may finance all or a portion of fees to be paid to the City under City fee programs; the City will, in turn, use the proeeeds from those fees to construct the facility to be constructed by that fee program.

Facilities Costs. A portion of the proceeds of the Bonds is expected to fund the total amounts for Facilities set forth in the table below. The following table shows the estimated costs for Faeilities, subject to final cost accounting, review and approval and the anticipated sources of funds to pay for such costs.

TABLE 5
College Square
Community Facilities District No. 2005-01,
2007 Special Tax Bonds

Estimated Facilities Costs
and
Sources of Funds for Facilities Costs

Source of Funds	
Estimated Net Bond Proceeds[1]	$9,737,643
Other funds[2]	5,356,582
Total Estimated Sources	$15,094,225

Facilities	Estimated Cost
Public Roads	
Traffic Control/Signals	$793,063
Landscaping	593,768
Roadways	2,669,427
Total Public Roads	$4,056,259
Public Utilities	
Storm Drainage	$2,324,180
Water	588,953
Sanitary Sewer	398,360
Dry Utilities	372,668
Total Public Utilities	$3,684,161
Engineering and Fees	$7,353,805
Total Facilities Costs	$15,094,225

[1] See, "FINANCING PLAN – Estimated Sources And Uses Of Funds."
[2] Additional amounts to be financed through funds derived from College Marketplace LLC or other funding sources.

Source: City of Sacramento and College Marketplace LLC.

The Special Tax Formula

The following is a synopsis of the provisions of the Special Tax Formula. Please refer to APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for the complete text of the Spccial Tax Formula. The meanings of the defined terms used in this section captioned "THE SPECIAL TAX FORMULA" are as set forth in APPENDIX B.

General. Principal and interest payments with respect to the Bonds will be paid through the collection of the Special Taxes levied against the Taxable Property within the District. Special Taxes will be collected from Taxable Property on a per-square foot, per-unit or per-acre basis as appropriate. Under the Special Tax Formula, the District is divided into four zones (each a "Zone"). Each Zone has its own Assigned Improvement Special Tax and Assigned Maintenance Special Tax. The Special Tax levied is anticipated to fulfill the "Improvement Special Tax Requirement" (as defined below) in any year in which Bonds are outstanding. The development and permit status of each parcel determines the priority of taxation and the percent of the maximum Special Tax that can be levied. The maximum Special Tax rates include an annual two percent escalation.

Classification of Parcels. Each Fiscal Year, all Property with the District will be assigned to a Zone within the District and will be classified as either "Developed Property" or "Undeveloped Property," "Undeveloped Property with or without a 404 Permit" and "Taxable" or "Exempt" Property and be subject to Special Taxes in accordance with the Special Tax Formula at the "Improvement Special Tax Rate" and, if necessary, the "Maintenance Special Tax Rate" as well. If a Property is within two or more Zones, that property will be assigned to the Zone with the highest Special Tax. Once a parcel is classified as "Developed Property" it may not be reclassified as "Undeveloped Property" or changed to "Exempt Property" without the Improvement Special Tax being prepaid in full. There is currently no property within the District without a 404 Permit.

- "Developed Property" means for each Fiscal Year, all property not otherwisc classified as undeveloped or exempt, for which a building permit for new construction was issued prior to March 1 of thc prior Fiscal Year.
- "Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed or Exempt Property.
- "Taxable Property" means all Assessor's Parcels within the District which are not exempt from the Special Tax pursuant to law or owned by a property owners' association or public property.
- "Exempt Property" means any property not subject to the special tax because it is owned by a property owners' association or is Public Property.

The Assigned Improvement Special Tax for Developed Property, the Backup Improvement Special Tax for Developed Property and the Maximum Improvement Special Tax for Undeveloped Property as described herein will increase on July 1 of each Fiscal Year by an amount equal to two percent of the Assigned Improvement Special Tax for Developed Property, the Backup Improvement Special Tax for Developed Property and the Maximum Improvement Special Tax for Undeveloped Property, respectively.

Developed Property. The Assigned Improvement Special Tax for Developed Property in each Zone as of July 1, 2007 is shown below.

Zone and Land Use	Assigned Improvement Special Tax
Zone A- Commercial	\$1.53/sf building area
Zone B –Commercial	\$2.60/sf building area
Zone C – Commercial	\$1.99/sf building area
Zone D – Residential	\$520.20 per unit

The Backup Improvement Special Tax for Developed Property in each Zone as of July 1, 2007 is shown below.

	Backup Improvement Special Tax
Zone A	\$15,381.60/acre
Zone B	\$18,435.06/acre
Zone C	\$15,297.96/acre
Zone D	\$16,497.48/acre

The Maximum Improvement Special Tax for Developed Property is the greater of (i) the amount derived by application of the Assigned Improvement Special Tax or (ii) the amount derived by the application of the Backup Improvement Special Tax.

Undeveloped Property. The Maximum Improvement Special Tax for Undeveloped Property as of July 1, 2007 is shown in the table below.

	Undeveloped Improvement Special Tax
Zone A	\$15,381.60/acre
Zone B	\$18,436.50/acre
Zone C	\$15,297.96/acre
Zone D	\$16,497.48/acre

Method of Apportionment of the Improvement Special Tax. For each Fiscal Year, the City will levy the Improvement Special Tax until the amount levied equals the Improvement Special Tax Requirement.

The "Improvement Special Tax Requirement" is the amount required in any Fiscal Year for the District to pay the sum of (i) debt service on all Outstanding Bonds, (ii) periodic costs on the Bonds, including, but not limited to, credit enhancement and rebate payments on the Bonds, (iii) Administrative

Expenses, (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by the District, and (vi) any amounts required for construction of Facilities under the Act. In arriving at the Improvement Special Tax Requirement the Administrator is to take into account the reasonably anticipated delinquent Improvement Special Taxes on the delinquency rate for Improvement Special Taxes levied in the previous Fiscal Year and will give credit for funds available to reduce the annual Improvement Special Tax levy.

The Improvement Special Tax will be levied each Fiscal Year as follows:

First: The Improvement Special Tax will be levied proportionately on each Assessor's Parcel of Developed Property that does not have Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax.

Second: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first step has been completed, the Improvement Special Tax will be levied proportionately on each Assessor's Parcel of Undeveloped Property with a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first two steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax will be increased proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Fourth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first three steps have been completed, then the Improvement Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property with Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax.

Fifth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first four steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property with Veteran Status whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax shall be increased proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Sixth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first five steps have been completed, then the Improvement Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property without a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property.

The Improvement Special Tax will be collected in the following order of priority:

First,	Up to 100% of the Assigned Improvement Special Tax on Developed Property that does not have Veteran Status.
Then,	Up to 100% on Undeveloped Property with a 404 Permit.
Then,	Up to 100% of the Maximum Improvement Special Tax on Developed Property that does not have Veteran Status.
Then,	Up to 100% of the Assigned Improvement Special Tax on Developed Property with Veteran Status.
Then,	Up to 100% of the Maximum Improvement Special Tax on Developed Property with Veteran Status.
Then,	Up to 100% on Undeveloped Property without a 404 Permit.

The Improvement Special Tax will be levied on an Assessor's Parcel for a period not to exceed 60 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

There is currently no property within the District without a 404 Permit.

Maintenance Special Tax. The Maintenance Special Tax may not be levied in any given year, as the primary responsibility for the Maintenance Expenses fall to the property owners within the District. The City has secondary responsibility; therefore, the Maintenance Special Tax is considered a contingency tax to be levied only when the City must fulfill its responsibility. For a description of the Maintenance Special Tax, see "APPENDIX B – RATE AND METHOD OF APPORTIONMENT OF SPECIAL."

OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT

Unless otherwise indicated, the information about property owners in the District contained in this Official Statement has been provided by representatives of the respective property owners and other sources that are believed by the Underwriter and the City to be reliable, but has not been independently confirmed or verified by either the Underwriter or the City. No representation is made by the Underwriter or the City as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement, or that the information given below or incorporated by reference in this Official Statement is correct as of any time subsequent to its date. In addition, any Internet addresses of property owners or their affiliates included below are for reference only, and the information on those Internet sites is neither a part of this Official Statement nor incorporated by reference into this Official Statement.

General

Ownership of property in the District is divided between College Marketplace LLC (81%) and Granite Bay Holdings LLC (19%) and development within the District is described as co-development between the two entities. As noted previously, the approximately 42.76 acres within the boundaries of the District is only a portion of the approximately 62-acre College Square PUD. Development within the College Square PUD is designed to provide an urban infill with neighborhood multifamily apartment residential, commercial and transit-centered components. Each of these components is anticipated to contain specific uses, as described below.

In addition to the development within the District described below, within the College Square PUD, College Marketplace LLC previously completed development of a 60,000 square foot grocery store which is currently owned and being operated by Kroger Supermarkets, the largest grocery retailer in the United States. The grocery store parcel, comprising approximately 6.2 acres, is **not** within the District boundaries but is generally contiguous to the retail development owned and currently under development by College Marketplace LLC, which is a part of the property within the District. Also slated for future development within the College Square PUD (but not within the District boundaries) is a 3.93-acre parcel owned by College Marketplace LLC, which is to be used to provide approximately 101 units of affordable multifamily apartment housing. It is anticipated that development of that parcel will commence following the September 2007 submission to the City of plans and application for a special permit to construct the development. The completion of this planned affordable housing development will satisfy College Marketplace LLC's affordable housing requirements required in connection with development of the College Square PUD.

A portion of the property within the College Square PUD but not within the boundaries of the District is not subject to the Special Tax and was not the subject of the Appraisal discussed herein. Description of additional development which is within the College Square PUD but not within the District is given for informational purposes only. The properties not included in the District are the Kroger supermarket site and the 3.93-acre affordable multifamily apartment housing site.

As previously noted, the portion of the College Square PUD which lies within the boundaries of the District comprises approximately 42.76 acres, planned for a mix of uses. The table below summarizes, by general planned use type, acreages and square footages intended for development within the District. The table also distinguishes between property currently designated under Special Tax Formula as "Developed" and "Undeveloped" as of the date of the Appraisal. Property within the District summarized in the following table is owned and being developed by College Marketplace LLC, with the exception of an 8.11-acre parcel owned by Granite Bay Holdings LLC which is to be developed for multifamily residential use.

TABLE 6
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

Project Summary

Developed Property

Land Use	Acreage	Square Footage	Units
Neighborhood Retail	5.69	47,819	--
Transit-Oriented Retail	--	--	--
Highway Commercial	--	--	--
Multifamily Residential		--	--
Total Developed	5.69	47,819	

Undeveloped Property

Land Use	Acreage	Square Footage	Units
Neighborhood Retail	7.91	61,510	--
Transit-Oriented Retail	4.96	61,351	--
Highway Commercial	5.29	34,889	--
Multifamily Residential	18.91	--	623
Total Undeveloped	37.07	157,750	623

All Property

Land Use	Acreage	Square Footage	Units
Neighborhood Retail	13.60	109,329	--
Transit-Oriented Retail	4.96	61,351	--
Highway Commercial	5.29	34,889	--
Multifamily Residential	18.91		623
Total Property	42.76	205,569	623

Source: Harris Associates, College Marketplace LLC

The table below summarizes the anticipated product mix for the District. As noted above, property within the District does not include the Kroger Supermarkets grocery store or the College Marketplace LLC-owned parcel intended for affordable multifamily housing. No assurance can be given that construction will be carried according to the schedule and plans as outlined in the following table, or that College Marketplace LLC's or Granite Bay Holdings LLC's construction or sale plans will not change after the date of this Official Statement.

TABLE 7
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

Anticipated Product Mix

Parcel No.	Proposed Use	Net Acres	Building Area (sq. ft.)	Intended for Lease or Sale	Expected/ Actual Begin Construction	Expected/ Actual Complete Construction	Expected Lease-Up Date	Expected Final Sale Date
1	Drugstore	2.06	14,000	Lease	2008	2008	2008	--
2	Shops	0.82	9,758	Lease	n/a	2007	2007	--
4	Shops	0.95	8,914	Lease	2008	2009	2009	--
5	Mini-Anchor	1.18	15,000	Lease	2008	2009	2009	--
6	Shops	0.98	7,320	Lease	2008	2009	2009	--
7	Shops	1.22	7,690	Lease	2008	2009	2009	--
8	Pad	1.10	7,800	Lease	2008	2009	2009	--
9	Pad	0.81	5,200	Lease	n/a	2007	2007	--
10	Pad	0.75	6,000	Lease	n/a	2007	2007	
11	Pad	0.63	5,600	Lease	n/a	2007	2007	--
12	Fast Food	0.44	3,180	Lease	n/a	2007	2007	--
13	Retail Pad	0.56	4,500	Lease	n/a	2007	2007	--
14	Pad	0.45	3,920	Lease	n/a	2007	2007	--
15	Pad	0.82	6,177	Lease	n/a	2007	2007	--
16	Pad	0.83	4,270	Lease	n/a	2007	2007	--
18	Pad	1.14	4,800	Lease	2008	2009	2009	--
19	Pad	0.41	4,800	Lease	2008	2009	2009	--
20	Pad	0.41	4,800	Lease	2008	2009	2009	--
21	Restaurant	0.58	4,800	Lease	2008	2009	2009	--
22	Offices	0.99	28,351	Lease	2008	2009	2009	--
23	Retail	0.51	6,900	Lease	2008	2009	2009	--
24	Retail	0.92	6,900	Lease	2008	2009	2010	--
25	Child Care	1.01	3,889	Lease	2009	2009	2009	--
27	Restaurant	1.59	11,000	Sale	2008	2009	--	2007
28	Commercial	2.69	20,000	Lease	2008	2009	2009	--
	Totals	**23.85**	**205,569**					
17	Multifamily	0.52	18 units	Lease				
A	Multifamily	10.28	365 units	Lease	2008	2009	2009	--
Granite	Multifamily	8.11	240 units	Lease	2008	2010	2010	--
	Totals	**18.91**	**623 units**					
	Total Acreage	**42.76**						

Source: College Marketplace LLC

The following table shows the expected distribution of Special Tax burden by each of: (i) classification as Developed or Undeveloped Property, (ii) expected land use, and (iii) ownership, all as of the date of this Official Statement.

TABLE 8
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

Special Tax Burden
by
Development Status, Land Use Type and Ownership

Owner/Property Type	Developed Property-Tax Burden	Percentage of Tax Burden	Undeveloped Property-Tax Burden	Percentage of Tax Burden	Total Tax Burden	Percentage of Total
College Marketplace LLC						
Neighborhood Retail	$1,787,256	15.59%	$2,139,708	18.66%	$3,926,964	34.25%
Transit-Oriented	0	0.00	1,321,111	11.52	1,321,111	11.52
Highway Commercial	0	0.00	1,280,530	11.17	1,280,530	11.17
Residential	0	0.00	2,819,304	24.59	2,819,204	24.59
Totals	$1,787,256	15.59%	$7,560,653	65.95%	$9,347,909	81.53%
Granite Bay Holdings						
Residential	$ 0	0.00%	$2,117,091	18.47%	$2,117,091	18.47%
TOTALS	$1,787,256	15.59%	9,677,744	84.41%	$11,465,000	100.00%

Source: Harris Associates, City of Sacramento.

Residential Component. College Marketplace LLC and Granite Bay Holdings LLC have received entitlements for 623 units of multifamily housing on approximately 19 acres in the District. College Marketplace LLC holds entitlements for 365 units of multifamily housing on approximately 11 acres and Granite Bay Holdings LLC holds entitlements for 240 multifamily units on approximately 8 acres.

College Marketplace LLC has completed negotiations for the sale of parcel A noted in Table 7 as being proposed for 365 multifamily housing units to Copperstone Properties LLC, though College Marketplace LLC will retain an interest as a joint venture partner in the project. College Marketplace LLC has entered into a joint venture agreement with Copperstone Properties LLC for development of both affordable and market-rate multifamily units on parcel A (the "Parcel A Multifamily Housing"). The joint venture committee constituted under that agreement has met with the City regarding the proposed residential layout and will submit the plan and application for a special permit to the City for a 101-unit affordable housing component (which is part of the overall College Square PUD but not a part of the District) in September 2007. The planned affordable housing will satisfy College Marketplace LLC's affordable housing component requirements for the College Square PUD. Application to the City regarding the market rate multifamily units of Parcel A Multifamily Housing was submitted in September 2007 simultaneously with the affordable housing application; build-out of both the affordable and market-rate components of the multifamily housing is anticipated to be completed by September 2009, with lease-up completed by December 2010.

Granite Bay Holdings LLC will develop the 8.11 acre multifamily residential portion of the project. Granite Bay Holdings LLC reports that a contractor for that portion of the project has not yet been identified and the determination of mix between units for sale and for rent has not yet been finalized. Granite Bay Holdings LLC must hold 15% of all units available for low- or very-low income occupants pursuant to a preliminary Inclusionary Agreement between Granite Bay Holdings LLC and the City. A final Inclusionary Agreement will be executed by the City and Granite Bay Holdings LLC when plans for the development are finalized. Granite Bay Holdings anticipates completing the project in early 2010 with lease-up anticipated for the third quarter of that year. Granite Bay Holdings LLC anticipates funding development of the residential portion of the project through a combination of debt and developer equity. Granite Bay Holdings LLC has not yet secured commitments for such financing.

Commercial Component. Upon completion, the College Square PUD will contain approximately 266,000 square feet of commercial space, 205,569 of which will be situated within the boundaries of the District. Approximately 30 acres of the College Square PUD (approximately 24 acres of which are in the District and which are anticipated to be developed with 205,569 square feet of buildings) are zoned for commercial uses in three general commercial uses: neighborhood retail, highway commercial and transit-oriented uses.

Neighborhood Retail. The neighborhood retail component of the College Square PUD is a shopping center located on approximately 20 acres north of West Stockton Boulevard, bounded by the southeast corner of Cosumnes River College Boulevard and Bruceville Road. The aggregate building square footage of the shopping center is approximately 170,000 square feet, including the 60,000 square foot Kroger supermarket development. The shopping center is anchored by the grocery store and is intended to include a drug store, coffee house, restaurants and retail services such as banks, dry cleaners and fast food outlets.

The neighborhood retail component of the College Square PUD which lies within the boundaries of the District is made up of parcels 1, 2 and 4 through 16 inclusive as described in Table 6 above and which all fall within the shopping center area. The aggregate square footage of this component of the District is approximately 109,329 square feet, sited on approximately 13.60 acres. The buildings will represent a variety of uses and will range in size from small-pad buildings of approximately 3,000 to 12,000 square feet. The first phase of the shopping center, which included the Kroger-owned grocery-store not within the District, is complete with the grocery and eight additional stores currently open for business. Of the commercial buildings which will be within the District, eight buildings totaling approximately 48,000 square feet owned by College Marketplace, LLC were completed in June 2007. This phase of the commercial construction represents in excess of 23% of the total of 205,569 square feet of commercial space being developed which is within the District.

College Square LLC anticipates submitting plans for a pad for a building of approximately 4,500 square feet and a drug store of approximately 14,000 square feet situated on the corner of Cosumnes and Bruceville Road to the City for design review in the fall of 2007.

College Marketplace LLC has entered into leases with twelve entities for approximately 22,633 square feet of space in the retail/commercial component of College Square at an aggregate initial monthly rent of approximately $64,629 which equates to an annual rent of $775,584. The following table details those leases.

Table 9
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

Commercial Lease Summary

Tenant	Square Feet	Term/Years	Rent/Month
Washington Mutual Bank*	4,200	5	$12,600
BB' Beauty Supply*	1,500	5	4,125
Juice it Up	1,000	10	2,750
Postal Annex	1,200	5	3,180
QT Nails*	1,600	5	4,400
Quizno's Sub	1,500	10	4,500
Samurai Sam's	1,500	10	4,125
Lollicup*	1,333	5	3,999
Taqueria La Estrella*	2,600	10	5,500
Suki's Sushi*	1,800	5	5,850
T-Mobile*	3,000	5	9,750
Vivia Salon*	1,400	5	3,850
Totals	22,633		$64,629

*Occupied as of August 1, 2007.

Source: College Square Marketplace LLC

<u>Highway Oriented Retail</u>. Commercial and retail uses of approximately 31,000 square feet are proposed to be located on West Stockton Boulevard adjacent to Highway 99 on approximately 5.3 acres. These parcels are identified in Table 6 above as parcels 25, 27 and 28. The development is intended to act as a buffer between the proposed residential units and Highway 99. The proposed development will consist of one-story buildings oriented towards the freeway in an effort to stimulate consumer interest. An 11,000 square-foot restaurant on 2.2 acres in the northwestern-most parcel of the District is under contract at a price of $1,916,000 (approximately $27.67 per square foot). The second commercial building of approximately 20,000 square feet is in the construction documentation phase prior to actual construction. It is anticipated that construction will commence in summer 2008, unless the parcel is sold for hotel development.

<u>Transit-Oriented Office and Retail</u>. Approximately five acres located immediately south of West Stockton Boulevard and east of Bruceville Road are proposed to be developed as a transit-oriented design area offering a combination of retail, medical/dental and office uses totaling approximately 61,000 square feet in area. These are comprised of parcels 18 through 24, inclusive, as shown on Table 6 above. The uses are intended to benefit from and serve both local customers and patrons of the proposed light—rail facility (including a proposed park and ride area). Planned development includes one and two-story office buildings, retail pads, a restaurant in-line retail stores and a possible gas station.

Design for six retail buildings totaling approximately 33,000 square feet and two office buildings totaling approximately 28,351 square feet in the area are being prepared by College Marketplace LLC for special permit review by the City in the fall of 2007.

Infrastructure Improvements

The first and second phases of construction of off-site and on-site infrastructure improvements necessary for College Square PUD development have been completed. First phase improvements included approximately one mile of new roadway, including 1,500 feet of Bruceville Road (nine lanes wide at the Cosumnes River Boulevard intersection) and 3,000 feet of West Stockton Boulevard. Additional improvements already completed include four sets of traffic signals, storm drain system to serve College Square and fifty acres of adjoining watershed and the completion of backbone infrastructure for sewer, water, phone, gas and cable television services. The second phase of construction consisted of Kastanis Way and a regional bike trail and was completed in August 2007.

College Square PUD Finance Plan

College Marketplace LLC and Granite Bay Holdings LLC anticipate funding the development of the College Square PUD from a combination of developer equity, cashflow from land sales and commercial loans. *The information in this section has been obtained by representatives of College Marketplace LLC and Granite Bay Holdings LLC that are believed by the Underwriter and the City to be reliable, but has not been independently verified by either the Underwriter or the City. No representation is made by the Underwriter or the City as the accuracy of the information or adequacy of such information or that any such information is accurate as of any time subsequent to the date of this Official Statement.*

Residential Component. College Marketplace LLC anticipates the Parcel A Multifamily Housing to be built in three phases, with the first two phases of construction occurring simultaneously beginning in mid-2008. College Marketplace LLC anticipates the cost of constructing the Parcel A Multifamily Housing will be approximately $33 million and that the joint venture will obtain commercial construction financing for such costs. No commitment has been obtained for such financing. Any additional funding necessary is anticipated to be obtained from a joint venture participant, USA Properties Trust and the principals of College Marketplace LLC.

Commercial Component. College Marketplace LLC has obtained two loans from Farmers & Merchants Bank of Lodi, California. An infrastructure development loan (the "Infrastructure Loan") of $13,500,000 provided financing for the purpose of construction of infrastructure improvements for the College Square PUD, including roads, drainage, utilities, street lighting, grading and related costs. As of the date of this Official Statement, the Infrastructure Loan balance was $9,100,000, a portion of the balance having been paid from proceeds of the sale of the grocery store development described above to Kroger Supermarkets. College Marketplace LLC anticipates that following the issuance of the Bonds, the Infrastructure Loan will be repaid in full.

College Marketplace LLC also obtained a loan in the aggregate principal amount of $15,800,000 from Farmers & Merchants Bank (the "Shopping Center Construction Loan") for the purpose of providing funds for the construction of the first phase of the shopping center. As of August 1, 2007, the loan balance was approximately $10,500,000. College Marketplace LLC anticipates that the Shopping Center Construction Loan will be fully disbursed upon the anticipated completion of buildings and tenant improvements for the shopping center, drug store and fast food outlet by January 1, 2008. College Marketplace LLC anticipates sale of the shopping center, and fast food outlet and the lease of the drugstore by 2010, at which time it anticipates repayment of the Shopping Center Construction and takeout loans in full.

College Marketplace LLC anticipates funding development costs of the following portions of the College Square PUD as described below.

<u>Highway Commercial Development.</u> Development of parcel 28 is anticipated to cost approximately $5 million. College Marketplace LLC anticipates financing construction improvements to this parcel through a commercial loan, though no commitment for such financing has been obtained.

<u>Gas Station Complex.</u> The original College Square PUD plan anticipated development of a gas station adjacent to the Kroger Supermarkets-owned parcel. College Marketplace LLC has made a request to the City for relocation of the gas station development elsewhere but within the boundaries of the District. It is anticipated that the site will be leased to a national oil company and sold in 2009.

Transit Oriented Office and Retail. College Marketplace LLC anticipates development of parcel 22 into a medical office complex. The cost of construction is anticipated to be approximately $10,500,000. Financing is anticipated to be obtained from local banks, although no commitments for financing are currently held. College Marketplace LLC anticipates selling a portion of this development in 2009.

The following table summarizes College Marketplace LLC's anticipated sources and uses of financing for the implementation of the financing plan over a three and a half-year period.

TABLE 10
College Square
Community Facilities District No. 2005-01
2007 Special Tax Bonds

College Marketplace LLC's Anticipated Sources and Uses of Funds

Source of Funds	Source Type	Costs Paid as of August 1, 2007	2008	2009	2010	Totals
Parcel Sales [1]	Cash	$2,000,000	$1,980,000	$5,142,000	$1,600,000	$10,722,000
Reimbursements [2]	Cash	3,450,000	--	--	--	3,450,000
Retail/Office Sales	Cash	--	--	7,000,000	24,500,000	31,500,000
Infrastructure Loan	Bank Loan	9,100,000	--	--	--	9,100,000
Shopping Center Loan	Bank Loan	10,500,000	5,300,000	--	--	15,800,000
Bond Proceeds	Bonds	9,100,000				9,100,000
Multifamily Loan	Bank Loan	--	13,500,000	10,500,000	10,500,000	34,500,000
Shopping Center Loan II	Bank Loan	--	--	9,500,000	--	9,500,000
Retail/Office Loans	Bank Loan	--	10,500,000	5,500,000	--	16,000,000
Park Fee Reimbursement	Apt Loan	--	1,150,000	--	--	1,150,000
CMP Equity	Cash	11,700,000	--	--	--	11,700,000
Granite Bay Equity	Cash	300,000	--	--	--	300,000
Special Tax Payments	Cash	--	1,150,000	1,150,000	1,150,000	3,450,000
Total Sources		$46,150,000	$33,580,000	$38,792,000	$37,750,000	$156,272,000
Uses of Funds						
Land Purchase (CMP)		$5,500,000	--	--	--	$5,500,000
Land Purchase (GBP)		300,000	--	--	--	300,000
Infrastructure Development		14,500,000	--	--	--	14,500,000
Park Fees		1,450,000	--	--	--	1,450,000
Environmental Fees		3,000,000	--	--	--	3,000,000
Infrastructure Loan Pmt [3]		9,100,000				9,100,000
Shopping Center Phase I		10,500,000	5,300,000	--	--	10,500,000
Multifamily Construction		--	13,500,000	10,500,000	10,500,000	34,500,000
Shopping Center Phase II		--	--	9,500,000	--	9,500,000
Retail/Office Construction		--	10,500,000	5,500,000	--	16,000,000
Property Tax Payment		--	1,150,000	1,150,000	1,150,000	3,450,000
Shopping Center Loan Pmt		--	--	--	15,000,000	15,000,000
Retail/Office Loan Pmt		--	--	5,300,000	--	5,300,000
Developer Overhead		1,000,000	200,000	200,000	100,000	1,500,000
Total Uses		$45,350,000	$30,650,000	$32,150,000	$26,750,000	$134,900,000
Cash Flow Difference		$800,000	$2,930,000	$6,642,000	$11,000,000	$21,372,000

[1] Represents College Marketplace LLC's current and projected proceeds from parcels sales, including Kroger grocery, restaurant, gas station and drugstore sites

[2] Reimbursements represent amounts paid to College Marketplace LLC as reimbursements for various improvements from Kroger grocery and City of Sacramento

[3] Use of Bond proceeds to acquire the Facilities and thereby repay the Infrastructure loan

Source. College Marketplace LLC

Flood Zone Designation

The property within the District lies within an area designated by FEMA and the Army Corps of Engineers as being in FEMA Flood Zone X. Flood Zone X means generally that the property designated as being within that Flood Zone is either (i) within the 500-year flood-plain, or (ii) within a 100-year flood-plain with average flood depths of less than one foot or with a drainage area less than one square mile but in either case protected from a 100-year flood by levees. Areas within the 500-year floodplain are further noted on FEMA maps by being shaded while areas within the 100-year floodplain are unshaded. Approximately two-thirds of the District property lies within a shaded Flood Zone X designation. The balance of the District property lies within an unshaded Zone X designation. Both the shaded Zone X and the unshaded Zone X areas are protected from a 100-year flood event.

Environmental Considerations

All environmental reviews and approvals necessary for the construction of proposed development have been received. The Army Corps of Engineers 404 Permit was issued in two parts – a first-phase 404 Permit was issued on July 19, 2005 and a follow-up 404 Permit for the second phase of the project was issued on October 18, 2006. The United States Fish and Wildlife Service has completed biological opinions regarding the proposed development, the Regional Water Quality Control Board has issued its 401 Permit and the California Department of Fish and Game has issued its permit for alteration of the stream bed in Union House Creek. The City has issued notices to proceed for both phases of the project.

General Conditions to Development

The property owners know of no unique circumstances that would either prevent them from completing the planned development in the District or would significantly delay its completion.

Taxes

Taxes and assessments on the property within the District are current.

Utilities and Services

Water, sanitary sewer, storm drainage, and refuse collection services within the District are provided by the City. Electrical service is provided by the Sacramento Municipal Utility District, telephone service by Frontier Communications, natural gas service by Pacific Gas & Electric and cable television service by Comcast/Surewest Communications.

College Marketplace, LLC

College Marketplace LLC is a California limited liability company located in Roseville, California, whose principals are Douglas Sutherland, Managing Partner and investor, and Bob F. Spence, Partner and also an investor. The principals are owners of a number of limited liability companies that currently own and manage approximately one million square feet of office, retail, research and development, industrial and assisted-living facilities in the greater Sacramento area. Through our affiliates, Citadel Equities Group LLC, owned by Douglas Sutherland as the principal, is currently developing approximately 1.3 million square feet of new commercial space and approximately 25 residential lots for the various limited liability companies owned by the principals of College Marketplace LLC. The firm is in the process of developing or seeking entitlements for an additional 353 residential units.

Citadel has been developing commercial and residential properties in the Sacramento area since 1979. In that time, Citadel has developed for the principals of College Marketplace LLC over one million square feet of buildings in the Roseville/South Placer County area and a total of approximately 1.7 million square feet in the greater Sacramento area. Citadel develops properties for the principals of College Marketplace LLC with the intent of building and holding for the long term. Citadel raises capital through its principals. Recently Citadel has focused primarily on the development of Class "A" office building and neighborhood retail centers such as College Square.

Douglas Sutherland, President of Citadel Equities Group LLC, has acted as a commercial broker, developer and owner in Sacramento-area commercial real estate since 1979. He has developed over 3 million square feet in that time. In 1983, he founded Western Commercial Real Estate, a 20-agent brokerage company operating in the greater Sacramento market. He sold that enterprise to Iliff-Thorne and Company (now Colliers International) and served on the board of directors. Mr. Sutherland has also served on the boards of directors of four companies engaged in the production of forest products in California, Maryland, New Zealand and Brazil.

Bob F. Spence started Sacramento Salvage Pool, Inc., in 1972 and began auctioning automobiles on behalf of insurance companies. In August 1999, Sacramento Salvage Pool, Inc. merged with Insurance Auto Auctions, a publicly held auction company with locations in 19 states including California. In 1987, Mr. Spence co-founded Pick-N-Pull, a self-service automobile dismantling facility in the Sacramento area. From that location, the business has grown to twenty-seven locations in three states with an annual customer count of over 6 million. Mr. Spence was managing partner and majority shareholder in that business from inception to its sale in 2004. Mr. Spence has successfully developed numerous commercial and residential real estate properties in California, Washington, Arizona, Texas Colorado and Nevada.

Citadel's recent real estate development projects, both in process and completed, are shown below.

Development	Description/Location	Units/Area
Crown Corporate Center	Office Building/Sacramento, CA	120,000 sq/ft
Hanford Retail Plaza	Shopping Center, Hanford, CA	130,000 sq/ft
Stanford Plaza	Retail, Rocklin, CA	132,500 sq/ft
Sunset West	Retail/Medical/Office, Rocklin, CA	130,000 sq/ft
Stone Point Corporate Plaza	Office/Retail Complex, Roseville, CA	440,000 sq/ft
Fairway Creek	Retail Center, Roseville, CA	108,000 sq/ft
Arbor View Retail Center	Office/Retail Complex, Roseville, CA	43,000 sq/ft
Placer Corporate Center	Research/Development Complex, Rocklin, CA	105,000 sq/ft
Eureka Corporate Center	Office Park, Roseville, CA	200,000 sq/ft
Chichester Estates	Residential, Gardnerville, NV	783 units
Blue Oaks Technical Center	Research/Development Complex, Roseville, CA	100,000 sq/ft

Granite Bay Holdings, LLC

Granite Bay Holdings, LLC, a California limited liability company ("Granite Bay Holdings"), is a group of integrated real estate companies founded by D. Rick Cheney and Larry John, headquartered in Granite Bay, California and is one of a group of integrated operating companies which encompass all facets of property development from initial acquisition to sale and/or management of the final product. The company is currently developing several residential communities and commercial projects throughout the western United States and Hawaii. Granite Bay Holdings' development department handles internally all aspects of development, including acquisition, design, construction, sales, mortgage and property management. Types of projects developed by Granite Bay Holdings include attached and detached single-family residential homes, apartment communities, light industrial, medical and garden office parks, retail shopping centers, limited service hotels and self-storage units. Granite Bay Holdings maintains a website at www.granitebayholdings.com. *The website address is given for informational purposes only. The information on the website may be inaccurate or incomplete and has not been reviewed by the City or the Underwriter. Nothing on the website is part of the Official Statement or incorporated herein by this reference.*

D. Rick Cheney has been in the construction industry since 1976 and has designed and built in excess of one hundred projects including apartment complexes, condominium and single-family residential communities, luxury resort homes, hotels, retail shopping centers, industrial and storage facilities. Mr. Cheney is a managing member of Granite Bay Holdings. In addition, he is the responsible manager for a number of construction companies, including Sunset Valley Construction, among others. Mr. Cheney holds general contractor's licenses in the States of California, Nevada and Hawaii.

Larry John is a managing member of Granite Bay Holdings and has extensive experience in property acquisition, development, sales, management and marketing

A list of Granite Bay Holdings' current projects, in process and completed, follows.

Development	Description/Location	Units/Area
Phoenician Villas	Luxury Condominiums, Roseville, CA	323 units
Kai Maluna	Island-Style Condominiums, Kona, HI	120 units
Winters Highlands	Mixed Residential, Winters, CA	413 units
Winters Highlands	Apartments, Winters, CA	30 units
Monterey Terrace	Condominiums, Rocklin, CA	80 units
Puako Bay	Oceanfront Estates, Kona, HI	3 units
Grant Street	Commercial Center, Winters, CA	45,000 sq/ft
Stonecrest	Urban Residential, Sacramento, CA	240 units
Solterra	Office complex, Gold River, CA	55,000 sq/ft
Waikola Self-Storage	Self Storage, Waikoloa, HI	80,000 sq/ft
El Sutton Self-Storage	Self Storage, Sacramento, CA	120,000 sq/ft

BONDOWNERS' RISKS

The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in a rapid depletion of the Bond Reserve Fund and/or a default in payments of the principal of, and interest on, the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

Not A General Obligation Of The City

The Bonds are not general obligations of the City but are limited obligations of the City payable solely from proceeds of the Special Tax and proceeds of the Bonds, including amounts in the Bond Reserve Fund and investment income on funds held pursuant to the Indenture (other than as necessary to be rebated to the United States of America pursuant thereto).

Sufficiency Of The Special Tax

The principal source of payment of debt service on the Bonds is the proceeds of the annual levy and collection of the Special Tax. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds that might be available to pay debt service on the Bonds include funds derived from the payment of delinquent special taxes and funds derived from the foreclosure and sale of parcels on which the special taxes levied are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of the Taxable Property and the amount of the levy of the Special Tax. Thus, there will rarely, if ever, be a uniform relationship between the value of a parcel and the proportionate share of Bonds debt service levied on the parcel, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the application of the Special Tax Formula. Application of the Special Tax Formula will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the District. Thus, the following are some of the factors that might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the amount of property classified as Taxable Property, for such reasons as acquisition of Taxable Property by a government and failure of the government to pay the Special Tax based upon a claim of exemption, thereby resulting in an increased tax burden on the remaining Taxable Property.

- Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

Collection Of The Special Tax

The City has no obligation to pay debt service on the Bonds in the event Special Tax installments are delinquent, nor is the City obligated to advance funds to pay such debt service.

The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

The City participates in the Teeter Plan, under which the County distributes tax collections on a cash basis to the City during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the City on behalf of the District. However, the County determines whether the District is eligible for the Teeter Plan on an annual basis, and may exclude the District or an individual parcel that had previously been included in the Teeter Plan. Moreover, the County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. There can be no assurance that the County will decide that any given delinquent assessment is eligible for the Teeter Plan. If the County determines that delinquent Special Taxes are not eligible for the Teeter Plan, the City retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions pursuant to the Law, under which the City may order the institution of a superior court action to foreclose the lien herefore in the amount of the delinquent Special Taxes plus penalties, interest, and costs (including attorney's fees within specified time limits). In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the City has covenanted to cause foreclosure proceedings to be commenced and prosecuted against those properties that are delinquent in the payment of the Special Tax. For a description of the foreclosure covenant, see "SECURITY FOR THE BONDS — Delinquent Special Taxes; Covenant To Foreclose."

If sales or foreclosures of property are instituted due to a delinquency in the payment of the Special Tax that has not been paid through the Teeter Plan, there could be a delay in payment of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Bond Reserve Fund is depleted. In addition, there can be no assurance that the sale of delinquent parcels in foreclosure will produce sufficient proceeds to cover delinquencies.

Not A Personal Obligation

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the Taxable Property. If the value of the Taxable Property is not sufficient, taking into account other obligations also payable thereby to fully secure the Special Tax, the City has no recourse against the property owner.

Concentration Of Property Ownership

Failure of a significant property owner in the District to pay installments of Special Taxes when due could result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet obligations under the Indenture. For a description of the degree of concentration of ownership, see " OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT." In that event, there could be a delay in payments on the Bonds. The only asset of each owner that constitutes security for the payment of the Special Tax is his or her property holdings located within the

District. Property owners are not personally liable for payment of the Special Tax. See "BONDOWNERS' RISKS — Bankruptcy and Foreclosure Delays" and "SECURITY FOR THE BONDS — Delinquent Special Taxes; Covenant To Foreclose."

In addition, delays in development due to economic conditions, adverse judgments in pending litigation, environmental factors and other causes could delay the subdivision and sale of large tracts of land currently held by certain property owners, which would prolong the relative concentration of property ownership in the District. See "BONDOWNERS' RISKS — Property Development and Property Values." In addition, due to the proposed types of development in the District, ownership of taxable property within the District will likely always be somewhat concentrated.

Parity Taxes And Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. This lien is on a parity with all overlapping special taxes and special assessments levied by other agencies, and each lien is co-equal to and independent of the lien for general property taxes, regardless of when each is imposed. The Special Taxes have priority over all existing and future private liens imposed on the property. Although the City controls a number of districts with liens encumbering portions of the District, the City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. If any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Mello-Roos Act, any taxes or assessment levied to finance such improvements will have a lien on a parity with the lien of the Special Tax.

For information concerning existing direct and overlapping public indebtedness within the District, see "THE DISTRICT - Cumulative Tax, Assessment, And Fee Burden On Property." The existence of general property taxes, other special taxes, and assessments may reduce the value-to-debt ratio of the affected parcels and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes or the principal of and interest on the Bonds when due.

There is no provision for the issuance of additional Bonds under the Indenture. See "SECURITY FOR THE BONDS — No Additional Parity Indebtedness."

Property Development And Property Values

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, adverse judgments in current or future litigation affecting the scope, timing or viability of development, relocation of employers out of the area, stricter land use regulations, the absence of water, destruction of property caused by earthquake, flood or other natural disasters, or environmental pollution or contamination.

The City has not evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any, particular parcel, the City is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds by the City in no way implies that the City has evaluated these risks or the reasonableness of these risks even *though such risks may be serious and may ultimately halt or slow the progress of land development and forestall the realization of Taxable Property values.*

Land Development. Land values are influenced by the level of development in the area in many respects. First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the City to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes. Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax not covered by the Teeter Plan. No assurance can be given that any unimproved property within the District will be developed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

Risks of Real Estate Investment Generally. Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water shortages and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. The City makes no representations regarding the future use of the police power to protect the public health, safety and welfare. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

Natural Disasters. The value of the Taxable Parcels in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Parcels and the continued habitability and enjoyment of such private improvements. For example, although the City believes that no active or inactive seismic fault lines pass through, or near, the District, the areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity.

Other such natural disasters could include, without limitation, landslides, floods, droughts, and tornadoes. One or more of such natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

Legal Requirements. Other events that may affect the value of a Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of a Taxable Parcel is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The assessed values set forth herein do not take into account the possible reduction in marketability and value of any Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

Litigation

There can be no assurance that future litigation will not occur with the potential to disrupt or delay the development of the property in the District as currently anticipated.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the approved formula. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local governments are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax pursuant to the Special Tax Formula, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Mello-Roos Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested. See "SECURITY FOR THE BONDS — The Special Tax."

In particular, insofar as the Mello-Roos Act requires payment of the Special Tax by a federal entity acquiring property within the District, it may be unconstitutional. If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, another public agency or a religious organization, subject to the limitation of the maximum rate, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default would occur with respect to the payment of such principal and interest.

The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax adopted by the City and approved by a two-thirds vote of the qualified electors in the District. However, under the Mello-Roos Act, the City Council may not adopt such a resolution unless it finds that the proposed changes in the Special Tax would not interfere with the timely retirement of the Bonds.

Disclosures To Future Purchasers

The willingness or ability of an owner of a Taxable Parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax lien at the time the owner purchased the parcel. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Mello-Roos Act requires subdividers to notify prospective purchasers or long-term lessors of any lots, parcels, or units subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than purchases or long-term leases, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Proposition 218 And The Initiative Power

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective for most purposes on November 6, 1996.

Article XIIIC of The California Constitution, adopted by the voters as Proposition 218, extended the initiative power to reduce or repeal "any local tax, assessment, fee or charge." The initiative power is, however, limited by the United States Constitution's prohibition against State or local laws "impairing the obligation of contracts." The Bonds represent a contract between the City and the Bondholders secured by the Special Taxes. While not free from doubt, it is likely that, once the Bonds are issued, the Special Taxes would not be subject to repeal or reduction by initiative, at least to the extent the taxes are necessary to enable the City to make timely payment on principal and interest on the Bonds, but not necessarily to the full extent of the authorized tax amount. The interpretation and application of these provisions of Proposition 218 and the federal Constitution's Contracts Clause will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

Limitation On Remedies; No Acceleration

Remedies available to Bondholders may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds, or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, or similar laws affecting generally the enforcement of creditors' rights. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. Lack of remedies may entail risks of delay, limitation, or modification of Bondowner rights. Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

Bankruptcy And Foreclosure Delays

General. The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax, as discussed under "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the Bonds Redemption Fund to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Property Owned by the FDIC. The ability of the City to foreclose upon the lien relating to property on which Special Taxes have not been paid may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "Policy Statement") (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating asset in its corporate and receivership capacities. The Policy Statement provides, in part, that owned real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay for any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that if any property taxes (including interest) on FDIC-owned property arc securcd by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement is unclear as to whether the FDIC considers the Special Taxes imposed by the City to be "real property taxes" that the FDIC intends to pay. With respect to challenges to assessments, the Policy Statement provides: "The [FDIC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [FDIC] may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The [FDIC] will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the [FDIC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [FDIC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [FDIC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time the FDIC acquires its fee interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts.

Because the Special Taxes are neither ad valorem taxes nor special assessments, the City is unable to predict what effect the application of the Policy Statement would have in the evcnt of a delinquency on a parcel included in the District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on parcels of land in the District owned by the FDIC. Such an outcome would cause a draw on the Bond Reserve Fund and perhaps, ultimately, a default in payment of the Bonds.

Loss Of Tax Exemption

As discussed under the caption "CONCLUDING INFORMATION — Tax Matters," interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions described herein under "THE BONDS — Redemption Of Bonds."

Secondary Markets And Prices

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

CONCLUDING INFORMATION

Tax Matters

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

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds.

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

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

Future legislation, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislation or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulation or litigation as to which Bond Counsel expresses no opinion.

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

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

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"). A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F and will be made available to purchasers at the time of original delivery. Bond Counsel has undertaken no responsibility for the accuracy, completeness, or fairness of this Official Statement.

Litigation

At the time of delivery of and payment for the Bonds, the City will certify, among other things, that except as disclosed in this Official Statement or in the legal opinion of Bond Counsel, the City has not been served with process in, or overtly threatened with, any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or agency:

- that seeks to restrain or enjoin the delivery of the Bonds, or
- that contests or affects the validity of the Bonds or any documents entered into by the City in connection with the Bonds ("City Bond Documents"), or
- that contests the powers of the City or its authority to enter into the Bonds or the City Bond Documents, or
- that materially and adversely impacts the City's ability to complete the transactions on its part described in this Official Statement.

Continuing Disclosure

The City and College Marketplace LLC have separately and independently covenanted for the benefit of the Bondowners to provide annually certain financial information and operating data relating to the District (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material. The City's Annual Report will be delivered not later than February 1 of each year commencing on February 1, 2008. College Marketplace LLC's Semi-Annual Reports will be delivered not later than 3 months and 9 months after the end of the City's fiscal year (i.e., September 30 and March 31) based upon the City's current June 30 fiscal year end. The Annual Reports will be filed by the City and the Semi-Annual Reports will be filed by College Marketplace LLC with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed by the City and College Marketplace LLC with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any).

The specific nature of the information to be contained in the Annual Reports and the notices of material events is set forth in APPENDIX E — "FORMS OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The obligation of College Marketplace LLC to provide information is limited to the type of information described in their continuing disclosure undertakings, and no determination has been made that any landowner is an "obligated person" for purposes of the Rule. The City will not assume any responsibility for the enforcement of College Marketplace LLC's obligations under its continuing disclosure undertaking nor for the accuracy of the information contained in College Marketplace LLC's Semi-Annual Reports.

The City has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2—12 to provide annual reports or notices of material events.

No Rating

The City has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

Underwriting

Stone & Youngberg LLC, the Underwriter of the Bonds, has agreed to purchase the Bonds from the City at a purchase price of $11,177,916.40 (representing the original principal amount of the Bonds of $11,465,000 less original issue discount of $80,713.60 and less an underwriter's discount of $206,370.00. The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

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

Professional Fees

In connection with the issuance of the Bonds, fees payable to certain professionals, including the Underwriter; Nossaman, Guthner, Knox & Elliott, LLP, as counsel to the Underwriter; Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the City; and The Bank of New York Trust Company, N.A., as Trustee, are contingent upon the issuance and delivery of the Bonds.

Miscellaneous

All quotations from, and summaries and explanations of the Indenture, the Bonds, other documents and statutes contained herein do not purport to be complete, and reference is made to said documents, the Indenture, and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the City. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

All information contained in this Official Statement pertaining to the City has been furnished by the City and the execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF SACRAMENTO

By /s/ Thomas P. Friery
City Treasurer

APPENDIX A

EXECUTIVE SUMMARY OF APPRAISAL

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July 30, 2007

Janelle Gray
City of Sacramento
Office of the City Treasurer
915 I Street, HCH 3rd Floor
Sacramento, California 95814

SUBJECT: Letter Addendum – to the Appraisal of
College Square Community Facilities District
Sacramento, California 95758

Integra Sacramento File No. 3913
City of Sacramento Project #: 8854

Dear Ms. Gray:

Per your request, we have performed additional analysis relating to the above referenced appraisal. This Addendum Letter is considered an extension of the appraisal report dated May 11, 2007 (IRR Sacramento File No. 3913 / City of Sacramento Project #8854), and can only be relied upon by a reader familiar with the same. The effective date of the analysis in this letter addendum is the same as the original report (July 1, 2007).

On July 24, 2007, subsequent to the completion of the appraisal report, we were informed that the main developer (College Marketplace LLC) was nearing completion on a lot line adjustment affecting Assessor's Parcel Numbers (APNs 117-1460-029 and -030), which increased the size of Parcel 29 from 3.23 to 3.92-acres, thereby reducing the size of Parcel 30 from 5.23 to 4.54-acres. In addition to the lot line adjustment, the developer has elected to exclude Parcel 29 (APN 117-1460-029) from the College Square CFD. Due to these changes, the high density residential component of the subject was reduced by 3.92-acres (and residential entitlements have been reduced by 101 units).

We have prepared this "Letter Addendum" to the appraisal, which outlines the changes to the subject property and summarizes the impact on the appraised value as a result of this change (the resulting value change was minor, from $34,300,000 to a revised value of $34,200,000, due to a number of offsetting factors). The original appraisal has not been modified to reflect this change; however, the Executive Summary been updated and modified to reflect the changes resulting from the lot line adjustment and the reduction in high density residential acreage. The executive summary has also been modified to include an Addendum section with Market Area Analysis and Market Analysis sections of the original report.

Based on the analyses and conclusions in this Letter Addendum as well as the original appraisal report, and subject to the definitions, assumptions, and limiting conditions expressed herein, it is our opinion that the market value of the property, as of July 1, 2007, is

THIRTY FOUR MILLION TWO HUNDRED THOUSAND DOLLARS
$34,200,000

The preceding value conclusions are subject to the following Extraordinary Assumptions Hypothetical Conditions:

1. The main developer (College Marketplace LLC) has elected to exclude Parcel 29 from the Community Facilities District. This parcel contains 3.92-acres (per pending lot line adjustment) and is intended for development with an affordable apartment complex. Based on our conversations with the developer as well as representatives from the Sacramento Housing and Redevelopment Agency, the proposed affordable project (on Parcel 29) will satisfy the requirements of the Inclusionary Housing Agreement for College Marketplace LLC. Our final opinion of value is based on the extraordinary assumption that the proposed affordable multi-family project will be developed as planned on Parcel 29, thereby satisfying the inclusionary requirement for additional lands owned by College Marketplace LLC within the College Square CFD.

This letter addendum was prepared by Morgan, Beebe & Leck, Inc. doing business as Integra Realty Resources – Sacramento. Arthur Leck, Vice-President of Morgan, Beebe & Leck, Inc., is acting on behalf of the corporation. If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO

Scott Beebe, MAI
Certified General Real Estate Appraiser
California Certificate #AG015266

Arthur A. Leck, MAI
Certified General Real Estate Appraiser
California Certificate #AG011823

SUBJECT PROPERTY OVERVIEW

General

The subject property is located in the southern portion of the City of Sacramento directly east of Cosumnes River College. The property is bound by Bruceville Road to the west, Cosumnes River Boulevard to the north and State Highway 99 to the east. The subject consists of 30 legal parcels encompassing approximately 42.75-acres. The parcels which comprise the subject are approved for a mixture of commercial and residential land uses. In total, the commercial parcels within the district contain 22.84-acres and are approved for ±207,810 square feet of improvements (excluding 5.88-acres and ±65,000 SF structure owned by Ralphs); the residential parcels within the district contain 19.91-acres and are approved for 623 residential units (excluding 3.92-acres and 101 units on Parcel 29).

The portion of the subject that lies north of W. Stockton Boulevard is presently under development with a neighborhood retail center. This portion of the property consists of 15 legal parcels totaling 13.60-acres. The northerly subject parcels are intended for ±113,459 square feet of retail improvements within 15 buildings. As of the effective date of value (July 1, 2007), eight retail buildings totaling 47,749 square feet will be completed.

Land Use Overview

As mentioned, the approved land uses within the project include both residential and commercial components. Within the commercial component, there are three distinct use categories. These components are summarized as follows:

Residential: The lands designated for residential use contain a total of 19.91-acres and are approved for 623 multi-family units. Granite Bay Holdings owns 8.11-acres approved for 240 units and College Marketplace owns 11.80-acres approved for 383 units. All of the residential land is located south of W. Stockton Boulevard. The residential component may include senior independent and assisted-living as well as conventional multi-family units and or for sale product. There is an inclusionary housing component requiring that 15% of all residential units built be affordable to qualifying households (10% very low income and 5% low income). It is noted that the inclusionary housing requirement for the College Marketplace owned land will be satisfied by a 101-unit affordable rental project proposed on Parcel 29, which has been excluded from the CFD. Therefore, the remaining 11.80-acres owned by College Marketplace will not be subject to any further inclusionary requirements.

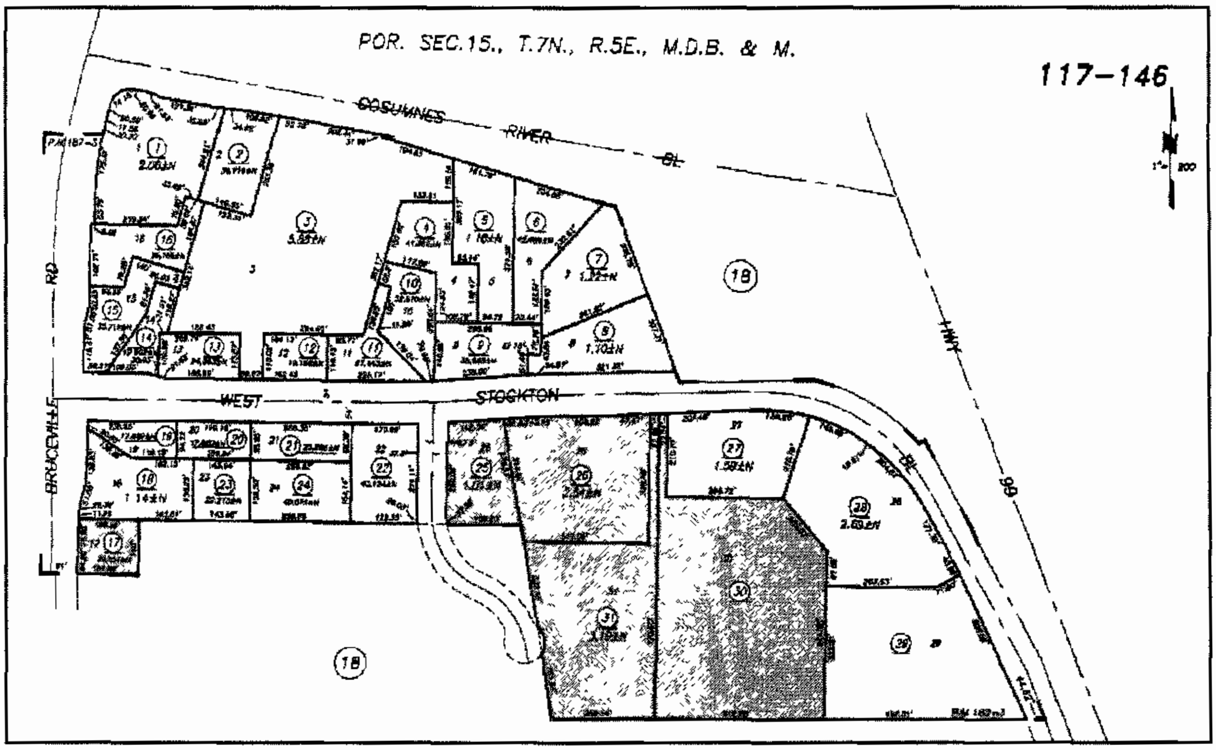
Commercial: Overall, the College Square project is approved for ±269,000 square feet of commercial development on 28.72-acres. The commercial parcels that comprise the subject contain 22.84-acres and are approved for ±207,810 square feet of improvements (excluding 5.88-acres and ±64,687 SF structure owned by Ralphs). The categories of commercial uses include a neighborhood retail center, highway commercial uses, and a transit-oriented development (TOD) consisting of retail and office uses. Additional details relating to the commercial use categories are summarized as follows:

- **Neighborhood Retail:** This portion of the property consists of 15 legal parcels totaling 13.60-acres, situated north of W. Stockton Boulevard. The northerly subject parcels are intended for ±113,459 square feet of retail improvements within 15 buildings; the center is anchored by Foods Co. (64,687 SF on 5.88-acres), which is not a part of this appraisal. As of the effective date of value (July 1, 2007), eight retail buildings totaling 47,749 square feet will be completed.

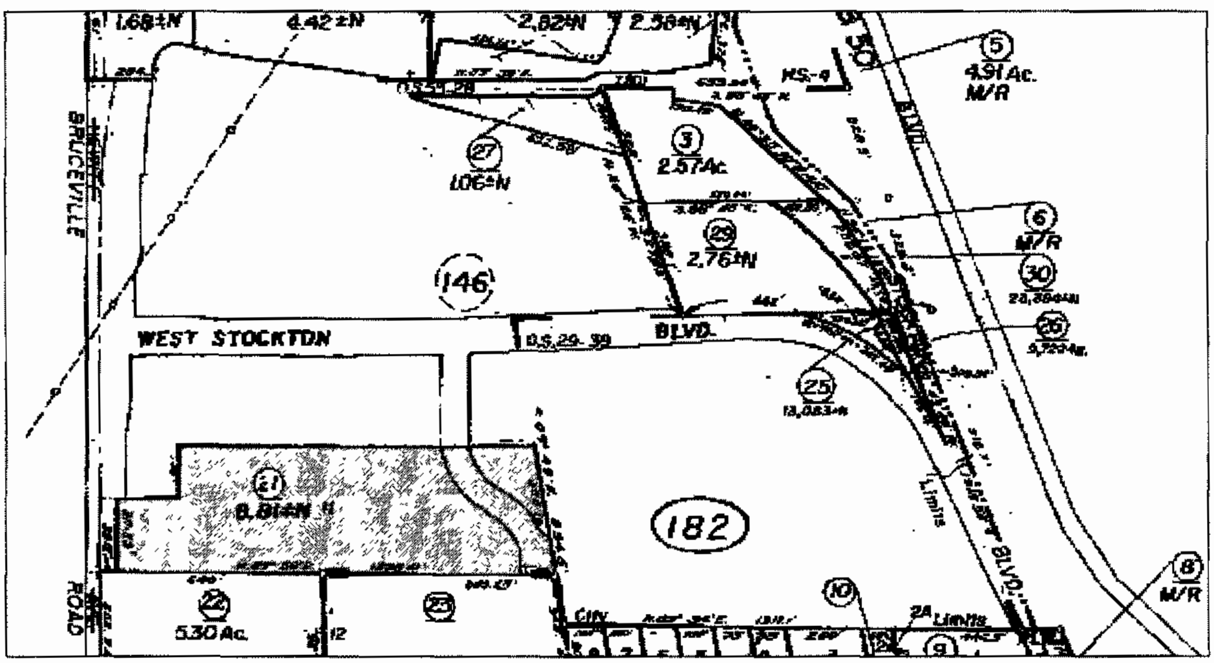
- **Highway Commercial:** This portion of the project is situated south of W. Stockton Boulevard and is visible from Highway 99. The two parcels designated for highway commercial use contain a combined 4.28-acres and are approved for commercial/retail uses totaling approximately 33,000 square feet. This portion of the project acts as a buffer between the residential uses and Highway 99. The buildings will be oriented toward the freeway to generate customer interest. Likely potential uses include showroom retail, lodging facilities, restaurants, etc.

- **TOD Retail/Office:** This portion of the property consists of seven contiguous parcels totaling 4.96-acres at the southeast corner of W. Stockton Boulevard and Bruceville Road. This land is planned for a transit oriented development consisting of retail and office uses that are supportive to the nearby residential uses and transit supportive. Buildings planned include retail pads, a restaurant, in-line retail stores and an office building. The proposed uses benefit from and serve both local customers and those utilizing the future light rail extension and park and ride facility.

ASSESSOR PARCEL MAPS



Assessor's Parcel Map: Book 117, Page 146

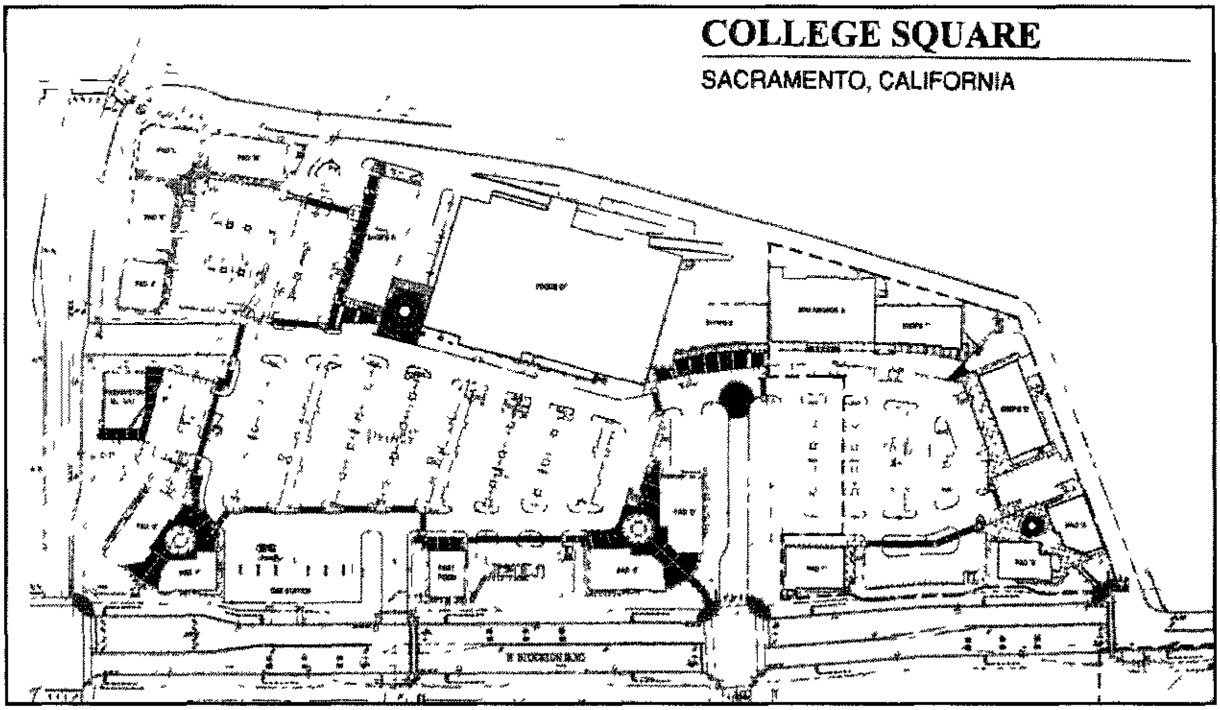


Assessor's Parcel Map: Book 117, Page 018

Commercial / Residential

Improved Property

Phase I of the neighborhood retail center was nearing completion as of the inspection date. All site improvements (parking areas, landscaping, sidewalks, lighting, etc.) were completed on the Phase I (westerly) portion of the project. In addition, the six pad buildings were completed in shell condition and the two shop buildings were well under construction. As of the effective date of value (July 1, 2007), the eight buildings are expected to be completed inclusive of tenant improvements for the pre-leased suites; the balance of suites are expected to be completed to a vanilla shell state. The following table summarizes the improved parcels, the existing improvements, current development status and projected status as of July 1, 2007.



OVERVIEW - COLLEGE SQUARE RETAIL CENTER (NORTH)
BUILDING IMPROVMENTS COMPLETED AS OF JULY 1, 2007

Phase	APN	Identification	Land Area Acres	Land Area SF	Approved Bldg SF	Current Status (as of 4/20/07)	Projected Status as of 7/1/07
1-B	117-1460-002	Shops A	0.82	35,719	9,758	Under Construction	Bldg. Complete
1-B	117-1460-004	Shops B	0.95	41,382	8,914	Under Construction	Bldg. Complete
1-A	117-1460-010	Pad D	0.75	32,670	6,000	Shell Complete	Bldg. Complete
1-A	117-1460-011	Pad E	0.63	27,443	5,600	Shell Complete	Bldg. Complete
1-B	117-1460-012	Fast Food	0.44	19,166	3,180	Shell Complete	Bldg. Complete
1-A	117-1460-014	Pad F	0.45	19,602	3,920	Shell Complete	Bldg. Complete
1-A	117-1460-015	Pad G	0.82	35,719	6,177	Shell Complete	Bldg. Complete
1-A	117-1460-016	Pad H	0.83	36,155	4,200	Shell Complete	Bldg. Complete
IMPROVED TOTALS			**5.69**	**247,856**	**47,749**		

Pre-leasing activity thus far includes 12 executed leases totaling 20,633 square feet (43.2% of total). The leases range in size from 1,000 to 4,200 square feet and terms are from 5 to 10 years. Lease rates range from $2.65 to $3.25 per square foot (per month), with an average rate of $2.89 per square foot. All leases are structured under triple net terms.

VALUATION

The purpose of this appraisal is to estimate the "as is" (bulk) market value of the entire CFD as of July 1, 2007. The general methodology used to arrive at the market value estimates is as follows:

Vacant Land: The retail value for each vacant parcel (or logical grouping of vacant parcels) is estimated by the Sales Comparison Approach. This approach uses sale comparables of properties having similar highest and best uses as the subject parcels.

Improved Parcels: The three traditional approaches to value (Cost, Sales Comparison and Income Capitalization) are used to estimate the value of the improved portion of the property.

"As Is" Bulk Value for Entire CFD: A bulk discount was applied to the concluded value of the Improved Parcels to estimate their contribution to the overall bulk value of the district. A discounted cash flow analysis was utilized to estimate the bulk market value for the Unimproved Parcels. The bulk values of the Improved and Unimproved Parcels were summed to render a total bulk value for the entire district.

GROUPINGS OF PARCELS FOR VALUATION

The subject consists of 30 legal parcels encompassing approximately 42.75-acres. The parcels within the district have been allocated into logical groups and sub-groups for valuation purposes. The major groups include: Improved Parcels, Commercial Land and Residential Land. The groups and sub-groups are identified as follows:

Improved Parcels

The parcels north of W. Stockton Boulevard are under development with a neighborhood retail center. As of the date of value, eight of these parcels (totaling 5.69-acres) will be improved with retail buildings totaling 47,749 square feet. The "Improved Parcels" will be valued as one group. The improved parcels are summarized as follows:

OVERVIEW - COLLEGE SQUARE RETAIL CENTER (NORTH) BUILDING IMPROVMENTS COMPLETED AS OF JULY 1, 2007							
			Land Area		Approved	Current Status	Projected Status
Phase	APN	Identification	Acres	SF	Bldg SF	(as of 4/20/07)	as of 7/1/07
1-B	117-1460-002	Shops A	0.82	35,719	9,758	Under Construction	Bldg. Complete
1-B	117-1460-004	Shops B	0.95	41,382	8,914	Under Construction	Bldg. Complete
1-A	117-1460-010	Pad D	0.75	32,670	6,000	Shell Complete	Bldg. Complete
1-A	117-1460-011	Pad E	0.63	27,443	5,600	Shell Complete	Bldg. Complete
1-B	117-1460-012	Fast Food	0.44	19,166	3,180	Shell Complete	Bldg. Complete
1-A	117-1460-014	Pad F	0.45	19,602	3,920	Shell Complete	Bldg. Complete
1-A	117-1460-015	Pad G	0.82	35,719	6,177	Shell Complete	Bldg. Complete
1-A	117-1460-016	Pad H	0.83	36,155	4,200	Shell Complete	Bldg. Complete
IMPROVED TOTALS			5.69	247,856	47,749		

Commercial Land

The balance of the commercial parcels within the district will be unimproved as of the July 1, 2007 valuation date. These parcels have been allocated into sub-groups for valuation purposes. The sub-groups consist of both single parcels as well as multiple parcels depending on our analysis of a typical buyer profile for the properties. The sub-groups for the commercial land are summarized as follows:

Sub-Groups – Commercial Land

- Parcel 1 (2.06-acres) – Drug Store Site
- Parcel 13 (0.56-acres) – Pad Site
- Parcels 5, 6, 7, 8 & 9 (5.29-acres) – Eastern Parcels within Shopping Center *(Note: site work for Parcel 5, 1.18-acres, is complete).*
- Parcels 27 & 28 (4.28-acres) – Highway Commercial Parcels
- Parcels 18, 19, 20, 21, 22, 23 & 24 (4.96-acres) – Transit Oriented Development Parcels (Retail & Office)

Residential (Multi-family) Land

The residential parcels within the district will be unimproved as of the July 1, 2007 valuation date. There are a total of seven residential parcels totaling 23.83-acres (approved for 724 residential units). The residential parcels have been allocated into three sub-groups for valuation purposes.

Sub-Groups – Residential Land

- Parcels 25, 26 & 31 (6.74-acres – approved for 238 units)
- Parcels 30 (4.54-acres – approved for 127 units)
- Parcels 17 & GBH Parcel - 117-0182-021 (8.63-acres – approved for 258 units)

RETAIL VALUE OF IMPROVED PARCELS

The improved portion of the subject was not stabilized as of the effective date of value. In order to estimate the "as is" value for this component, we first estimated the "as if" stabilized value using the three traditional approaches to value and then deducted absorption costs and profit to derive the "as is" market value for the improved parcels. The following tables summarize the value indications and conclusions for the improved portion of the project.

"AS IF" STABILIZED MARKET VALUE – IMPROVED PORTION	
Cost Approach	\$21,700,000
Sales Comparison Approach	\$25,100,000
Income Capitalization Approach	\$25,250,000
"As If" Stabilized Value Conclusion	**\$25,250,000**
"AS IS" MARKET VALUE – IMPROVED PORTION	
"As If" Stabilized Value Conclusion	\$25,250,000
Less: Absorption Costs & Profit	-\$1,011,236
"As Is" Value Indication	\$24,238,764
Rounded To:	**\$24,240,000**

RETAIL VALUE OF UNIMPROVED PARCELS

The retail values for the unimproved parcels were estimated via the sales comparison approach. The retail value conclusions for the groupings of commercial parcels are summarized in the following tables.

RETAIL LAND VALUE CONCLUSIONS - ALL COMMERCIAL PARCELS

				Unencumbered		Bond	Encumbered	
Identification	**Parcel #(s)**	**Acs.**	**SF**	**\$/SF**	**Value**	**Impact**	**Value**	**Rounded**
Drug Store Site	1	2.06	89,734	\$28.00	\$2,512,552	-\$403,801	\$2,108,751	**\$2,110,000**
Pad (former fuel station)	23	0.56	24,393	\$28.00	\$683,004	-\$73,181	\$609,823	**\$610,000**
Improved Parcels	2, 4, 10, 11, 12, 14, 15 & 16	5.69	247,856	\$23.00	\$5,700,688	-\$892,282	\$4,808,406	**\$4,810,000**
Unimproved Parcels (1)	5, 6, 7, 8 & 9	5.29	230,432	\$20.00	\$4,608,640	-\$760,426	\$3,848,214	**\$3,850,000**
Highway Commercial	27 & 28	4.28	186,437	\$20.00	\$3,728,740	-\$531,345	\$3,197,395	**\$3,200,000**
TOD Retail/Office	18, 19, 20, 21, 22, 23 & 24	4.96	216,056	\$18.00	\$3,889,008	-\$972,254	\$2,916,754	**\$2,920,000**

(1) Land value only - excludes \$360,000 for completed site work.

The retail values for the groupings of residential parcels were based on a concluded unit value of \$500,000 per acre, assuming no bond encumbrance and no affordability requirements. The College Marketplace owned parcels within the CFD will not be subject to inclusionary requirements as this will be satisfied by an affordable apartment project (101 units) to be developed on Parcel 29, which has been excluded from the district. The Granite Bay Holdings land will be subject to inclusionary requirements; as such, the retail value of these parcels has been discounted to reflect this requirement.

The concluded retail values for the residential parcels, adjusted for the bond encumbrance and affordability requirements (as applicable) are summarized in the following table.

High-Density Residential Retail Value Estimates						
Grouping		Unencumbered Value		(1) Bond	Encumbered	Rounded
(Parcel #s)	Acres	$/Acre	Total	Adj.	Value	To
25, 26 & 31	6.74	$500,000	$3,370,000	-$1,467,972	$1,902,028	**$1,900,000**
30	4.54	$500,000	$2,270,000	-$988,812	$1,281,188	**$1,280,000**
17 & GBH Parcel	8.63	$425,000	$3,667,750	-$1,879,614	$1,788,136	**$1,790,000**
Totals	**19.91**	---	**$9,307,750**	**-$4,336,398**	**$4,971,352**	**$4,970,000**

(1) Based on $5/SF ($217,800/Acre)

RETAIL VALUES OF ALL PROPERTY GROUPS

The following table summarizes the retail value conclusion for each of the property groups as well as the aggregate retail value for all properties within the district.

RETAIL VALUE CONCLUSIONS - ALL GROUPS (ENCUMBERED VALUES)					
		Land Area		Structures	
Identification	**Parcel #(s)**	**Acs.**	**SF**	**SF**	**Retail Value**
IMPROVED PARCELS	2, 4, 10, 11, 12, 14, 15 & 16	5.69	247,856	47,749	**$24,240,000**
Drug Store Site	1	2.06	89,734	--	$2,110,000
Pad (former fuel station)	23	0.56	24,393	--	$610,000
Unimproved Parcels (1)	5, 6, 7, 8 & 9	5.29	230,432	--	$4,210,000
Highway Commercial	27 & 28	4.28	186,437	--	$3,200,000
TOD Retail/Office	18, 19, 20, 21, 22, 23 & 24	4.96	216,056	--	$2,920,000
Residential - Citadel (West)	25, 26 &31	6.74	293,594	--	$1,900,000
Residential - Citadel (East)	30	4.54	197,762	--	$1,280,000
Residential - GBH	GBH Parcel (& Parcel 17)	8.63	375,923	--	$1,790,000
UNIMPROVED PARCEL TOTALS		37.06	1,614,331	--	**$18,020,000**
AGGREGATE RETAIL VALUE - TOTAL PROPERTY					**$42,260,000**

(1) Adjusted upward by $360,000 for completed site improvements.

BULK VALUE OF PROPERTY

It is our opinion that the most likely buyer of the project in bulk would be an investor that would hold the neighborhood retail portion and sell-off the unimproved land parcels. Based on these factors, it is debatable whether a potential buyer of the overall project in bulk would recognize any discount to the improved component of the project. In the event that a bulk buyer elected to sell-off the improved component of the project, it is our opinion that this component of the project could easily be sold within six months (or less) given the high level of investor demand for good quality improved retail properties throughout the region. Based on these considerations, we feel that including the improved component in a discounted cash flow analysis (along with the unimproved parcels) would result in an excessive discount to the overall property value.

Contributory Value of Improved Parcels

There are two possible scenarios for a bulk buyer of the project with respect to the improved portion: 1) hold as an investment, or 2) sell-off along with unimproved parcels. Under the "hold" option, no discount would be appropriate. Under the "sell-off" scenario, a discount sufficient to cover sales commissions (estimated between 2%-3% for this size of a project) and a moderate return to the seller (estimated at 5% given the high level of investor demand and short anticipated marketing period) would be reasonable. Therefore bulk discount in the range of 7% to 8% is deemed reasonable.

Based on these considerations, we have applied a bulk discount rate of 7.5% to the retail value conclusion for this component in order to arrive at a contributory value to the overall bulk value of the project. Our estimate of bulk value for the improved parcels is summarized as follows:

BULK VALUE ESTIMATE - IMPROVED PARCELS		
Retail Value of Improved Parcels ("As Is")		$24,240,000
Bulk Discount @	7.5%	-$1,818,000
Contribution to Total Bulk Value of Project		$22,422,000
Rounded To:		**$22,400,000**

Bulk Value of Unimproved Parcels

A DCF analysis is considered the only applicable valuation technique to estimate the bulk value contribution of the land (to the whole property). The DCF analysis includes projections for absorption of the unimproved parcels, price appreciation over the projected sell-off period as well as holding and selling costs. The resulting cash flows are then discounted to a present value using a discount rate that reflects a rate of return commensurate with the perceived risks associated with the project.

Aggregate Retail Values Summary - Unimproved

The encumbered finished retail values for each of the logical groupings of property – in this case, similar land use types - were previously estimated in this report. These values will be used as a starting point in the valuation.

RETAIL VALUE SUMMARY–LAND ONLY	
Unimproved Parcels (Retail Center)	
Drug Store Site	$2,110,000
Pad (Former Fuel Station)	$610,000
Balance of Center (East)	$4,210,000
Highway Commercial Parcels	$3,200,000
TOD Retail/Office Parcels	$2,920,000
Residential Parcels	
GBH Land (West)	$1,790,000
Citadel (West)	$1,900,000
Citadel (East)	$1,280,000
Aggregate Retail Value	**$18,020,000**

Absorption Timing

Our projected timing of the absorption for the subject parcels is shown in the table below. The first parcels absorbed are the unimproved pads/parcels in the retail center. With much of this center expected to be complete by the effective date of value, there should be good near-term demand for this portion of the property. Likewise, there should be good near-term demand for the highway commercial parcels. These properties have been absorbed in years 1 & 2. The TOD retail/office land has been absorbed in year 3. We project that the residential parcels would be the last to be absorbed because the next construction cycle for multi-family residential improvements is still at few years away. This property has been absorbed in years 3-5.

ABSORPTION SUMMARY						
Sales/Closings By Period						
	No. Units	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Unimproved Parcels (Retail Center)						
Drug Store Site	1	1				
Pad (Former Fuel Station)	1	1				
Balance of Center (East)	1		1			
Highway Commercial Parcels	1		1			
TOD Retail/Office Parcels	1			1		
Residential Parels						
GBH Land (West)	1					1
Citadel (West)	1				1	
Citadel (East)	1			1		

Price Increases

Annual appreciation over the absorption period is expected for all of the land included in this analysis. Current retail and office market trends suggest potential for modest land value increases over the next few years. The retail values of all commercial land types have been increased 3% per year beginning in year 2. This has a relatively minor impact on the final value estimate because all of the retail and commercial properties are sold off by the end of the 3rd year.

The potential for much stronger appreciation exists for the residential land. Multi-family residential land use trends are currently in transition from the highest and best use being condominium development to hold for future apartment development (a lower use). As such, land values have slid to and are currently at the bottom of the curve. Strong projected demand and rental rate growth, in particular, over the next few years should translate into increasing land values. Given these considerations, a 7.5% annual appreciation rate has been applied to the multi-family residential parcels in the cash flow based on appraiser residual analysis of anticipated rent and construction cost increases, operating expenses, and capitalization rate trends over this period.

Construction Costs

The property requires no further vertical or site development costs in order to achieve the retail value estimates.

Prepaid Fees/Reimbursements

College Marketplace LLC (owner of parcels 17, 25, 25, 29, 30 and 31) has recorded a final map. As a condition of final map recordation, the owner has paid $1,686,643 in fees for parks/recreational services (aka Quimby Fees). The ultimate developer of these parcels is eligible to receive up to $1,433,647 in credits/off-sets for pre-paid Quimby Fees. Since Parcel 29 (101 units or 20.9% of total owned by College Marketplace LLC) is not included within the district, the remaining fee credits associated with parcels within the district equate to $1,130,000 (rounded).

These pre-paid fees were not reflected in the valuation of the high-density land. These fees would either be repaid by a buyer of these parcels or reflected in a higher land price. Therefore, this amount ($1.13 million) has been input as revenue in years 3 & 4, according to the absorption of the Citadel multi-family residential parcels (absorbed based on the fees paid/acre and the acreage sold each year).

The final map for the Granite Bay Holdings parcel has not been recorded and the Quimby fees have not yet been paid. As such, no additional revenue has been projected for this portion of the high density land.

Holding and Selling Costs

Sales Commissions

Typical sales commissions for commercial and residential land sales transactions supports a sales cost near 5%.

Administration and Overhead

This category includes such items as off-site management and supervision, clerical support, office overhead and supplies. Typical administration and overhead expenses for this amount of unimproved land would be relatively minimal. Many of the day to day disposition expenses would be included in the listing brokers' sales commission. Admin and overhead needs would also decline as the property is sold. We estimate this expense at $100,000 per year in year 1, decreasing each year by the amount of property that has already been sold off.

Escrow Closing & Legal Costs

This category includes costs associates with fees and legal costs associated with escrow closings. Based on a review of budgets from other land development projects, an estimate of 1% of gross sales has been input for this category.

Taxes (Base)

Real estate taxes attributable to just the land included in the DCF have been estimated at $120,000 for year-one based on the concluded value from this cash flow analysis, the subject's property tax rate and direct levies. This amount has been inflated 2% each year, the maximum annual property tax increase in California and then reduced by the % of property already sold off each period.

Special Taxes – New CFD

The College Square CFD *Improvement Special Taxes* and *Maintenance Special Taxes* are included as holding costs at the appropriate Undeveloped Property rates (maximum are rates utilized). Per the Rate and Method document, all special taxes will increase annually by 2%. The following table summarizes the total special taxes (by year) for the remaining inventory within the project over the projected sell-out period.

TOTAL SPECIAL TAXES BY YEAR - REMAINING INVENTORY					
	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Drug Store Site	$40,473	$0	$0	$0	$0
Pad (Former Fuel Station)	$11,002	$0	$0	$0	$0
Balance of Center (East)	$93,288	$95,154	$0	$0	$0
Highway Commercial Parcels	$70,611	$72,023	$0	$0	$0
TOD Retail/Office Parcels	$89,978	$91,778	$93,613	$0	$0
GBH Land (West)	$157,377	$160,525	$163,735	$167,010	$170,350
Citadel (West)	$122,911	$125,369	$127,877	$130,434	$0
Citadel (East)	$82,791	$84,447	$86,136	$0	$0
TOTALS	**$668,431**	**$629,295**	**$471,361**	**$297,444**	**$170,350**

Discount Rate/Developer Profit

The final element in the discounted cash flow analysis is the discount rate, which is applied to the individual cash flows. The discount rate is a rate of return commensurate with perceived risk used to convert future payments or receipts to present value. This rate reflects the compensation offered to an investor for assuming the inherent risk associated with the property. Naturally the discount rate varies with the size, complexity, market potential, overall quality, appeal, estimated absorption and most importantly, the pricing of the product.

The assumed buyer for the whole property is likely to be an investor. The motivation of these buyers is profit. For multiple parcel purchases buyers typically reap profit by buying the property in bulk and reselling smaller portions to retail and multi-family residential developers for construction of appropriate buildings. The primary risk to a buyer of the property would be market risk, since no development remains.

The appraiser has elected to account for profit in the discount rate. The discount rate for the subject property will be derived from the following sources: 1) Yields from Alternative Investments, and 2) Investor Surveys.

Alternative Investments: Before arriving at an appropriate discount rate, it was determined that a potential investor would make a comparison of other investment opportunities. This conclusion is reached after an analysis on internal rate return criteria for traditional institutional-quality real estate, short term United States treasury notes and corporate bonds. These rates of return generally reflect about 4.75% to 5.0% for thirty-year U.S. treasury notes and a range of 6% to 12% for investment-grade real estate. The subject investment (in the DCF scenario) involves holding land and risk associated with market changes and cost of capital over several years. This type of investment represents a much higher risk than either US treasury notes or investment-grade real estate because of the substantial market risk involved in speculative property with a mid to long-term hold. A yield rate above 12% is supported for the subject by alternative investments.

Published Surveys: One of the best sources of determining an appropriate discount rate is that of investor surveys. An investment land survey, dated year-end 2006 published by Korpacz Real Estate Investor Survey was reviewed. The following are the results from this survey report.

YEAR END 2006 - LAND YIELD SURVEY RESULTS	Lower Quartile Response	Average Response	Higher Quartile Response
DCF Analysis			
Property IRR[A]	12.00%	18.15%	25.00%
Equity IRR[B]	N/A	N/A	N/A

Notes:

A. Discount rate for unleveraged, all cash transactions. No line-item profit.

B. Insufficient number of responses

Source: National Land Yield Survey Report, Qtr 4 2006, published by Korpacz Real Estate Investor Survey

Typical average rates indicated by residential developers ranged from 12 to 25 percent. These responses reflect expected yields of a variety of both commercial and residential development projects (including development and property sell-off). The subject property requires no further entitlements or land development, and the risk involved in the DCF scenario involves primarily market, capital market, and financial risk associated with holding and reselling the property. Recognizing that certain "development" risk factors (potential cost increases, legal or entitlement issues associated with development) have been mitigate, a discount rate towards the low end of the range from these responses, below 16% (bottom quartile of range), is best supported.

Discount Rate Conclusion: Three sources were considered for an indication of an appropriate discount rate in this analysis. They point to the following yield rates:

Alternative Investments:	Above 12%
Published Surveys:	Below16%

The various sources for deriving an appropriate discount rate for the subject property provide best support for a range between 13-15%. The specific risk factors for the purchase property that should be considered in the discount rate are as follows:

Negative Risk Factors:

- The primary negative risk factor for the subject land lies in the residential component. The retail land is expected to be desirable and marketable in the near-term. Multi-family residential market conditions are in a major transition, however, which renders estimating the timing of its absorption and appreciation more difficult to predict. The residential land comprises 54% of the total land area included in this analysis and 32% of the revenue for the unimproved parcels (after appreciation over the holding period) in the DCF.

Positive Risk Factors:

- The property's location is outstanding for retail uses. It has an established and large surrounding residential base. It has very easy access to and from Highway 99. It lies close to Cosumnes River College and several newer regional retail centers are located at this freeway exit. Most other neighborhood centers are much older, and development sites for new neighborhood retail are very limited, which restricts the potential for new competition.

- The land use plan that includes a blend of retail and multi-family residential uses is very complimentary. In other words, that there will be both retail and high-density residential uses next to each other enhances the desirability of both land use types.

- The proposed light rail stop and overall close-in location in relation to the CBD is a very positive attribute for the multi-family land.

- The property's size, at ±37 acres (land included in DCF analysis only) renders it a relatively small, suburban, mixed-use development project for this region.

Given these considerations, we have employed a discount rate near the middle of the narrowed range indicated by the various sources, and a **14% discount rate is concluded.** The discounted cash flow analysis is presented on the following page.

YIELD CAPITALIZATION (DCF ANALYSIS)
COLLEGE SQUARE CFD – BULK VALUE OF UNIMPROVED PARCELS

ASSUMPTIONS

NUMBER OF PERIODS PER YEAR	1		
SALES & MARKETING	5 0%	REAL ESTATE TAXES (YR 1)	$120,000
CLOSING, LEGAL & TITLE	1 0%	GENERAL ADMIN & OVERHEAD	$100,000 /Yr

QUARTER	Total	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
SALES SUMMARY						
Unimproved Parcels (Retail Center)						
Drug Store Site	$2,110,000	$2,110,000	$0	$0	$0	$0
Pad (Former Fuel Station)	$610,000	$610,000	$0	$0	$0	$0
Balance of Center (East)	$4,336,300	$0	$4,336,300	$0	$0	$0
Highway Commercial Parcels	$3,296,000	$0	$3,296,000	$0	$0	$0
TOD Retail/Office Parcels	$3,097,828	$0	$0	$3,097,828	$0	$0
Residential Parels						
GBH Land (West)	$2,390,490	$0	$0	$0	$0	$2,390,490
Citadel (West)	$2,360,364	$0	$0	$0	$2,360,364	$0
Citadel (East)	$1,479,200	$0	$0	$1,479,200	$0	$0
AGGREGATE RETAIL SALES	$19,680,182	$2,720,000	$7,632,300	$4,577,028	$2,360,364	$2,390,490
PERCENTAGE UNSOLD (END OF PD)	100%	86%	47%	24%	12%	0%
Remaining Retail Sales	$19,680,182	$16,960,182	$9,327,882	$4,750,854	$2,390,490	$0
CONSTRUCTION COSTS & FEES						
Vertical Costs	$0	$0	$0	$0	$0	$0
Site Development Costs	$0	$0	$0	$0	$0	$0
TOTAL CONSTRUCTION COSTS	$0	$0	$0	$0	$0	$0
CREDITS & REIMBURSEMENTS						
Prepaid Quimby Fees	$1,130,000	$0	$0	$628,934	$501,066	$0
TOTAL CREDITS/REIMBURSEMENTS	$1,130,000	$0	$0	$628,934	$501,066	$0
HOLDING & SALES COSTS						
SALES & MARKETING	$984,008	$136,000	$381,615	$228,851	$118,018	$119,524
GENERAL ADM & OVERHEAD	$219,863	$93,089	$66,788	$35,769	$18,143	$6,073
CLOSING, LEGAL & TITLE	$196,802	$27,200	$76,323	$45,770	$23,604	$23,905
R E TAXES	$269,106	$111,707	$81,749	$44,657	$23,105	$7,889
SPECIAL TAXES (NEW CFD)	$2,236,880	$668,431	$629,295	$471,361	$297,444	$170,350
TOTAL HOLDING & SALES COSTS	$3,906,660	$1,036,428	$1,235,770	$826,407	$480,314	$327,741
NET CASH FLOW (BEFORE DISCOUNTING)	$16,903,522	$1,683,572	$6,396,530	$4,379,555	$2,381,116	$2,062,749
PV FACTOR 14%		0 877193	0 769468	0 674972	0 592080	0 519369
DISCOUNTED VALUE	**$11,835,953**	$1,476,818	$4,921,922	$2,956,075	$1,409,812	$1,071,327

VALUE CONCLUSION	**$11,800,000**
Indicated Value/Acre	***$320,043***
Indicated Value/SF	***$7.35***

FINAL OPINION OF VALUE – TOTAL BULK VALUE

As previously discussed, we have estimated the bulk value separately for the improved portion of the project and the unimproved portion of the project. The total bulk value for the subject property is estimated by combining the estimated contributory value of the improved portion of the project (Phase I of the neighborhood shopping center) to the discounted (bulk) value of the unimproved parcels.

BULK VALUE ESTIMATE - TOTAL PROJECT	
Bulk Value of Improved Parcels	$22,400,000
Bulk Value of Unimproved Parcels	$11,800,000
TOTAL BULK VALUE	**$34,200,000**

Based on the analyses and conclusions in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed herein, it is our opinion that the market value of the property, as of July 1, 2007, is

THRITY FOUR MILLION TWO HUNDRED THOUSAND DOLLARS
$34,200,000

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO

Scott Beebe, MAI
Certified General Real Estate Appraiser
California Certificate #AG015266

Arthur A. Leck, MAI
Certified General Real Estate Appraiser
California Certificate #AG011823

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the cause of the developer, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which includes the *Uniform Standards of Professional Appraisal Practice (USPAP).*
8. Scott Beebe, MAI and Arthur A. Leck, MAI have made personal inspections of the property that is the subject of this report.
9. Michelle van de Pol, MAI provided significant real property appraisal assistance to the persons signing this certification.
10. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
11. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
12. It is our opinion that the subject does not include any enhancement in value as a result of any natural, cultural, recreational or scientific influences retrospective or prospective.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of *USPAP*.

14. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
15. As of the date of this report, Scott Beebe, MAI and Arthur A. Leck, MAI have completed the continuing education program of the Appraisal Institute.

Scott Beebe, MAI
Certified General Real Estate Appraiser
California Certificate #AG015266

Arthur A. Leck, MAI
Certified General Real Estate Appraiser
California Certificate #AG011823

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No material changes in any relevant federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
11. Information, estimates and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual

results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the *ADA* accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to *ADA*. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20 No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against Integra Realty Resources – Sacramento, Integra Realty Resources, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein,

the Integra Parties shall not be responsible or liable for an incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Integra Realty Resources, Inc. and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

The value conclusion is subject to the following Extraordinary Assumptions and Hypothetical Conditions:

1. The main developer (College Marketplace LLC) has elected to exclude Parcel 29 from the Community Facilities District. This parcel contains 3.92-acres (per pending lot line adjustment) and is intended for development with an affordable apartment complex. Based on our conversations with the developer as well as representatives from the Sacramento Housing and Redevelopment Agency, the proposed affordable project (on Parcel 29) will satisfy the requirements of the Inclusionary Housing Agreement for College Marketplace LLC. Our final opinion of value is based on the extraordinary assumption that the proposed affordable multi-family project will be developed as planned on Parcel 29, thereby satisfying the inclusionary requirement for additional lands owned by College Marketplace LLC within the College Square CFD.

EXECUTIVE SUMMARY

COLLEGE SQUARE CFD NO. 2005-01

INTRODUCTION AND BACKGROUND COMMENTS

Integra Realty Resources - Sacramento has prepared a self-contained appraisal report on College Square, a mixed-use planned development located in the southeast portion of the City of Sacramento. The research and preparation of this appraisal took place during April and May 2007. The effective date of valuation is July 1, 2007. The value, therefore, is a prospective valuation as of a future date.

During the preparation of the appraisal, the property was inspected, and an investigation was made of relevant market indicators and conditions. The appraisal assignment involved the valuation of 46.67 acres of land in the City of Sacramento, California. The property consisted of taxable parcels located in the proposed College Square Community Facilities District No. 2005-01. This *Executive Summary* provides an overview of the pertinent facts and conclusions relating to the subject property and appraisal.

Revisions to Subject Property and Appraised Value

On July 24, 2007, subsequent to the completion of the appraisal report, we were informed that the main developer (College Marketplace LLC) was nearing completion on a lot line adjustment affecting Assessor's Parcel Numbers (APNs 117-1460-029 and -030), which increased the size of Parcel 29 from 3.23 to 3.92-acres, thereby reducing the size of Parcel 30 from 5.23 to 4.54-acres. In addition to the lot line adjustment, the developer has elected to exclude Parcel 29 (APN 117-1460-029) from the College Square CFD. Due to these changes, the high density residential component of the subject was reduced by 3.92-acres (and residential entitlements have been reduced by 101 units).

We have prepared a "Letter Addendum" to the appraisal, which outlines the changes to the subject property and summarizes the impact on the appraised value as a result of this change (the resulting value change was minor, from $34,300,000 to a revised value of $34,200,000, due to a number of offsetting factors). <u>The original appraisal has not been modified to reflect this change; however, this Executive Summary been updated and modified to reflect the changes resulting from the lot line adjustment and the reduction in high density residential acreage.</u>

SUBJECT PROPERTY OVERVIEW

General

The subject property is located in the southern portion of the City of Sacramento directly east of Cosumnes River College. The property is bound by Bruceville Road to the west, Cosumnes River Boulevard to the north and State Highway 99 to the east. The subject consists of 30 legal parcels encompassing approximately 42.75-acres. The parcels which comprise the subject are approved for a mixture of commercial and residential land uses. In total, the commercial parcels within the district contain 22.84-acres and are approved for ±207,810 square feet of improvements (excluding 5.88-acres and ±65,000 SF structure owned by Ralphs); the residential parcels within the district contain 19.91-acres and are approved for 623 residential units (excluding 3.92-acres and 101 units on Parcel 29).

The portion of the subject that lies north of W. Stockton Boulevard is presently under development with a neighborhood retail center. This portion of the property consists of 15 legal parcels totaling 13.60-acres. The northerly subject parcels are intended for ±113,459 square feet of retail improvements within 15 buildings. As of the effective date of value (July 1, 2007), eight retail buildings totaling 47,749 square feet will be completed.

Land Use Overview

As mentioned, the approved land uses within the project include both residential and commercial components. Within the commercial component, there are three distinct use categories. These components are summarized as follows:

Residential: The lands designated for residential use contain a total of 19.91-acres and are approved for 623 multi-family units. Granite Bay Holdings owns 8.11-acres approved for 240 units and College Marketplace owns 11.80-acres approved for 383 units. All of the residential land is located south of W. Stockton Boulevard. The residential component may include senior independent and assisted-living as well as conventional multi-family units and or for sale product. There is an inclusionary housing component requiring that 15% of all residential units built be affordable to qualifying households (10% very low income and 5% low income). It is noted that the inclusionary housing requirement for the College Marketplace owned land will be satisfied by a 101-unit affordable rental project proposed on Parcel 29, which has been excluded from the CFD. Therefore, the remaining 11.80-acres owned by College Marketplace will not be subject to any further inclusionary requirements.

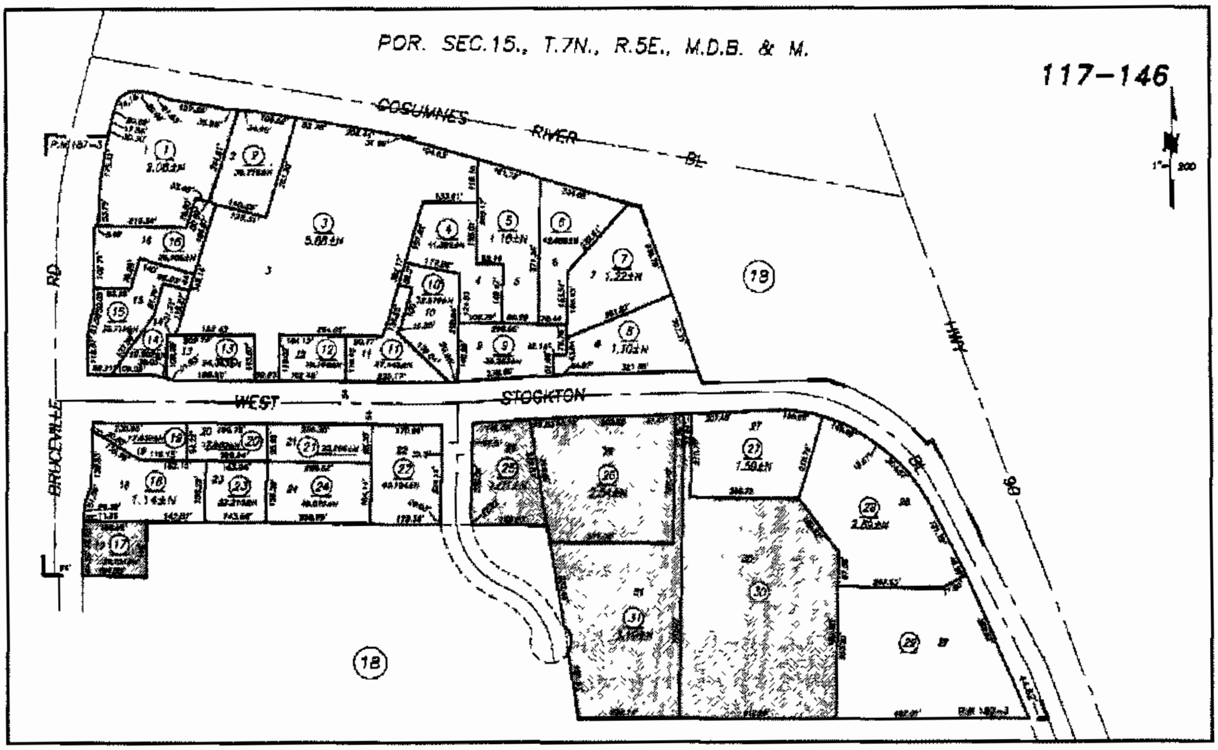
Commercial: Overall, the College Square project is approved for ±269,000 square feet of commercial development on 28.72-acres. The commercial parcels that comprise the subject contain 22.84-acres and are approved for ±207,810 square feet of improvements (excluding 5.88-acres and ±64,687 SF structure owned by Ralphs). The categories of commercial uses include a neighborhood retail center, highway commercial uses, and a transit-oriented development (TOD) consisting of retail and office uses. Additional details relating to the commercial use categories are summarized as follows:

- **Neighborhood Retail:** This portion of the property consists of 15 legal parcels totaling 13.60-acres, situated north of W. Stockton Boulevard. The northerly subject parcels are intended for ±113,459 square feet of retail improvements within 15 buildings; the center is anchored by Foods Co. (64,687 SF on 5.88-acres), which is not a part of this appraisal. As of the effective date of value (July 1, 2007), eight retail buildings totaling 47,749 square feet will be completed.

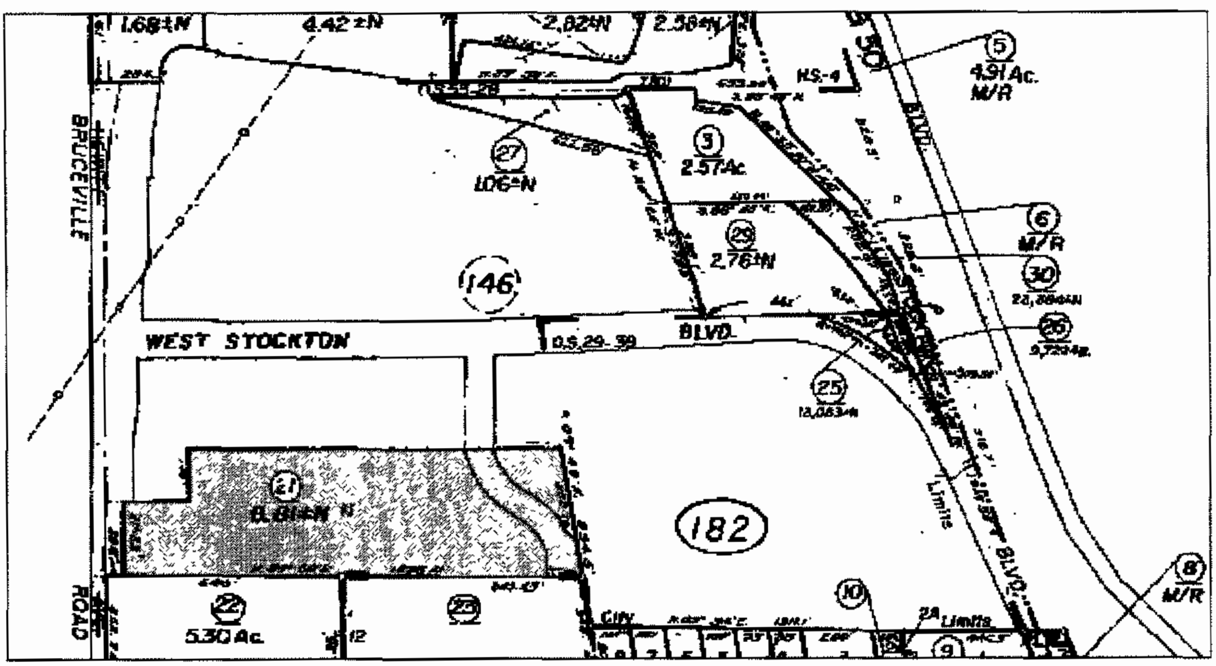
- **Highway Commercial:** This portion of the project is situated south of W. Stockton Boulevard and is visible from Highway 99. The two parcels designated for highway commercial use contain a combined 4.28-acres and are approved for commercial/retail uses totaling approximately 33,000 square feet. This portion of the project acts as a buffer between the residential uses and Highway 99. The buildings will be oriented toward the freeway to generate customer interest. Likely potential uses include showroom retail, lodging facilities, restaurants, etc.

- **TOD Retail/Office:** This portion of the property consists of seven contiguous parcels totaling 4.96-acres at the southeast corner of W. Stockton Boulevard and Bruceville Road. This land is planned for a transit oriented development consisting of retail and office uses that are supportive to the nearby residential uses and transit supportive. Buildings planned include retail pads, a restaurant, in-line retail stores and an office building. The proposed uses benefit from and serve both local customers and those utilizing the future light rail extension and park and ride facility.

ASSESSOR PARCEL MAPS



Assessor's Parcel Map: Book 117, Page 146

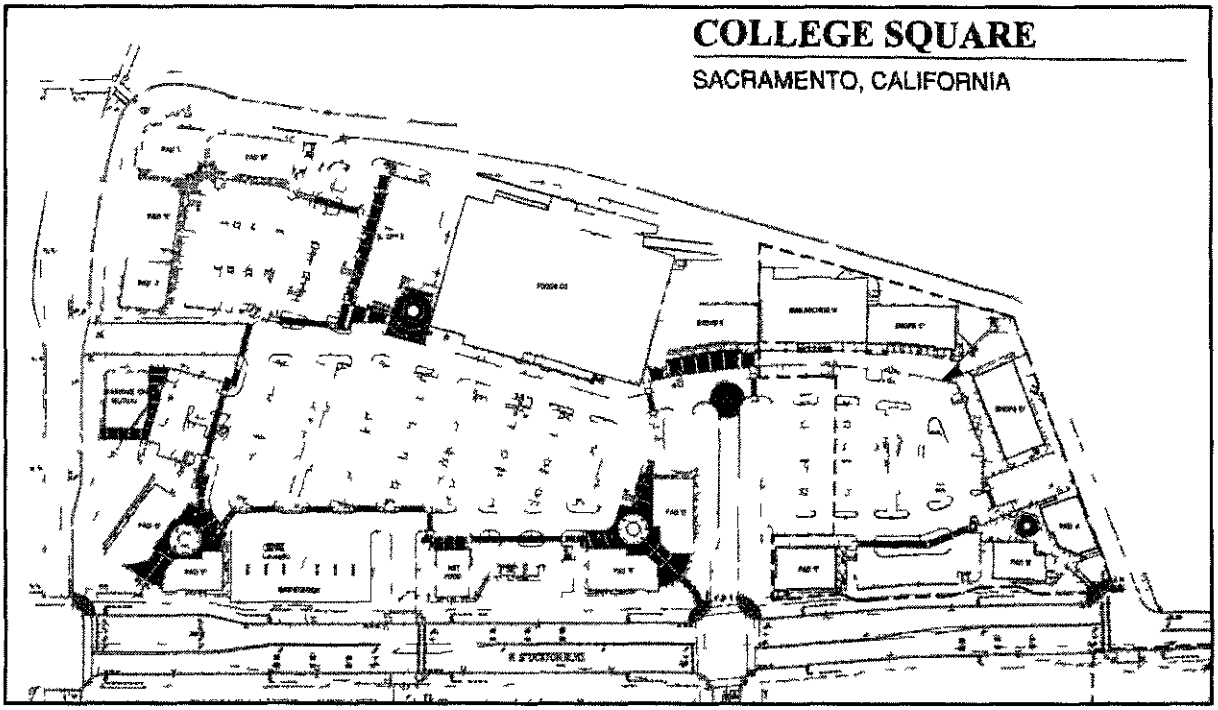


Assessor's Parcel Map: Book 117, Page 018

Commercial / Residential

Improved Property

Phase I of the neighborhood retail center was nearing completion as of the inspection date. All site improvements (parking areas, landscaping, sidewalks, lighting, etc.) were completed on the Phase I (westerly) portion of the project. In addition, the six pad buildings were completed in shell condition and the two shop buildings were well under construction. As of the effective date of value (July 1, 2007), the eight buildings are expected to be completed inclusive of tenant improvements for the pre-leased suites, the balance of suites are expected to be completed to a vanilla shell state. The following table summarizes the improved parcels, the existing improvements, current development status and projected status as of July 1, 2007.



OVERVIEW - COLLEGE SQUARE RETAIL CENTER (NORTH)
BUILDING IMPROVMENTS COMPLETED AS OF JULY 1, 2007

Phase	APN	Identification	Land Area Acres	Land Area SF	Approved Bldg SF	Current Status (as of 4/20/07)	Projected Status as of 7/1/07
1 B	117-1460-002	Shops A	0.82	35,719	9,758	Under Construction	Bldg. Complete
1 B	117-1460-004	Shops B	0.95	41,382	8,914	Under Construction	Bldg. Complete
1-A	117-1460-010	Pad D	0.75	32,670	6,000	Shell Complete	Bldg. Complete
1-A	117-1460-011	Pad E	0.63	27,443	5,600	Shell Complete	Bldg. Complete
1-B	117-1460-012	Fast Food	0.44	19,166	3,180	Shell Complete	Bldg. Complete
1-A	117-1460-014	Pad F	0.45	19,602	3,920	Shell Complete	Bldg. Complete
1-A	117-1460-015	Pad G	0.82	35,719	6,177	Shell Complete	Bldg. Complete
1-A	117-1460-016	Pad H	0.83	36,155	4,200	Shell Complete	Bldg. Complete
IMPROVED TOTALS			**5.69**	**247,856**	**47,749**		

Pre-leasing activity thus far includes 12 executed leases totaling 20,633 square feet (43.2% of total). The leases range in size from 1,000 to 4,200 square feet and terms are from 5 to 10 years. Lease rates range from $2.65 to $3.25 per square foot (per month), with an average rate of $2.89 per square foot. All leases are structured under triple net terms.

Infrastructure Improvements

Major infrastructure improvements for the subject property have recently been completed. Bruceville Road has been widened (now nine lanes wide at Cosumnes River Boulevard intersection) and W. Stockton Boulevard has been extended from Bruceville Road to the southeasterly corner of the subject site. Other recently completed public improvements serving the property include several traffic signals, storm drain system and backbone infrastructure for water, sewer, phone, gas and cable television services.

Additional improvement currently under construction (as of the date of this report), include Kastanis Way (a court street extending 800 feet south from W. Stockton Boulevard). According to Bradley Cutler (representative for College Marketplace LLC), Kastanis Way is scheduled to be completed prior to July 1, 2007. Thus, all infrastructure improvements serving the project are expected to be completed by July 1, 2007, the effective date of value.

PURPOSE, PROPERTY RIGHTS AND EFFECTIVE DATE

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property (subject to special tax and assessment liens) as of the effective date of the appraisal, July 1, 2007. Unless otherwise stated, all factors pertinent to a determination of value are considered as of this date.

According to CDIAC, "Market Value represents the security of bondholders in a land-secured financing, and should be the operative definition of value in CFD and assessment district appraisals." Based on the interpretation of the CDIAC guidelines by the City of Sacramento, the existing and proposed special taxes and assessment liens (including special taxes associated with the proposed College Square CFD 2005-01) have been considered in the valuation of the subject; the market value conclusion is "subject to" special taxes and liens.

INTENDED USE AND INTENDED USER

This appraisal report is prepared for the City of Sacramento for use in establishing value-to-lien ratios for the College Square Community Facilities District No. 2005-01 2007 Special Tax Bonds. The appraisal report was prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the California Debt Advisory Commission Appraisal Standards for Land Secured Financing.

OPINIONS OF VALUE RENDERED

The value opinion reported is the "as is" market value (bulk sale value) for all properties within the district. Per the Appraisal Standards For Land-Secured Financing, as published by California Debt and Investment Advisory Commission (CDIAC), bulk sale value should be estimated for all vacant properties, including both unimproved properties and improved or partially improved owned by a developer or merchant builder and not yet sold to individual buyers. Bulk sale value as defined by CDIAC is as follows:

> "The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress."

Source: Appraisal Standards For Land-Secured Financing, as published by California Debt and Investment Advisory Commission.

CURRENT OWNERSHIP AND SALES HISTORY

Based on a review of public records, ownership of the 31 parcels which comprise the subject is vested as follows:

Owner	Assessor's Parcel Number(s)
College Square Marketplace, LLC	117-460-001, 117-460-002, 117-460-004 thru -031
Granite Bay Holdings	117-0182-021

The parcels which comprise the College Square Marketplace LLC holdings were assembled by the current owner in multiple (7) acquisitions from different sellers between July 31, 2000 and November 30, 2004 (combined acquisition price for all properties was $5,222,903). Since acquisition, the owner has rezoned the property, and obtained all necessary entitlements for development. Based on a review of documentation provided by the developer, the total capitalized costs (excluding acquisition) total $12,621,865 for items such as environmental mitigation ($4.3 million), permits and fees ($2.5 million), interest payments ($3.85 million) and other items. Thus, the developers total land basis is approximately $17.85 million.

The parcel owned by Granite Bay Holdings was acquired in January 2002 via a quit claim deed. Details relating to the transaction were not disclosed.

To the best of our knowledge, no sales or transfer of ownership of the subject parcels have occurred within the past three years.

College Square Marketplace, LLC is currently marketing the corner drug store site (APN 117-1460-001, 2.06-acres) within the neighborhood retail center as well as the multi-family parcels south of W. Stockton Boulevard and the two highway commercial parcels. According to Bradley Cutler (representative for College Square Marketplace, LLC), the current asking prices for these sites are as follows:

Asking Prices - Land		
Identification	**Asking Price**	**Comments**
Drug Store Site	$30.00 per SF	Minimum, Plus Bonds
Highway Commercial Land	$20.00 per SF	Plus Bonds
Multi-family Land	$12.00 per SF	Plus Bonds, Plus Pre-paid Park Fees

SCOPE OF WORK

Inspections, Research and Analysis

The scope of the appraisal process included inspection of the subject property and the comparables. We collected and analyzed information about the surrounding neighborhood, market area, and market trends affecting the subject property from surveying the neighborhood and competitive market area, published secondary sources, and first-person interviews with market participants.

In addition we have investigated and confirmed market data for use in the valuation analysis by searching public records and commercial data sources like COSTAR, Inc., consulting other appraisers, brokers, and other market participants, and comparable property data from our internal appraisal files. The data researched in this manner includes, but is not limited to, sale comparables, rent comparables, capitalization and discount rates, market cost estimates, operating expenses, and profit requirements.

Valuation Methodology

The property within the district includes both "Improved" and "Unimproved" parcels. Given the composition of parcels and uses that comprise the district, various methodologies were utilized to estimate the "as is" market value (bulk sale value) for the entire district. The Appraiser utilized the three traditional approaches to value (Cost, Income & Sales Comparison) to estimate the value of the Improved Parcels within the district. A bulk discount was then applied to the concluded value of the Improved Parcels to estimate their contribution to the overall bulk value of the district. The Sales Comparison Approach and Discounted Cash Flow Analysis were utilized to estimate the bulk market value for the Unimproved Parcels. Finally, the bulk values of the Improved and Unimproved Parcels were summed to render a total bulk value for the entire district.

The "bulk" appraisal premise represents the market value that would be realized if a single buyer purchased multiple properties from a single seller and reflects that a bulk buyer would sell individual units over a market-based projected sell-out period. The various methodologies including the discounted cash flow analysis reflect all estimated costs to carry and sell the units, while providing a reasonable return to the buyer of the total property in bulk. The valuation methodologies incorporated an absorption forecast developed and supported by the Appraiser. The Appraiser did not rely upon a third-party absorption forecast or market study commissioned by the City.

REGIONAL OVERVIEW

Sacramento, the capital of California, is located in the north-central part of the state, roughly 85 miles northeast of San Francisco. The official Sacramento MSA (metropolitan statistical area) includes the counties of Sacramento, Placer, El Dorado and Yolo. Unofficially, the "Greater Sacramento Area" also encompasses the nearby Sutter and Yuba counties. Over the last two decades, the Sacramento Region has been characterized by rapid growth in population, jobs, residential and commercial construction, and household incomes. The Greater Sacramento Area has established itself as one of the most attractive business locations for new, expanding and relocating enterprises in California. It is regularly mentioned in lists of the country's most desirable places to live, and is gaining a national reputation for its stable, recession-resilient economy and steady, well-managed growth.

As summarized below, the Sacramento MSA now has an estimated population of over 2 million and the Greater Sacramento Region population is just over 2.2 million.

CURRENT POPULATION		
County	**1/1/2006**	**% Total**
Sacramento County	1,385,607	67.0%
Placer County	316,508	15.3%
El Dorado County	176,204	8.5%
Yolo County	*190,344*	9.2%
Sacramento MSA	**2,068,663**	**100.0%**
Sutter County	*91,450*	---
Yuba County	*69,827*	---
Greater Sacramento Region	***2,229,940***	---
Source: CA Dept. of Finance		

The Greater Sacramento Area has continued to experience increasing employment levels over the past several years, although the rate of growth has declined over the past 12 months. In November 2006, year-over-year employment growth was 1.4%, a net gain of 13,300 jobs. The November jobs numbers reflect a 2 percentage point decline from the February 2006 peak of 3.4% growth. The Region's declines are primarily a result of the housing related slowdowns combined with the diminishing growth of other large sectors. Even with the descending job growth, the Region has remained above the statewide and national averages in recent months.

The Government sector is at the top of the list of sectors posting the greatest year-over-year job gains in the Sacramento Region, followed by Leisure and Hospitality and Professional & Business Services. Together, these three sectors added 13,000 jobs since November 2006. The three sectors with the most notable slowdowns (falling to negative employment growth in recent months) include Construction, Financial Activities and Manufacturing. Housing-related declines have been concentrated in the Construction and Financial Activity sectors, which have posted negative job growth in the past few months.

The region has experienced substantial growth over the past 20 years. Much of this growth is attributed to the area's quality of life and affordable housing costs. Sacramento has historically had a broad based economy (anchored by Government, the university system and agribusiness) and benefits from low labor costs and its location as a regional hub. These economic insulators have cushioned the area from more severe impacts experienced by other parts of the state and country during periods of economic instability.

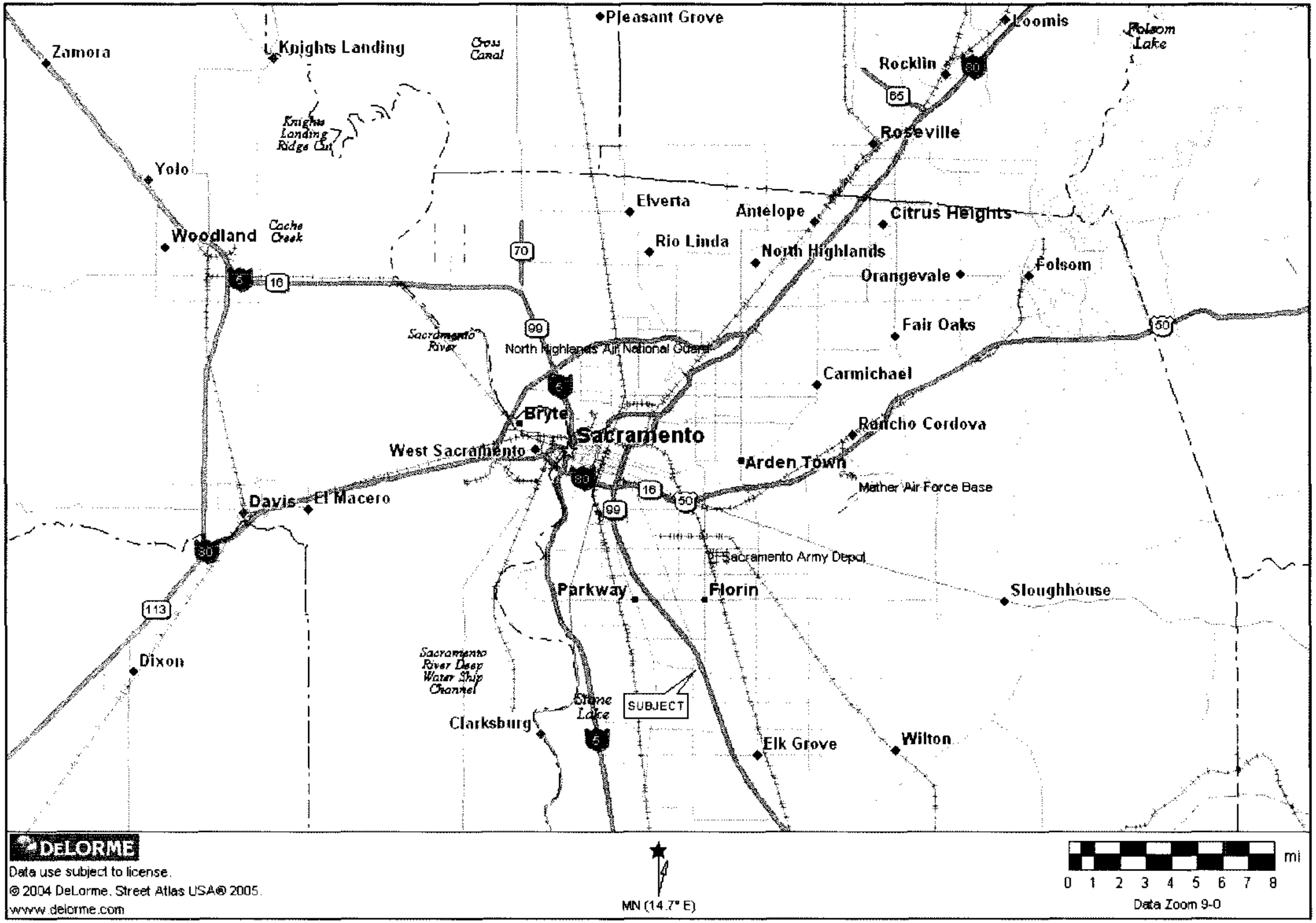
Most national economic indicators exhibited signs of a downturn during the latter part of 2000 through 2003. The Sacramento region experienced some impact relating to the economic downturn; however, the negative influences have been minimal compared to other areas of Northern California (specifically the Bay Area). While the region's growth has leveled off from the earlier boom times, most economic sectors continued to grow, albeit at modest levels in comparison to the recent past. Overall, the regional economy has fared better than that of the state and the nation.

The region's affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. On a long-term basis, it is anticipated that the Sacramento MSA and will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

MARKET AREA/NEIGHBORHOOD OVERVIEW

The subject is located in the southeast portion of the city of Sacramento approximately eight miles south of the Sacramento CBD. More specifically, the property is located along the south side of Cosumnes River Boulevard between Highway 99 and Bruceville Road. The defined market area includes areas within the southern portion of the city of Sacramento, areas within the northern portion of the city of Elk Grove as well as unincorporated area within Sacramento County. The market area can generally be characterized as a residential area; however, a wide variety of land uses exist within the neighborhood.

Overall, the market area benefits from a strong residential base and significant traffic counts along many of the major interior roadways. The market area is largely built-out and is in the stability stage of its life cycle. As the region continues to grow in a southerly direction, there will be sustained demand for residential and retail services. Recent commercial development in the immediate market area has been well accepted by the market. As the area continues to grow, it is our opinion that the values in the subject neighborhood will experience stability and moderate increases over the long term.



Pleasant Grove
Loomis
Folsom Lake
Zamora
Knights Landing
Cross Canal
Rocklin
Knights Landing Ridge Cut
Roseville
Yolo
Elverta
Antelope
Citrus Heights
Woodland
Cache Creek
Rio Linda
North Highlands
Folsom
Orangevale
Fair Oaks
Sacramento River
North Highlands Air National Guard
Carmichael
Bryte
Rancho Cordova
West Sacramento
Sacramento
Arden Town
Mather Air Force Base
Davis
El Macero
Sacramento Army Depot
Parkway
Florin
Sloughhouse
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Stone Lake
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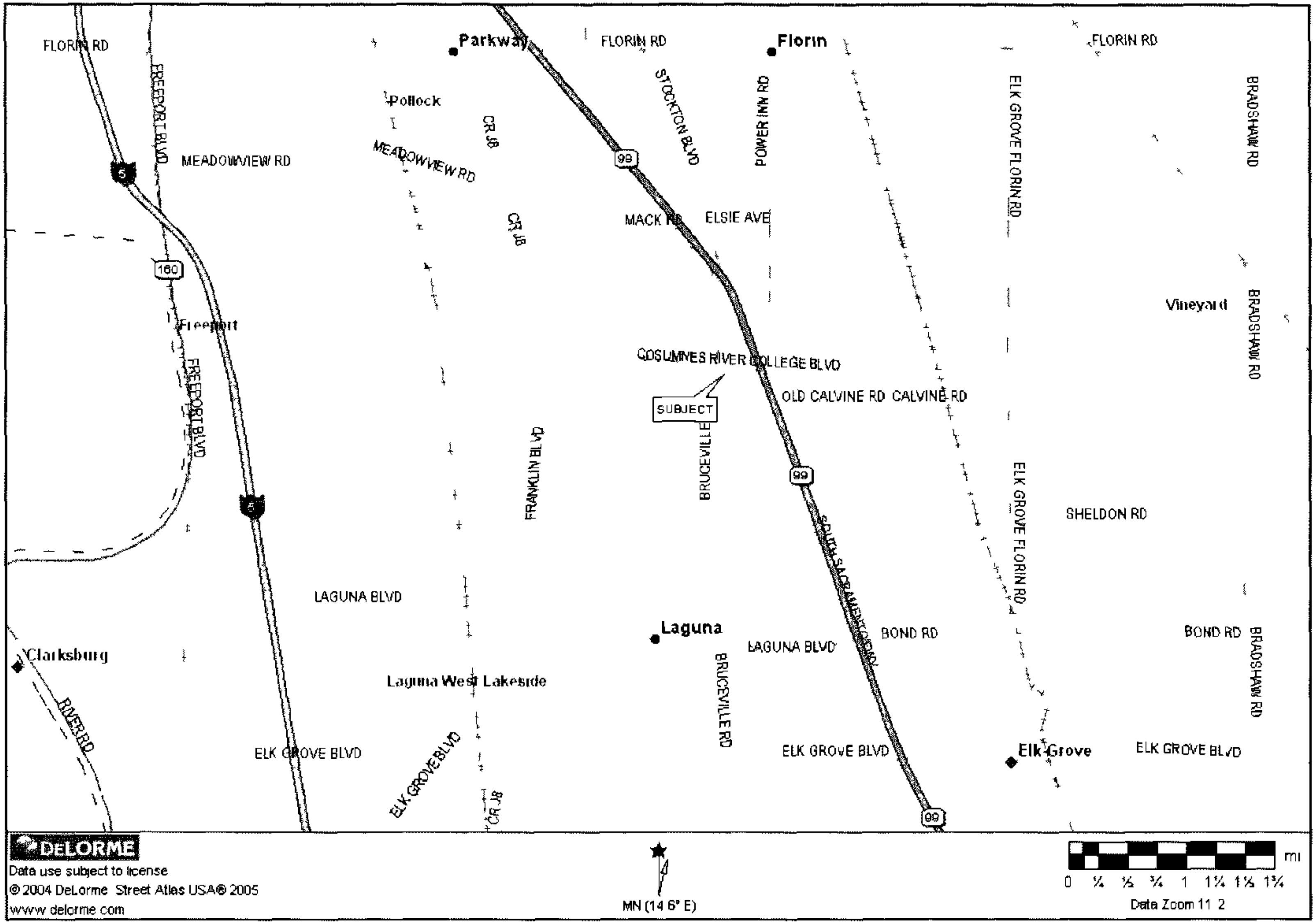
AREA MAP



MARKET AREA MAP

RETAIL MARKET OVERVIEW

Fueled by continued population growth and housing starts, the regional retail market has experienced phenomenal growth over the past several years. Absorption has kept pace with over six million square feet of inventory added over the past five years and year-end vacancy rates averaged a healthy 5.5% during the same period. As the depth of the regional housing slump became more apparent in 2006, the region's retail market experienced its first signs of slowing in more than five years; however, net absorption has remained positive and rental rates have generally held stable.

Overall, Sacramento continues to be a healthy retail market; and retail real estate, supported by population growth and residential development (even at the present lower levels) remains strong. The current regional vacancy rate stands at 6.1%, which is above levels experienced during the past three years, but at a level that indicates a balance between supply and demand. Over the short-term, the vacancy rate may increase slightly as a result of the significant construction currently underway (and planned) and slightly lower tenant demand. Rental rates are expected to remain stable. Given the region's strong employment base and residential growth history, the long-term outlook for the regional retail market remains positive.

The subject property is located in the southernmost portion of the City of Sacramento; however, the immediate subject area is most influenced by trends in Laguna/Elk Grove retail submarket (as defined by CB Richard Ellis, the subject property is actually within northernmost portion of the Laguna/Elk Grove retail submarket). Over the past 10 years, the Laguna/Elk Grove submarket has been one of the fastest growing submarkets in the region in terms of population and housing and more recently, this area has emerged as a growing employment center. The population growth has resulted in significant retail development activity over the past 10-years, with the retail base more than doubling since 1998. This submarket now contains over 3.3 million square feet of retail space, approximately 9.5% of the total inventory in the region. Despite significant additions to supply, this submarket has maintained some of the lowest retail vacancy rates within the region.

As a result of pent-up demand, the submarket experienced minimal vacancy between 1998 and 2005 (year-end vacancy rates during this period ranged from 0.3% to 2.0%). According to CB Richard Ellis, the current vacancy rate (1Q-2007) within the submarket is 3.3%, well below the regional average of 6.1%. It appears that development activity has caught up with demand, resulting in more balanced market conditions in this submarket. Going forward, we expect that vacancy rates should hold in the range of 3% to 5% over the next several years.

The Laguna/Elk Grove area will continue to remain one of the high growth suburban submarkets within the region in terms of residential growth. These trends will result in continued demand for retail services and strong retail development activity over the coming years. Consistent with trends in the region, the slowdown in the residential housing market is likely to have some short-term impact on tenant demand; however, the mid-to-long term outlook is for continued growth. The submarket is competitive in terms of rental rates to other new growth areas of Sacramento (North Natomas, Folsom, Rocklin and Roseville). The overall outlook for this submarket in terms of net absorption and rental/property appreciation appears to be good in comparison to the entire region.

HIGH DENSITY RESIDENTIAL MARKET OVERVIEW

Market trends surrounding the two primary high-density residential land uses (condominium and apartment) have been changing dramatically, and in opposition to each other over the past few years. The condominium market experienced a major upswing over the past few years, peaked, and has been declining rapidly over the past 12 months. At the current point in the market cycle, any value enhancement to multi-family residential land for potential condominium development over the next several years (which had been very significant) is gone.

The value of the land now lies in its apartment use potential. However, current market rent levels do not yet support new apartment construction. The apartment market was in a down cycle during the for-sale housing boom, losing renters to homeownership. These trends began to reverse themselves in 2005 as condo conversions began to pull apartment inventory out of the market and escalating home prices and flat rents made renting more attractive. Because rents have been flat or only modestly increasing over the past several years while housing prices skyrocketed, significant upward potential exists for rent growth before rents get anywhere near the monthly cost of home ownership, even if home prices continue to decline.

Given these considerations, we expect to see the following high-density residential market trends going forward:

- Little or no land sales activity for condominium construction until the next major for-sale residential development cycle.

- More condominium projects reverting back to apartment use in the next 12 months. This will likely cause periodic, short-term vacancy spikes in submarkets where this occurs as the inventory is leased up. Conversely, it will also help stabilize absorption for existing/marketing condo projects.

- Increased demand for apartment units from foreclosures and general reticence on the part of current qualified renters to buy entry-level homes in the weak for-sale market.

- Declining regional apartment vacancy rates to near or below 5% over the next 18-36 months, after any excess inventory from condominium reversions is absorbed.

- Moderate to strong rental rate increases once vacancy shows sustained declines.

- Demand for high-density residential sites by developers anticipating near-term apartment development beginning in the next 2-4 years. The timing of this new apartment development cycle will depend on several factors, including how quickly vacancy declines, the pace of rental rate increases, and how dramatically construction costs increase during this period.

Current trends in the rental and for-sale housing markets suggest that we are likely to see an apartment development cycle in the next few years. Until market-rate apartment development becomes imminent, the buyers for the property are investors and low-income housing developers who have subsidies for new development.

PROPERTY RISK FACTORS

Negative Factors:

- The primary negative risk factor for the subject project lies in the residential land component. The retail land is expected to be desirable and marketable in the near-term. Multi-family residential market conditions are in a major transition, which renders estimating the timing of its absorption and appreciation more difficult to predict.

Positive Factors:

- The improved portion of the property (Phase I of the neighborhood retail component) represents a desirable retail investment opportunity. Given the high level of investor demand for good quality improved retail properties throughout the region, it is our opinion that this portion of the project could be sold within six months (or less).
- The property has a strong retail location and benefits from n established and large surrounding residential base. It has very easy access to and from Highway 99 and is within approximately eight miles of the Sacramento CBD. It lies close to Cosumnes River College and several newer regional retail centers are located at this freeway exit. Most other neighborhood centers are much older, and development sites for new neighborhood retail are very limited, which restricts the potential for new competition.
- The land use plan that includes a blend of retail and multi-family residential uses is very complimentary. In other words, that there will be both retail and high-density residential uses next to each other enhances the desirability of both land use types.
- RT's South Sacramento Corridor Phase 2 project appears imminent (construction is scheduled to commence in 2008, with completion projected in 2010-2011). This project will extend light rail service approximately four miles to Cosumnes River College. The property is located across the street from the proposed College Square light rail station, which will also include park and ride facilities. This is considered a significant benefit for both residential and commercial components of the subject project.

- The project is within a suburban infill location and the unimproved portion of the property (±37 acres) is considered a relatively small, mixed-use development project for this region.

VALUATION

The purpose of this appraisal is to estimate the "as is" (bulk) market value of the entire CFD as of July 1, 2007. The general methodology used to arrive at the market value estimates is as follows:

Vacant Land: The retail value for each vacant parcel (or logical grouping of vacant parcels) is estimated by the Sales Comparison Approach. This approach uses sale comparables of properties having similar highest and best uses as the subject parcels.

Improved Parcels: The three traditional approaches to value (Cost, Sales Comparison and Income Capitalization) are used to estimate the value of the improved portion of the property.

"As Is" Bulk Value for Entire CFD: A bulk discount was applied to the concluded value of the Improved Parcels to estimate their contribution to the overall bulk value of the district. A discounted cash flow analysis was utilized to estimate the bulk market value for the Unimproved Parcels. The bulk values of the Improved and Unimproved Parcels were summed to render a total bulk value for the entire district.

GROUPINGS OF PARCELS FOR VALUATION

The subject consists of 30 legal parcels encompassing approximately 42.75-acres. The parcels within the district have been allocated into logical groups and sub-groups for valuation purposes. The major groups include: Improved Parcels, Commercial Land and Residential Land. The groups and sub-groups are identified as follows:

Improved Parcels

The parcels north of W. Stockton Boulevard are under development with a neighborhood retail center. As of the date of value, eight of these parcels (totaling 5.69-acres) will be improved with retail buildings totaling 47,749 square feet. The "Improved Parcels" will be valued as one group. The improved parcels are summarized as follows:

OVERVIEW - COLLEGE SQUARE RETAIL CENTER (NORTH) BUILDING IMPROVMENTS COMPLETED AS OF JULY 1, 2007							
			Land Area		Approved	Current Status	Projected Status
Phase	APN	Identification	Acres	SF	Bldg SF	(as of 4/20/07)	as of 7/1/07
1-B	117-1460-002	Shops A	0.82	35,719	9,758	Under Construction	Bldg. Complete
1-B	117-1460-004	Shops B	0.95	41,382	8,914	Under Construction	Bldg. Complete
1-A	117-1460-010	Pad D	0.75	32,670	6,000	Shell Complete	Bldg. Complete
1-A	117-1460-011	Pad E	0.63	27,443	5,600	Shell Complete	Bldg. Complete
1-B	117-1460-012	Fast Food	0.44	19,166	3,180	Shell Complete	Bldg. Complete
1-A	117-1460-014	Pad F	0.45	19,602	3,920	Shell Complete	Bldg. Complete
1-A	117-1460-015	Pad G	0.82	35,719	6,177	Shell Complete	Bldg. Complete
1-A	117-1460-016	Pad H	0.83	36,155	4,200	Shell Complete	Bldg. Complete
IMPROVED TOTALS			**5.69**	**247,856**	**47,749**		

Commercial Land

The balance of the commercial parcels within the district will be unimproved as of the July 1, 2007 valuation date. These parcels have been allocated into sub-groups for valuation purposes. The sub-groups consist of both single parcels as well as multiple parcels depending on our analysis of a typical buyer profile for the properties. The sub-groups for the commercial land are summarized as follows:

<u>Sub-Groups – Commercial Land</u>

- Parcel 1 (2.06-acres) – Drug Store Site
- Parcel 13 (0.56-acres) – Pad Site
- Parcels 5, 6, 7, 8 & 9 (5.29-acres) – Eastern Parcels within Shopping Center *(Note: site work for Parcel 5, 1.18-acres, is complete).*
- Parcels 27 & 28 (4.28-acres) – Highway Commercial Parcels
- Parcels 18, 19, 20, 21, 22, 23 & 24 (4.96-acres) – Transit Oriented Development Parcels (Retail & Office)

Residential (Multi-family) Land

The residential parcels within the district will be unimproved as of the July 1, 2007 valuation date. There are a total of seven residential parcels totaling 23.83-acres (approved for 724 residential units). The residential parcels have been allocated into three sub-groups for valuation purposes.

<u>Sub-Groups – Residential Land</u>

- Parcels 25, 26 & 31 (6.74-acres – approved for 238 units)
- Parcels 30 (4.54-acres – approved for 127 units)
- Parcels 17 & GBH Parcel - 117-0182-021 (8.63-acres – approved for 258 units)

RETAIL VALUE OF IMPROVED PARCELS

The improved portion of the subject was not stabilized as of the effective date of value. In order to estimate the "as is" value for this component, we first estimated the "as if" stabilized value using the three traditional approaches to value and then deducted absorption costs and profit to derive the "as is" market value for the improved parcels. The following tables summarize the value indications and conclusions for the improved portion of the project.

"AS IF" STABILIZED MARKET VALUE – IMPROVED PORTION	
Cost Approach	$21,700,000
Sales Comparison Approach	$25,100,000
Income Capitalization Approach	$25,250,000
"As If" Stabilized Value Conclusion	**$25,250,000**

"AS IS" MARKET VALUE – IMPROVED PORTION	
"As If" Stabilized Value Conclusion	$25,250,000
Less: Absorption Costs & Profit	-$1,011,236
"As Is" Value Indication	$24,238,764
Rounded To:	**$24,240,000**

RETAIL VALUE OF UNIMPROVED PARCELS

The retail values for the unimproved parcels were estimated via the sales comparison approach. The retail value conclusions for the groupings of commercial parcels are summarized in the following tables.

RETAIL LAND VALUE CONCLUSIONS - ALL COMMERCIAL PARCELS

				Unencumbered		Bond	Encumbered	
Identification	**Parcel #(s)**	**Acs.**	**SF**	**$/SF**	**Value**	**Impact**	**Value**	**Rounded**
Drug Store Site	1	2.06	89,734	$28.00	$2,512,552	-$403,801	$2,108,751	**$2,110,000**
Pad (former fuel station)	23	0.56	24,393	$28.00	$683,004	-$73,181	$609,823	**$610,000**
Improved Parcels	2, 4, 10, 11, 12, 14, 15 & 16	5.69	247,856	$23.00	$5,700,688	-$892,282	$4,808,406	**$4,810,000**
Unimproved Parcels (1)	5, 6, 7, 8 & 9	5.29	230,432	$20.00	$4,608,640	-$760,426	$3,848,214	**$3,850,000**
Highway Commercial	27 & 28	4.28	186,437	$20.00	$3,728,740	-$531,345	$3,197,395	**$3,200,000**
TOD Retail/Office	18, 19, 20, 21, 22, 23 & 24	4.96	216,056	$18.00	$3,889,008	-$972,254	$2,916,754	**$2,920,000**

(1) Land value only - excludes $360,000 for completed site work.

The retail values for the groupings of residential parcels were based on a concluded unit value of $500,000 per acre, assuming no bond encumbrance and no affordability requirements. The College Marketplace owned parcels within the CFD will not be subject to inclusionary requirements as this will be satisfied by an affordable apartment project (101 units) to be developed on Parcel 29, which has been excluded from the district. The Granite Bay Holdings land will be subject to inclusionary requirements; as such, the retail value of these parcels has been discounted to reflect this requirement.

The concluded retail values for the residential parcels, adjusted for the bond encumbrance and affordability requirements (as applicable) are summarized in the following table.

High-Density Residential Retail Value Estimates						
Grouping (Parcel #s)	**Acres**	**Unencumbered Value $/Acre**	**Total**	**(1) Bond Adj.**	**Encumbered Value**	**Rounded To**
25, 26 & 31	6.74	$500,000	$3,370,000	-$1,467,972	$1,902,028	**$1,900,000**
30	4.54	$500,000	$2,270,000	-$988,812	$1,281,188	**$1,280,000**
17 & GBH Parcel	8.63	$425,000	$3,667,750	-$1,879,614	$1,788,136	**$1,790,000**
Totals	**19.91**	---	**$9,307,750**	**-$4,336,398**	**$4,971,352**	**$4,970,000**

(1) Based on $5/SF ($217,800/Acre)

RETAIL VALUES OF ALL PROPERTY GROUPS

The following table summarizes the retail value conclusion for each of the property groups as well as the aggregate retail value for all properties within the district.

RETAIL VALUE CONCLUSIONS - ALL GROUPS (ENCUMBERED VALUES)					
		Land Area		**Structures**	
Identification	**Parcel #(s)**	**Acs.**	**SF**	**SF**	**Retail Value**
IMPROVED PARCELS	2, 4, 10, 11, 12, 14, 15 & 16	5.69	247,856	47,749	**$24,240,000**
Drug Store Site	1	2.06	89,734	--	$2,110,000
Pad (former fuel station)	23	0.56	24,393	--	$610,000
Unimproved Parcels (1)	5, 6, 7, 8 & 9	5.29	230,432	--	$4,210,000
Highway Commercial	27 & 28	4.28	186,437	--	$3,200,000
TOD Retail/Office	18, 19, 20, 21, 22, 23 & 24	4.96	216,056	--	$2,920,000
Residential - Citadel (West)	25, 26 &31	6.74	293,594	--	$1,900,000
Residential - Citadel (East)	30	4.54	197,762	--	$1,280,000
Residential - GBH	GBH Parcel (& Parcel 17)	8.63	375,923	--	$1,790,000
UNIMPROVED PARCEL TOTALS		37.06	1,614,331	--	**$18,020,000**
AGGREGATE RETAIL VALUE - TOTAL PROPERTY					**$42,260,000**

(1) Adjusted upward by $360,000 for completed site improvements.

BULK VALUE OF PROPERTY

It is our opinion that the most likely buyer of the project in bulk would be an investor that would hold the neighborhood retail portion and sell-off the unimproved land parcels. Based on these factors, it is debatable whether a potential buyer of the overall project in bulk would recognize any discount to the improved component of the project. In the event that a bulk buyer elected to sell-off the improved component of the project, it is our opinion that this component of the project could easily be sold within six months (or less) given the high level of investor demand for good quality improved retail properties throughout the region. Based on these considerations, we feel that including the improved component in a discounted cash flow analysis (along with the unimproved parcels) would result in an excessive discount to the overall property value.

Contributory Value of Improved Parcels

There are two possible scenarios for a bulk buyer of the project with respect to the improved portion: 1) hold as an investment, or 2) sell-off along with unimproved parcels. Under the "hold" option, no discount would be appropriate. Under the "sell-off" scenario, a discount sufficient to cover sales commissions (estimated between 2%-3% for this size of a project) and a moderate return to the seller (estimated at 5% given the high level of investor demand and short anticipated marketing period) would be reasonable. Therefore bulk discount in the range of 7% to 8% is deemed reasonable.

Based on these considerations, we have applied a bulk discount rate of 7.5% to the retail value conclusion for this component in order to arrive at a contributory value to the overall bulk value of the project. Our estimate of bulk value for the improved parcels is summarized as follows:

BULK VALUE ESTIMATE - IMPROVED PARCELS		
Retail Value of Improved Parcels ("As Is")		$24,240,000
Bulk Discount @	7.5%	-$1,818,000
Contribution to Total Bulk Value of Project		$22,422,000
Rounded To:		**$22,400,000**

Bulk Value of Unimproved Parcels

A DCF analysis is considered the only applicable valuation technique to estimate the bulk value contribution of the land (to the whole property). The DCF analysis includes projections for absorption of the unimproved parcels, price appreciation over the projected sell-off period as well as holding and selling costs. The resulting cash flows are then discounted to a present value using a discount rate that reflects a rate of return commensurate with the perceived risks associated with the project.

Aggregate Retail Values Summary - Unimproved

The encumbered finished retail values for each of the logical groupings of property – in this case, similar land use types - were previously estimated in this report. These values will be used as a starting point in the valuation.

RETAIL VALUE SUMMARY–LAND ONLY	
Unimproved Parcels (Retail Center)	
Drug Store Site	$2,110,000
Pad (Former Fuel Station)	$610,000
Balance of Center (East)	$4,210,000
Highway Commercial Parcels	$3,200,000
TOD Retail/Office Parcels	$2,920,000
Residential Parcels	
GBH Land (West)	$1,790,000
Citadel (West)	$1,900,000
Citadel (East)	$1,280,000
Aggregate Retail Value	**$18,020,000**

Absorption Timing

Our projected timing of the absorption for the subject parcels is shown in the table below. The first parcels absorbed are the unimproved pads/parcels in the retail center. With much of this center expected to be complete by the effective date of value, there should be good near-term demand for this portion of the property. Likewise, there should be good near-term demand for the highway commercial parcels. These properties have been absorbed in years 1 & 2. The TOD retail/office land has been absorbed in year 3. We project that the residential parcels would be the last to be absorbed because the next construction cycle for multi-family residential improvements is still at few years away. This property has been absorbed in years 3-5.

ABSORPTION SUMMARY						
Sales/Closings By Period						
	No. Units	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Unimproved Parcels (Retail Center)						
Drug Store Site	1	1				
Pad (Former Fuel Station)	1	1				
Balance of Center (East)	1		1			
Highway Commercial Parcels	1		1			
TOD Retail/Office Parcels	1			1		
Residential Parels						
GBH Land (West)	1					1
Citadel (West)	1				1	
Citadel (East)	1			1		

Price Increases

Annual appreciation over the absorption period is expected for all of the land included in this analysis. Current retail and office market trends suggest potential for modest land value increases over the next few years. The retail values of all commercial land types have been increased 3% per year beginning in year 2. This has a relatively minor impact on the final value estimate because all of the retail and commercial properties are sold off by the end of the 3rd year.

The potential for much stronger appreciation exists for the residential land. Multi-family residential land use trends are currently in transition from the highest and best use being condominium development to hold for future apartment development (a lower use). As such, land values have slid to and are currently at the bottom of the curve. Strong projected demand and rental rate growth, in particular, over the next few years should translate into increasing land values. Given these considerations, a 7.5% annual appreciation rate has been applied to the multi-family residential parcels in the cash flow based on appraiser residual analysis of anticipated rent and construction cost increases, operating expenses, and capitalization rate trends over this period.

Construction Costs

The property requires no further vertical or site development costs in order to achieve the retail value estimates.

Prepaid Fees/Reimbursements

College Marketplace LLC (owner of parcels 17, 25, 25, 29, 30 and 31) has recorded a final map. As a condition of final map recordation, the owner has paid $1,686,643 in fees for parks/recreational services (aka Quimby Fees). The ultimate developer of these parcels is eligible to receive up to $1,433,647 in credits/off-sets for pre-paid Quimby Fees. Since Parcel 29 (101 units or 20.9% of total owned by College Marketplace LLC) is not included within the district, the remaining fee credits associated with parcels within the district equate to $1,130,000 (rounded).

These pre-paid fees were not reflected in the valuation of the high-density land. These fees would either be repaid by a buyer of these parcels or reflected in a higher land price. Therefore, this amount ($1.13 million) has been input as revenue in years 3 & 4, according to the absorption of the Citadel multi-family residential parcels (absorbed based on the fees paid/acre and the acreage sold each year).

The final map for the Granite Bay Holdings parcel has not been recorded and the Quimby fees have not yet been paid. As such, no additional revenue has been projected for this portion of the high density land.

Holding and Selling Costs

Sales Commissions

Typical sales commissions for commercial and residential land sales transactions supports a sales cost near 5%.

Administration and Overhead

This category includes such items as off-site management and supervision, clerical support, office overhead and supplies. Typical administration and overhead expenses for this amount of unimproved land would be relatively minimal. Many of the day to day disposition expenses would be included in the listing brokers' sales commission. Admin and overhead needs would also decline as the property is sold. We estimate this expense at $100,000 per year in year 1, decreasing each year by the amount of property that has already been sold off.

Escrow Closing & Legal Costs

This category includes costs associates with fees and legal costs associated with escrow closings. Based on a review of budgets from other land development projects, an estimate of 1% of gross sales has been input for this category.

Taxes (Base)

Real estate taxes attributable to just the land included in the DCF have been estimated at $120,000 for year-one based on the concluded value from this cash flow analysis, the subject's property tax rate and direct levies. This amount has been inflated 2% each year, the maximum annual property tax increase in California and then reduced by the % of property already sold off each period.

Special Taxes – New CFD

The College Square CFD *Improvement Special Taxes* and *Maintenance Special Taxes* are included as holding costs at the appropriate Undeveloped Property rates (maximum are rates utilized). Per the Rate and Method document, all special taxes will increase annually by 2%. The following table summarizes the total special taxes (by year) for the remaining inventory within the project over the projected sell-out period.

TOTAL SPECIAL TAXES BY YEAR - REMAINING INVENTORY	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Drug Store Site	$40,473	$0	$0	$0	$0
Pad (Former Fuel Station)	$11,002	$0	$0	$0	$0
Balance of Center (East)	$93,288	$95,154	$0	$0	$0
Highway Commercial Parcels	$70,611	$72,023	$0	$0	$0
TOD Retail/Office Parcels	$89,978	$91,778	$93,613	$0	$0
GBH Land (West)	$157,377	$160,525	$163,735	$167,010	$170,350
Citadel (West)	$122,911	$125,369	$127,877	$130,434	$0
Citadel (East)	$82,791	$84,447	$86,136	$0	$0
TOTALS	**$668,431**	**$629,295**	**$471,361**	**$297,444**	**$170,350**

Discount Rate/Developer Profit

The final element in the discounted cash flow analysis is the discount rate, which is applied to the individual cash flows. The discount rate is a rate of return commensurate with perceived risk used to convert future payments or receipts to present value. This rate reflects the compensation offered to an investor for assuming the inherent risk associated with the property. Naturally the discount rate varies with the size, complexity, market potential, overall quality, appeal, estimated absorption and most importantly, the pricing of the product.

The assumed buyer for the whole property is likely to be an investor. The motivation of these buyers is profit. For multiple parcel purchases buyers typically reap profit by buying the property in bulk and reselling smaller portions to retail and multi-family residential developers for construction of appropriate buildings. The primary risk to a buyer of the property would be market risk, since no development remains.

The appraiser has elected to account for profit in the discount rate. The discount rate for the subject property will be derived from the following sources: 1) Yields from Alternative Investments, and 2) Investor Surveys.

Alternative Investments: Before arriving at an appropriate discount rate, it was determined that a potential investor would make a comparison of other investment opportunities. This conclusion is reached after an analysis on internal rate return criteria for traditional institutional-quality real estate, short term United States treasury notes and corporate bonds. These rates of return generally reflect about 4.75% to 5.0% for thirty-year U.S. treasury notes and a range of 6% to 12% for investment-grade real estate. The subject investment (in the DCF scenario) involves holding land and risk associated with market changes and cost of capital over several years. This type of investment represents a much higher risk than either US treasury notes or investment-grade real estate because of the substantial market risk involved in speculative property with a mid to long-term hold. A yield rate above 12% is supported for the subject by alternative investments.

Published Surveys: One of the best sources of determining an appropriate discount rate is that of investor surveys. An investment land survey, dated year-end 2006 published by Korpacz Real Estate Investor Survey was reviewed. The following are the results from this survey report.

YEAR END 2006 - LAND YIELD SURVEY RESULTS			
	Lower Quartile Response	Average Response	Higher Quartile Response
DCF Analysis			
Property IRR[A]	12.00%	18.15%	25.00%
Equity IRR[B]	N/A	N/A	N/A

Notes:
A. Discount rate for unleveraged, all cash transactions. No line-item profit.
B. Insufficient number of responses

Source: National Land Yield Survey Report, Qtr 4 2006, published by Korpacz Real Estate Investor Survey

Typical average rates indicated by residential developers ranged from 12 to 25 percent. These responses reflect expected yields of a variety of both commercial and residential development projects (including development and property sell-off). The subject property requires no further entitlements or land development, and the risk involved in the DCF scenario involves primarily market, capital market, and financial risk associated with holding and reselling the property. Recognizing that certain "development" risk factors (potential cost increases, legal or entitlement issues associated with development) have been mitigate, a discount rate towards the low end of the range from these responses, below 16% (bottom quartile of range), is best supported.

Discount Rate Conclusion: Three sources were considered for an indication of an appropriate discount rate in this analysis. They point to the following yield rates:

Alternative Investments:	Above 12%
Published Surveys:	Below16%

The various sources for deriving an appropriate discount rate for the subject property provide best support for a range between 13-15%. The specific risk factors for the purchase property that should be considered in the discount rate are as follows:

Negative Risk Factors:

- The primary negative risk factor for the subject land lies in the residential component. The retail land is expected to be desirable and marketable in the near-term. Multi-family residential market conditions are in a major transition, however, which renders estimating the timing of its absorption and appreciation more difficult to predict. The residential land comprises 54% of the total land area included in this analysis and 32% of the revenue for the unimproved parcels (after appreciation over the holding period) in the DCF.

Positive Risk Factors:

- The property's location is outstanding for retail uses. It has an established and large surrounding residential base. It has very easy access to and from Highway 99. It lies close to Cosumnes River College and several newer regional retail centers are located at this freeway exit. Most other neighborhood centers are much older, and development sites for new neighborhood retail are very limited, which restricts the potential for new competition.

- The land use plan that includes a blend of retail and multi-family residential uses is very complimentary. In other words, that there will be both retail and high-density residential uses next to each other enhances the desirability of both land use types.

- The proposed light rail stop and overall close-in location in relation to the CBD is a very positive attribute for the multi-family land.

- The property's size, at ±37 acres (land included in DCF analysis only) renders it a relatively small, suburban, mixed-use development project for this region.

Given these considerations, we have employed a discount rate near the middle of the narrowed range indicated by the various sources, and a **14% discount rate is concluded.** The discounted cash flow analysis is presented on the following page.

YIELD CAPITALIZATION (DCF ANALYSIS)
COLLEGE SQUARE CFD – BULK VALUE OF UNIMPROVED PARCELS

ASSUMPTIONS			
NUMBER OF PERIODS PER YEAR	1		
SALES & MARKETING	5 0%	REAL ESTATE TAXES (YR 1)	$120,000
CLOSING, LEGAL & TITLE	1 0%	GENERAL ADMIN & OVERHEAD	$100,000 /Yr

QUARTER		Total	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
SALES SUMMARY							
Unimproved Parcels (Retail Center)							
Drug Store Site		$2,110,000	$2,110,000	$0	$0	$0	$0
Pad (Former Fuel Station)		$610,000	$610,000	$0	$0	$0	$0
Balance of Center (East)		$4,336,300	$0	$4,336,300	$0	$0	$0
Highway Commercial Parcels		$3,296,000	$0	$3,296,000	$0	$0	$0
TOD Retail/Office Parcels		$3,097,828	$0	$0	$3,097,828	$0	$0
Residential Parels							
GBH Land (West)		$2,390,490	$0	$0	$0	$0	$2,390,490
Citadel (West)		$2,360,364	$0	$0	$0	$2,360,364	$0
Citadel (East)		$1,479,200	$0	$0	$1,479,200	$0	$0
AGGREGATE RETAIL SALES		$19,680,182	$2,720,000	$7,632,300	$4,577,028	$2,360,364	$2,390,490
PERCENTAGE UNSOLD (END OF PD)		100%	86%	47%	24%	12%	0%
Remaining Retail Sales		$19,680,182	$16,960,182	$9,327,882	$4,750,854	$2,390,490	$0
CONSTRUCTION COSTS & FEES							
Vertical Costs		$0	$0	$0	$0	$0	$0
Site Development Costs		$0	$0	$0	$0	$0	$0
TOTAL CONSTRUCTION COSTS		$0	$0	$0	$0	$0	$0
CREDITS & REIMBURSEMENTS							
Prepaid Quimby Fees		$1,130,000	$0	$0	$628,934	$501,066	$0
TOTAL CREDITS/REIMBURSEMENTS		$1,130,000	$0	$0	$628,934	$501,066	$0
HOLDING & SALES COSTS							
SALES & MARKETING		$984,008	$136,000	$381,615	$228,851	$118,018	$119,524
GENERAL ADM & OVERHEAD		$219,863	$93,089	$66,788	$35,769	$18,143	$6,073
CLOSING, LEGAL & TITLE		$196,802	$27,200	$76,323	$45,770	$23,604	$23,905
R E TAXES		$269,106	$111,707	$81,749	$44,657	$23,105	$7,889
SPECIAL TAXES (NEW CFD)		$2,236,880	$668,431	$629,295	$471,361	$297,444	$170,350
TOTAL HOLDING & SALES COSTS		$3,906,660	$1,036,428	$1,235,770	$826,407	$480,314	$327,741
NET CASH FLOW (BEFORE DISCOUNTING)		$16,903,522	$1,683,572	$6,396,530	$4,379,555	$2,381,116	$2,062,749
PV FACTOR	**14%**		0 877193	0.769468	0 674972	0 592080	0 519369
DISCOUNTED VALUE		**$11,835,953**	$1,476,818	$4,921,922	$2,956,075	$1,409,812	$1,071,327

VALUE CONCLUSION	**$11,800,000**
Indicated Value/Acre	***$320,043***
Indicated Value/SF	***$7.35***

FINAL OPINION OF VALUE – TOTAL BULK VALUE

As previously discussed, we have estimated the bulk value separately for the improved portion of the project and the unimproved portion of the project. The total bulk value for the subject property is estimated by combining the estimated contributory value of the improved portion of the project (Phase 1 of the neighborhood shopping center) to the discounted (bulk) value of the unimproved parcels.

BULK VALUE ESTIMATE - TOTAL PROJECT	
Bulk Value of Improved Parcels	$22,400,000
Bulk Value of Unimproved Parcels	$11,800,000
TOTAL BULK VALUE	**$34,200,000**

Based on the analyses and conclusions in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed herein, it is our opinion that the market value of the property, as of July 1, 2007, is

THRITY FOUR MILLION TWO HUNDRED THOUSAND DOLLARS
$34,200,000

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO

Scott Beebe, MAI
Certified General Real Estate Appraiser
California Certificate #AG015266

Arthur A. Leck, MAI
Certified General Real Estate Appraiser
California Certificate #AG011823

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the cause of the developer, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which includes the *Uniform Standards of Professional Appraisal Practice (USPAP).*
8. Scott Beebe, MAI and Arthur A. Leck, MAI have made personal inspections of the property that is the subject of this report.
9. Michelle van de Pol, MAI provided significant real property appraisal assistance to the persons signing this certification.
10. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
11. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
12. It is our opinion that the subject does not include any enhancement in value as a result of any natural, cultural, recreational or scientific influences retrospective or prospective.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of *USPAP*.

14. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

15. As of the date of this report, Scott Beebe, MAI and Arthur A. Leck, MAI have completed the continuing education program of the Appraisal Institute.

Scott Beebe, MAI	Arthur A. Leck, MAI
Certified General Real Estate Appraiser	Certified General Real Estate Appraiser
California Certificate #AG015266	California Certificate #AG011823

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No material changes in any relevant federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be

scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
11. Information, estimates and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and

economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the *ADA* accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to *ADA*. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against Integra Realty Resources – Sacramento, Integra Realty Resources, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for an incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Integra Realty Resources, Inc. and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

27. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

ADDENDUM TO EXECUTIVE SUMMARY

Market Area Analysis &

Market Analysis Sections

MARKET AREA ANALYSIS

OVERVIEW

The subject is located in the southeast portion of the city of Sacramento approximately eight miles south of the Sacramento CBD. More specifically, the property is located along the south side of Cosumnes River Boulevard between Highway 99 and Bruceville Road. The competitive market area can generally be defined by the following boundaries:

Market Area Boundaries	
North:	Mack Road / Gerber Road
South:	Laguna Boulevard / Bond Road
East:	Elk Grove Florin Road
West:	Franklin Boulevard

The defined market area includes areas within the southern portion of the city of Sacramento, areas within the northern portion of the city of Elk Grove as well as unincorporated area within Sacramento County. The market area can generally be characterized as a residential area; however, a wide variety of land uses exist within the neighborhood. The neighborhood is estimated to be ±90 percent built-out, and new development opportunities are generally limited to infill pocket areas.

ACCESS AND TRANSPORTATION

The market area is situated approximately eight miles south of downtown Sacramento and is easily accessible via Interstate 5 and Highway 99. Given the proximity to these major freeways, the market area has good overall regional access. State Highway 99 (north/south) bisects the neighborhood and provides convenient access to properties within the market. The major east/west arterials include Mack Road, Cosumnes River Boulevard/Calvine Road, Sheldon Road, and Laguna Boulevard/Bond Road. Each of these arterials connects with Highway 99. In addition to Highway 99, major north/south arterials include Franklin Boulevard, Center Parkway, Bruceville Road, Power Inn Road and Elk Grove Florin Road.

The neighborhood is already well served by Regional Transit (RT) bus service, and light rail service is presently available in the northwest portion of the neighborhood. RT's South Corridor light rail service currently terminates at Meadowview Road; however, the South Sacramento Corridor Phase 2 project will extend light rail service approximately four miles to Cosumnes River College. The Phase 2 project has been in planning for years and construction is now scheduled to commence in 2008 with a projected completion date of 2010-2011. This extension has been long awaited by south area residents. Upon completion, this service will accommodate transportation needs associated with population and employment growth in the congested South Corridor area by increasing transit capacity and providing faster, more convenient access throughout the Sacramento metropolitan region.

MARKET AREA DEMOGRAPHICS

The following table summarizes historical, current and projected demographic information for the subject market area.

DEMOGRAPHIC SNAPSHOP - SUBJECT AREA
RADIUS FROM: COSUMNES RIVER BLVD AT BRUCEVILLE ROAD

	1 Mile *Radius*	%	3 Mile *Radius*	%	5 Mile *Radius*	%
Population						
2012 Projection	19,325		186,104		372,068	
2007 Estimate	**16,875**		**166,276**		**329,735**	
2000 Census	13,431		139,461		271,770	
1990 Census	7,579		84,992		183,699	
Growth 2007-2012	14.52%		11.92%		12.84%	
Growth 2000-2007	25.64%		19.23%		21.33%	
Growth 1990-2000	77.21%		64.09%		47.94%	
	1 Mile		**3 Mile**		**5 Mile**	
Households						
2012 Projection	5,821		55,299		112,798	
2007 Estimate	**5,101**		**50,058**		**100,718**	
2000 Census	4,078		42,779		83,922	
1990 Census	2,543		28,157		60,268	
Growth 2007-2012	14.11%		10.47%		11.99%	
Growth 2000-2007	25.09%		29.27%		19.91%	
Growth 1990-2000	60.36%		51.93%		39.25%	
	1 Mile		**3 Mile**		**5 Mile**	
2007 Est. Households by Household Income	5,101	%	50,058	%	100,718	%
Income Less than $15,000	624	12.23	4,682	9.35	10,945	10.87
Income $15,000 - $24,999	379	7.43	3,984	7.96	9,455	9.39
Income $25,000 - $34,999	512	10.04	4,551	9.09	9,533	9.47
Income $35,000 - $49,999	931	18.25	7,789	15.56	15,346	15.24
Income $50,000 - $74,999	1,243	24.37	11,893	23.76	21,811	21.66
Income $75,000 - $99,999	788	15.45	7,822	15.63	14,196	14.09
Income $100,000 - $149,999	534	10.47	7,249	14.48	14,345	14.24
Income $150,000 - $249,999	75	1.47	1,745	3.49	4,188	4.16
Income $250,000 - $499,999	14	0.27	283	0.57	736	0.73
Income $500,000 and more	3	0.06	60	0.12	162	0.16
2007 Est. Average Household Income	$58,558		$67,045		$66,630	
2007 Est. Median Household Income	$52,130		$58,457		$55,822	
2007 Est. Per Capita Income	$17,906		$20,327		$20,523	
2007 Est. Housing Units	5,101	%	50,058	%	100,718	%
Owner Occupied	3,292	64.54	36,249	72.41	69,991	69.49
Renter Occupied	1,810	34.48	13,809	27.59	30,727	30.51
2007 Average Household Size	3.26		[illegible]		3.25	

Source: Claritas

As summarized in the prior table, the population and household growth within a one mile radius of the subject has been very strong over the past five years and these trends are expected to continue, although at a slower pace, over the next five years. Overall, the subject is located with a growth area; however, income characteristics of the residents in the study area are below that of the region as a whole.

LAND USES

The neighborhood includes a variety of land uses including single- and multi-family residential, retail and service commercial, industrial/flex and office. The primary land use within the area is single-family residential. The following aerial map provides a visual representation of land uses within the market area.

Source: DigatalGlobe; Photo Date 5-1-06

Most of the retail/commercial properties are located at the major arterials of the neighborhood such as Mack Road, Calvine Road, Cosumnes River Boulevard, Sheldon Road, Laguna Boulevard, Franklin Boulevard, Stockton Boulevard, and Elk Grove-Florin Road. These uses primarily cater to the surrounding residents.

According to the CoStar Property database, the defined market area includes the following non-residential uses (within buildings/projects over 10,000 SF): ±2.9 million square feet of retail space within 47 shopping centers and retail buildings (average occupancy is 96%); approximately 410,000 square feet of office space within 23 buildings (average occupancy is 85%); and approximately 1.5 million square feet of industrial space within 37 buildings (average occupancy is 91%).

Single-family residential is estimated to account for approximately 70% of land use in the neighborhood. According to Claritas, Inc., there are some 5,100 housing units within a one-mile radius of the subject (65% owner-occupied, median year built 1990, median price $311,551) and 50,000 within a three-mile radius (72% owner occupied, median year built 1999, median price $321,551). The housing stock within the neighborhood varies by age and overall is rated as average relative to other areas of Sacramento. Multi-family uses in the neighborhood account for about 5-10 percent of the land uses. Most apartment projects are 40-100 units in size and were built in the 1970's and 1980's.

Notable (major) land uses within the neighborhood include Cosumnes River College, Kaiser Foundation Hospital and Methodist Hospital. Both hospitals are presently vying for designations as a Level 2 trauma center to serve the south area.

- **Cosumnes River College** (CRC) is one of four community colleges within the Los Rios Community College District. CRC is a two-year community college situated on a 180-acre site at the southwest quadrant of Cosumnes River Boulevard and Bruceville Road in the southern portion of the City of Sacramento. There are currently more than 11,000 students enrolled at CRC and the college offers a broad option of more than 60 occupational degree programs, and a comprehensive curriculum of transfer courses.

- **Kaiser Foundation Hospital South** is situated along the south side of Bruceville Road, just west of Highway 99. In mid-2006, the city of Sacramento approved plans by Kaiser for a $251 million expansion project that would increase the size of the facility by about one-third by adding a new patient-bed tower and expanding the emergency room. The tower would increase the number of hospital beds from 161 to 288.

- **Methodist Hospital of Sacramento** is located along the east side of Bruceville Road just north of Cosumnes River Boulevard. Methodist currently operates a 162 bed facility at this location.

Notable recent construction activity includes several retail oriented projects near the intersection of Highway 99 and Calvine Road/Cosumnes River College. These projects are summarized below.

- **College Square**: This project is situated at the southeast corner of Cosumnes River Boulevard and Bruceville Road, just west of Highway 99. Upon completion, this mixed-use planned development will include some 270,000 square feet of retail space and is planned to include over 700 high-density residential units. The neighborhood retail component of the project will ultimately contain 178,000 square feet and the first phase (112,000 SF, anchored by Foods Co.) is nearing completion.

- **Strawberry Creek**: This 204,000 square foot community shopping center (anchored by Target) is situated at the northeast quadrant of Cosumnes River Boulevard and Bruceville Road, just west of Highway 99. The Target store was completed several years ago and another 77,000 square feet of retail space (six shop/pad buildings) are presently nearing completion.

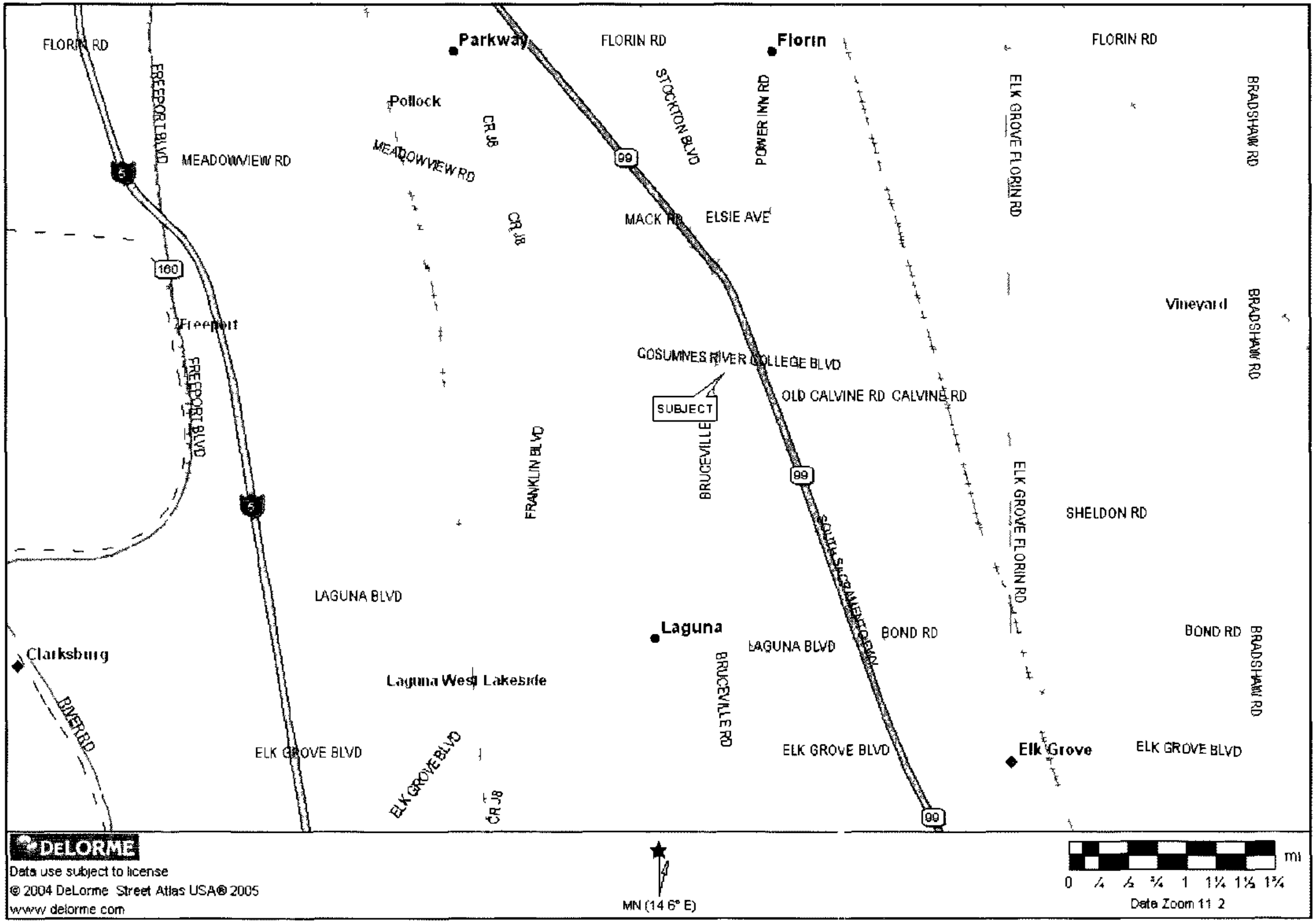
- **Calvine Crossing:** This 200,000 square foot community shopping center (anchored by Lowe's Home Improvement Store) is situated a the southeast corner of Calvine Road and Power Inn Road, just east of Highway 99. The center was completed in 2001 and is presently 100% occupied.

PROXIMITY TO SUPPORT FACILITIES

Due to the excellent linkage system throughout the neighborhood, access to support facilities is considered to be good both within and outside of the subject neighborhood. Several public and private schools are located within the boundaries of the neighborhood. These schools provide adequate educational facilities for the residents of the neighborhood. Other support facilities include places of worship, shopping areas, civic, recreational and cultural facilities are located within the boundaries of the neighborhood or within close proximity to the area. Several public parks are located throughout the neighborhood. In addition, a major regional park is planned just south of the subject property along the east side of Bruceville Road south of W. Stockton Boulevard.

OUTLOOK AND CONCLUSIONS

Overall, the market area benefits from a strong residential base and significant traffic counts along many of the major interior roadways. The market area is largely built-out and is in the stability stage of its life cycle. As the market area continues to grow in a southerly direction, there will be sustained demand for residential and retail services. Recent commercial development in the immediate market area has been well accepted by the market. As the area continues to grow, it is our opinion that the values in the subject neighborhood will experience stability and moderate increases over the long term.



MARKET AREA MAP

RETAIL MARKET ANALYSIS

METRO AREA OVERVIEW – SACRAMENTO REGION

Regional Overview

Fueled by continued population growth and housing starts, the regional retail market has experienced phenomenal growth over the past several years. Absorption has generally kept pace with the 6.2 million square feet of inventory added over the past five years and year-end vacancy rates averaged a healthy 5.5% during the same period. The following table summarizes the year-end key indicators for the region's retail market over the past 10-years as reported by CB Richard Ellis.

REGIONAL MARKET TRENDS - RETAIL
CB RICHARD ELLIS

Year	Inventory (SF)	Additions to Supply (SF)	% Vacant	Net Absorption (SF)
1997	23,322,749	857,994	10.1%	509,495
1998	25,220,086	1,897,337	6.8%	234,959
1999	25,901,166	681,080	6.5%	944,840
2000	27,179,315	1,278,149	6.0%	1,121,779
2001	28,666,360	1,487,045	6.1%	1,384,311
2002	29,304,272	637,912	6.6%	402,734
2003	30,781,951	1,477,679	5.6%	522,534
2004	32,146,199	1,364,248	4.5%	2,056,539
2005	32,918,788	772,589	4.7%	713,559
2006	34,851,604	1,932,816	6.2%	1,042,430
1Q-2007	35,088,604	237,000	6.1%	258,104

**CBRE surveys include properties over 50,000 SF, excluding regional malls.*

As the depth of the regional housing slump became more apparent in 2006, the region's retail market experienced its first signs of slowing in more than five years. While 2006 ended on a positive note (with some 642,000 square feet of positive net absorption during the 4th quarter), the average vacancy rate continued on an upward trend during 2006 with a year-end rate of 6.2%, which compares to the year-end 2005 rate of 4.7%. The 1st quarter of 2007 remained relatively unchanged from the 4th quarter of 2006, although vacancy ticked down from 6.2% to 6.1%.

The most active communities in terms of new development continue to be Elk Grove/Laguna, Folsom/El Dorado Hills, North Natomas and Roseville/Rocklin. Rental rates for shop and pad spaces within new suburban centers typically range from $2.25 to $3.50 per square foot, triple net. CB Richard Ellis reports that average asking leasing rates have leveled off and in some cases have slightly declined during the recent past; however, CB projects stable rates for the balance of 2007.

The biggest question for 2007 is to what degree the slowing housing market will affect shopping-center development, retailers' expansion plans and retail sales. Most industry observers are predicting a mild slowdown in the market for the year.

The following table is from the CB Richard Ellis Sacramento Retail Market publication (1st Quarter 2007), which summarizes the regional market and submarkets.

CB Richard Ellis | Sacramento Retail MarketView | 1Q 2007

Area	Submarket	Leasable Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption	YTD Net Absorption	Under Constr.	Avg. Asking Rate*
11	Arden / Watt / Howe	3,094,823	134,603	4.3%	6,109	6,109	0	$1.93
27A[1]	Lincoln	287,717	12,023	4.2%	0	0	742,405	$1.72
27B	Auburn / Loomis	912,252	19,188	2.1%	0	0	74,300	$1.72
12	Carmichael	1,103,806	81,458	7.4%	3,000	3,000	0	$1.30
14 / 15	Citrus Heights / Fair Oaks	3,571,251	260,099	7.3%	(17,516)	(17,516)	0	$1.81
36	Folsom / El Dorado Hills / Cameron Park	3,533,667	183,176	5.2%	(2,247)	(2,247)	334,039	$2.85
32	Greenhaven / Pocket	384,888	11,689	3.0%	0	0	0	$1.85
16	Hwy 50 / Rancho Cordova / Rosemont	2,641,018	395,809	15.0%	42,793	42,793	0	$1.45
20	Laguna / Elk Grove	3,325,415	109,002	3.3%	24,768	24,768	345,365	$2.95
13	North Highlands	2,034,989	197,526	9.7%	73,330	73,330	0	$1.40
9A	Natomas	2,082,881	134,374	6.5%	3,440	3,440	126,786	$2.95
25 / 26	Roseville / Rocklin	5,988,053	424,237	7.1%	(9,898)	(9,898)	740,000	$3.00
9B	South Natomas	589,377	30,843	5.2%	0	0	0	$2.14
17	South Sacramento	4,155,157	135,393	3.3%	4,883	4,883	489,556	$1.50
18	West Sacramento / Davis	1,383,310	18,996	1.4%	129,442	129,442	338,000	$2.02
	MARKET TOTAL	**35,088,604**	**2,148,416**	**6.1%**	**258,104**	**258,104**	**3,190,451**	
	Type							
	Community Centers	13,798,990	718,602	5.2%	43,610	43,610	598,147	
	Freestanding	4,387,378	220,050	5.0%	130,000	130,000	338,000	
	Neighborhood Centers	11,324,493	939,750	8.3%	109,381	109,381	304,748	
	Power Centers	3,984,913	106,255	2.7%	(36,241)	(36,241)	460,000	
	Specialty Centers	1,100,761	77,110	7.0%	(1,000)	(1,000)	1,489,556	
	Strip Centers	492,069	86,649	17.6%	12,354	12,354	0	
	MARKET TOTAL	**35,088,604**	**2,148,416**	**6.1%**	**258,104**	**258,104**	**3,190,451**	

Only retail properties over 50,000 square feet, excluding Regional Malls, are included in this survey.
*Average asking lease rate by submarket is for in-line space in existing Community Centers. Lease rates can vary based on the location, age, and type of the property.
[1]Lincoln and Auburn/Loomis were separated in the first quarter of 2007

Inventory & Construction

According to the CB Richard Ellis Survey, the Sacramento region contains just over 35 million square feet of retail space in buildings/centers over 50,000 square feet, excluding regional malls. Some 12.6 million square feet of inventory has been added since year-end 1996, of which 6.4 million square feet has been added over the past five years. As previously mentioned, the regional vacancy rate generally continued on a downward path since year-end 1997 and has averaged approximately 5.5% over the past five years despite these significant additions to supply.

Construction activity started off strong in the 1st quarter (2007), with a reported 3.2 million square feet of development underway (this is up from 2.77 million SF underway at year-end 2006) and an additional 2.8 million square feet in the planning stages.

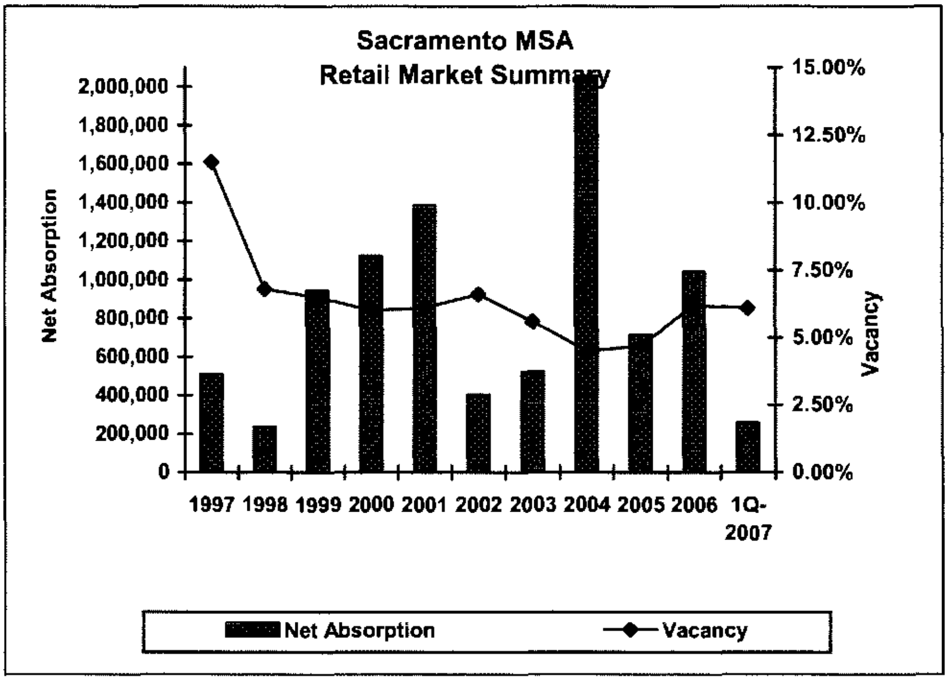
Submarkets with major retail development currently underway include Lincoln (742,405 SF), Roseville/Rocklin (740,000 SF), South Sacramento (489,556 SF), Laguna/Elk Grove (345,365 SF), Folsom/El Dorado Hills (334,039 SF) and West Sacramento (338,000 SF). The south Placer County cities of Roseville, Rocklin and Lincoln account for 47% (1.48 million SF) of the total retail development currently underway within the region.

Major projects completed during 2006 included: IKEA, a ±265,000 SF home furnishing store located at Interstate 80 and Reed Avenue in West Sacramento, the Market West shopping center (Bel Air anchored – 100,000 SF) in North Natomas, CA Family Fitness (100,000 SF) in Folsom, Fairway Commons I (160,000 SF) in Roseville, two Raley's anchored neighborhood centers – one in Folsom (Natoma Street and Blue Ravine Road) and the other in Elk Grove (Elk Grove Boulevard and Franklin Boulevard), the Promenade at Sacramento Gateway (660,000 SF power center with lifestyle component) at Truxel Boulevard and Interstate 80 in North Natomas, R.C. Willey center (598,000 SF) at the Highway 65 & Blue Oaks Boulevard interchange in Rocklin.

Vacancy

As summarized in the prior table, the year-end 2006 regional vacancy rate increased from the previous quarter (4.7%) to 6.2%; the vacancy rate remained stable during the 1st quarter of 2007, ticking down to 6.1%. The increase in vacancy during the 2nd half of 2006 can be attributed to several large vacancies created by the closure of a major grocery chain (Ralphs); however, these vacancies are now beginning to be backfilled by other grocers as well as discount stores and health clubs. The high growth submarkets within the region have maintained healthy vacancy rates (generally below 7%) despite continued additions to supply. The 1st Quarter 2007 vacancy rates for these growth areas are: North Natomas (6.5%), Laguna/Elk Grove (3.3%), Roseville/Rocklin (7.1%) and Folsom/El Dorado Hills (5.2%). The submarkets with higher vacancy rates reflect more mature areas such as Highway 50/Rancho Cordova/Rosemont (15%) and North Highlands (9.7%). All other submarkets in the region have vacancy rates below 7.5%.

The average year-end vacancy rates have remained fairly consistent since 1998, ranging from 4.5% to 6.8%. Retail vacancy rates peaked at 11.5% in 1996, and have generally been dropping since. The following graph summarizes the relationship between vacancy and net absorption within the region.



Absorption

Net absorption statistics for the region indicate continued and healthy demand for retail space. Over the past 10 years, year-end net absorption rates have ranged from 234,959 to 2,056,539 square feet and averaged 893,318 square feet. The first three quarters of 2006 were somewhat anemic in terms of absorption (181,810 SF); however, a very strong 4th quarter (642,000 square feet) pulled the year-end totals up to 1,042,430 square feet. The strong absorption is attributed to a stable flow of tenant activity coupled with completed construction (much of which was pre-leased) throughout the region.

The 1st quarter of 2007 marks the second consecutive quarter of positive net absorption following the negative absorption witnessed in the 3rd quarter of 2006. Net absorption for the 1st quarter was a positive 258,104 square feet. The positive net absorption is a good sign in light of the vacancies created by the closure of eight Ralphs grocery stores in 2006. Overall, the current market activity indicates a healthy flow of tenant activity.

Rental Rates

Driven by increasing construction costs and land prices, as well as aggressive tenant activity, retail rental rates have continued to increase over the past several years. In the high growth areas, average lease rates for in-line and pad building space in new neighborhood and community centers are now $2.50 to $3.50 per square foot, NNN. CBRE reports that average asking rental rates were down slightly in the 4th quarter of 2006 and are holding steady in 2007. Rents in the growth areas were reported to be $2.25 to $2.75 per square foot, NNN, with some activity in the $3.00 to $3.25 per square foot range. This compares to the beginning of 2006, when rates were quoted in the $2.75 to $3.25 per square foot. CBRE predicts that rates will remain stable in 2007.

Investment Activity

There have been several major retail acquisitions within the region over the past several years, with projects such as Highland Crossing, Renaissance Creek (both in Roseville), Folsom Gateway Phase I (Folsom) and Park Place (in North Natomas) topping the list. For stabilized high quality shopping centers such as these, capitalization rates are typically in the 5.5% to 6.5% range, depending on tenant strength, anchor/shop space ratio, ground lease income, etc.

Brokers are reporting that most major acquisitions are now coming from out of town buyers and are either pension funds, REITs or private investors. Both local and national investors are active in the market, paying top dollar for investment grade product. The influx of buyers experienced over the past several years has resulted in the depletion of the supply of available investment product. This, in turn, has helped to drive up sale prices. Despite this, in most cases low interest rates have allowed buyers to still achieve required returns while still paying relatively high prices for properties. If anything, the greatest challenge currently facing the Sacramento retail investment market is a general lack of available property for potential sellers to trade into.

Outlook and Conclusions – Metro Area

Overall, Sacramento continues to be a healthy retail market; and retail real estate, supported by population growth and residential development (even at the present lower levels) remains strong. The current regional vacancy rate stands at 6.1%, which is above levels experienced during the past three years, but at a level that indicates a balance between supply and demand. As a result of current trends in the housing market most analysts are projecting a mild slowdown in the retail market for 2007. Over the short-term, the vacancy rate may increase slightly as a result of the significant construction currently underway (and planned) and slightly lower tenant demand. Rental rates are expected to remain stable. Given the region's strong employment base and residential growth history, the long-term outlook for the regional retail market remains positive.

SUBMARKET ANALYSIS

As previously discussed, the subject property is located in the southernmost portion of the City of Sacramento; however, the immediate subject area is most influenced by trends in Laguna/Elk Grove retail submarket. As defined by CB Richard Ellis, the subject property is actually within northernmost portion of the Laguna/Elk Grove retail submarket (Calvine Road and Cosumnes River Boulevard establish the northern border of this submarket in the CB survey). Considering the fact that the subject property is effectively on the border between the South Sacramento and Laguna/Elk Grove submarkets, we considered trends for both submarket areas in this analysis.

LAGUNA/ELK GROVE SUBMARKET

The Laguna/Elk Grove retail submarket area is generally bound by Interstate 5 to the west, Grant Line Road to the east, the Elk Grove city limits to the south and Calvine Road/Cosumnes River Boulevard to the north. Over the past 10 years, the Laguna/Elk Grove submarket has been one of the fastest growing submarkets in the region in terms of population and housing and more recently, this area has emerged as a growing employment center. The population growth has resulted in significant retail development activity over the past 10-years, with the retail base more than doubling since 1998. This submarket now contains over 3.3 million square feet of retail space (in centers containing 50,000 SF or more), approximately 9.5% of the total inventory in the region. Despite significant additions to supply, this submarket has maintained some of the lowest retail vacancy rates within the region. The following table summarizes the retail trends within this submarket over the past 10 years.

SUBMARKET TRENDS - LAGUNA/ELK GROVE
CB RICHARD ELLIS

Year	Inventory (SF)	Additions to Supply (SF)	% Vacant	Net Absorption (SF)
1998	1,495,059	---	1.3%	78,640
1999	1,668,327	173,268	0.5%	184,697
2000	1,838,269	169,942	1.1%	159,028
2001	2,310,839	472,570	2.0%	446,633
2002	2,356,639	45,800	1.0%	54,330
2003	2,637,580	280,941	0.3%	116,782
2004	2,941,991	304,411	1.1%	277,808
2005	3,141,991	200,000	0.5%	440,420
2006	3,325,415	183,424	4.0%	624,834
1Q-2007	3,325,415	0	3.3%	24,768

Vacancy

As a result of pent-up demand, the submarket experienced minimal vacancy between 1998 and 2005 (year-end vacancy rates during this period ranged from 0.3% to 2.0%). According to CB Richard Ellis, the current vacancy rate (1Q-2007) within the submarket is 3.3%, well below the regional average of 6.1%. It appears that development activity has caught up with demand, resulting in more balanced market conditions in this submarket. Going forward, we expect that vacancy rates should hold in the range of 3% to 5% over the next several years.

Absorption

As previously mentioned, this submarket has experienced significant retail development activity over the past 10-years, with the retail base more than doubling since 1998. Absorption has kept pace with construction, resulting in strong annual net absorption statistics this submarket; annual net absorption has averaged over 250,000 square feet between 1998 and 2006.

Construction

Continued residential growth has fueled retail development activity within this submarket over the past decade and the retail inventory within the submarket has more than doubled since 1998. On average, the submarket has added some ±230,000 square feet annually over the past eight years. Despite these continued additions to supply, the submarket has maintained some of the lowest vacancy rates within the region. According to CB Richard Ellis, there is currently 345,365 square feet of retail space under construction within this submarket.

Rents

Rental rates within this submarket have followed a similar pattern as other high growth submarkets in the region. Lease rates for in-line and pad building space in new neighborhood and community centers typically range from $2.50 to $3.50 per square foot, triple net. Rental rates are projected to remain stable in 2007.

Outlook & Conclusions - Laguna/Elk Grove Submarket

As previously noted, the subject is located on the northern periphery of the Laguna/Elk Grove submarket and is most influenced by trends within this submarket. The Laguna/Elk Grove area will continue to remain one of the high growth suburban submarkets within the region in terms of residential growth. These trends will result in continued demand for retail services and strong retail development activity over the coming years. Consistent with trends in the region, the slowdown in the residential housing market is likely to have some short-term impact on tenant demand; however, the mid-to-long term outlook is for continued growth. The sub-market is competitive in terms of rental rates to other new growth areas of Sacramento (North Natomas, Folsom, Rocklin and Roseville). The overall outlook for this submarket in terms of net absorption and rental/property appreciation appears to be good in comparison to the entire region.

SOUTH SACRAMENTO SUBMARKET

The South Sacramento retail submarket area is generally bound by Interstate 5 to the west, Grant Line Road to the east, Jackson Road (State Highway 116) and Highway 50 to the north, and Calvine Road/Cosumnes River Boulevard to the south. The South Sacramento submarket area is best characterized as a mature market area within the region. Unlike the neighboring Laguna/Elk Grove submarket to the south, this submarket has experienced limited development activity over the past decade; however, redevelopment activity and revitalization efforts has been increasing over the past few years. Although the retail base has remained fairly stable over the recent past, this submarket contains over 4.1 million square feet of retail space (in centers containing 50,000 SF or more), and represents the 2nd largest submarket within the region in terms of inventory (submarket contains 11.8% of the total inventory in the region). The following table summarizes the retail trends within this submarket over the past 10 years.

SUBMARKET TRENDS - SOUTH SACRAMENTO CB RICHARD ELLIS				
Year	Inventory (SF)	Additions to Supply (SF)	% Vacant	Net Absorption (SF)
1998	3,838,547	---	10.1%	53,826
1999	3,948,103	109,556	11.0%	60,181
2000	4,013,547	65,444	12.3%	6,532
2001	4,197,797	184,250	12.6%	158,401
2002	4,197,797	0	12.7%	(95,186)
2003	4,155,157	(42,640)	7.0%	199,864
2004	4,155,157	0	4.2%	159,746
2005	4,155,157	0	4.1%	(744)
2006	4,155,157	0	3.4%	4,647
1Q-2007	4,155,157	0	3.3%	4,883

Submarket History

After experiencing significant declining market trends in the 1990's, this submarket, and particularly the Florin Road Corridor, is presently in a revitalization stage. The average retail vacancy rates for this submarket has recently dipped to the lowest level (3.3%) observed over the past decade; the vacancy rate reached an all time high of 16% in 1997. This continual decline in the submarket vacancy rate is a result of revitalization efforts by owners and new investors. As such, several older, vacant retail projects have been demolished and redeveloped (or rehabilitated) and a number of new retail tenants have entered the market.

Retail vacancy rates began to climb in this submarket in the mid 1990's, as many of the large retailers began to close, including Price Club/Costco, Best Products, Pak 'N' Save, Cost Less Foods, Home Base, Mervyns and others. Additionally, the Florin Mall began to lose major anchor tenants (Weinstocks closed in February 1996, Montgomery Wards closed in 2001, and, after converting to an outlet store, J.C. Penny closed in 2003) further impacting the image of this submarket.

Recently, much of the vacated retail space has been redeveloped into successful commercial centers with strong anchor tenants. For example, Wal-Mart filled the old Home Base structure (within the Southgate Plaza Shopping Center) and Albertson's supermarket opened in this center in 2002. Burlington Coat factor backfilled much of the former Montgomery Wards and a new footwear subsidiary of Burlington Coat Factory (MGM Designer Shoes) opened a 35,000 SF store in the remaining space of the building.

Food-4-Less renovated and back-filled the old Mervyns location at the southeast corner of Florin and Franklin and, Food Co. opened (July 2002) two stores in South Sacramento; one at 8122 Gerber Road and the other at 5330 Stockton Boulevard. The old Price Club/Costco space has benefited from a major rehabilitation project and this center is presently operated as an Asian themed shopping center known as Pacific Plaza (the center is anchored by Shun Fat Supermarket; at 48,000 SF, this one of the largest Asian supermarkets in Northern California). Market sources report that this shopping center is consistently full with tenant retention near 100% since its completion.

Overall, the revitalization/redevelopment for the Florin Road Commercial Corridor is beginning to transform the area from its blighted condition prevalent during the 1980s and 1990s. A focus on value-oriented retail has been the strategy for revitalizing the area and the trend should continue over the next several years.

Vacancy

As previously discussed, vacancy rates have continued to decline within this submarket since 2002 and current vacancy levels (3.3%) are well below the regional average (6.1%). Between 1998 and 2002, vacancy rates ranged from 10.1% to 12.7%. Vacancy then dipped to 7% in 2003 and has since continued on a downward path. Considering the built-out nature of this submarket, additions to supply will be limited to redevelopment projects and infill sites. These factors are expected to result in stable occupancy rates going forward.

Construction & Absorption

As previously mentioned, this submarket has experienced limited retail development activity over the past 10-years, with no significant additions to supply since 2001. As a result, net absorption statistics have been moderate averaging ±60,000 square feet annually since 1998. The submarket did experience significant positive net absorption in 2003 and 2004, resulting in declining vacancy rates within the submarket.

According to CB Richard Ellis, there is currently ±490,000 square feet of retail space under construction within this submarket. This (under construction) space represents the Florin Towne Center project (redevelopment of the former Florin Mall), which will include a Wal-Mart (±220,000) and a new community shopping center (±270,000 SF; major tenants secured thus far include Mervyn's, 24-Hour Fitness and Old Navy). The submarket should experience well above average absorption statistics in 2007 and 2008 as a result of the Florin Towne Center project, which will be completed in phases over the next 12-18 months.

Outlook & Conclusions – South Sacramento Submarket

As previously noted, the subject is located on the northern periphery of the Laguna/Elk Grove submarket and is most influenced by trends within this submarket. We have presented trends relating to the South Sacramento submarket due to its proximity to the subject; however, the subject is considered less influenced by these trends.

Overall, the South Sacramento retail submarket is recognized as being relatively stable, with improving market conditions over the past few years. This market improvement is a direct result of redevelopment and revitalization efforts and a number of value-oriented tenants moving into the area and back-filling major vacancies. The retail vacancy rate within this submarket peaked in 1997 at 16%, and the trend has been downward ever since, dropping to the current rate of 3.3%. This is the lowest vacancy rate in the submarket for well over a decade. With the continued redevelopment and revitalization of the area, the overall outlook is positive

HIGH DENSITY RESIDENTIAL MARKET ANALYSIS

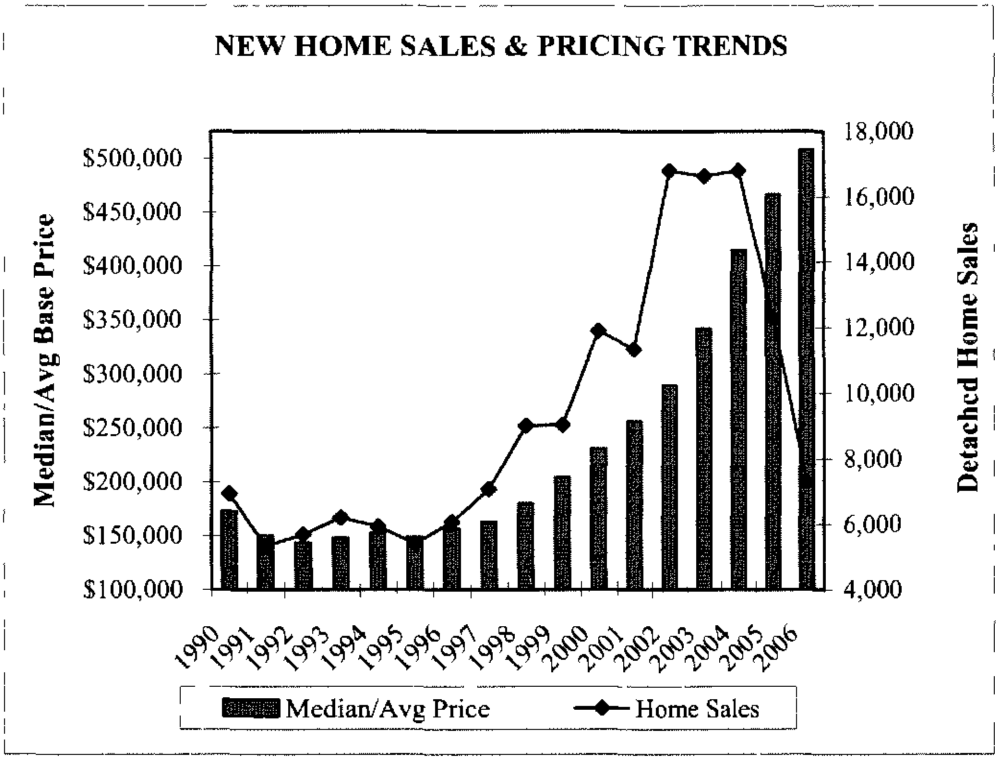
The residential component of the subject project is zoned for high-density residential use. Legally and physically, it could support either condominium or apartment development. Market conditions surrounding both the for-sale residential and rental (apartment) market affect it. Therefore, the following pages outline market trends in the for-sale residential market, condominium market, and apartment (rental) market.

REGIONAL FOR-SALE HOUSING MARKET OVERVIEW (ATTACHED AND DETACHED)

After several years of the strongest market conditions on record, the for-sale residential market began to show distinct signs of softening starting in the second half of 2005 as a result of rising interest rates and pricing reaching the upper end of affordability for Sacramento homebuyers. Around this time, home sales slowed considerably, the number of resale homes on the market jumped at a time when it normally declines, and concessions re-entered the production housing market. Base prices increases in production home projects have generally leveled off, with many projects reporting some decreases in pricing. In response to this slowdown, more aggressive concessions have entered the market. Concessions in the $10,000 to $25,000 range have become more commonplace and some projects, particularly those with pricing at the upper end of the range for the region, report incentives of $100,000 or more. The region is exhibiting declining absorption rates, moderate price decreases and/or widespread concessions. Over the long-term, Sacramento is well positioned for positive residential growth and market trends. It remains one of the more affordable MSAs in California and boasts a very diverse job base and well-educated employee pool. However, the short-term outlook is negative, with most analysts projecting slow absorption and flat appreciation trends with possible price decreases over the next 6-12 months.

Pricing and Sales Trends

New for-sale housing trends are illustrated by the data shown in the chart below.



Source: Hanley Wood (Year-end 1990 through 2006)
**Does not include Sun City Del Web age-restricted projects in Lincoln.*
*** Average home size not reported by Hanley Wood until 2002.*

The new housing market began expansion in 1997, after several years of very slow growth. Total sales in 1997 broke the 7,000 mark, slightly surpassing the 1990 level. By the end of 1998, new home sales in the Sacramento region had reached over 9,000 units. The Sacramento market continued to show signs of strength for the next six years, with new home sales peaking over 16,000 during 2002-2004. Home sales began their decline in 2005, dropping to 12,300 sales. The total number of homes sold continued a sharp decline in 2006 to 7,310. Average pricing during this period (2005-06) has held level, according to Hanley-Wood data. However, this data does not reflect the significant concessions in the market – which results in much lower net pricing.

Sub-Prime Mortgage Lending

Over the past several months, there has been growing concern nationwide regarding the subprime mortgage industry. During the boom in the housing sector and the quick run-up in home prices, an increasing amount of borrowers qualified for acquisition or refinance home loans only through non-traditional loan products. Many of these subprime loan products involved hybrid ARM loans with low teaser mortgage rates that reset to the fully indexed rate after 2 or 3 years combined with very high, often 100% loan-to-value ratios. With the double digit appreciation rates that were seen up until mid-2005, many borrowers and loan underwriters anticipated that with quickly increasing equity, homeowners who utilized these loan structures would be able to refinance into a traditional loan structure within several years.

According to the Federal Reserve Chairman Ben Bernanke, "the correction in the housing market could turn out to be more sever than we currently expect, perhaps exacerbated by problems in the subprime sector" (Source: "Bernake: Housing risks on the Rise," CNNMoney.com, March 28, 2007). Subprime loans that were underwritten in 2004 or 2005 are scheduled to reset in 2007 and many market participants are concerned that those borrowers who were only able to qualify under the introductory rate will no longer be able to afford their mortgages once interest rates reset. With the downturn in the housing sector since mid-2005, many markets are experiencing flat or declining home values and a number of homeowners with non-traditional loan structures have little or negative equity and will be unable to refinance into a less risky loan structure. Many analysts anticipate that the limited options for homeowners under financial stress will push more homes into foreclosure.

Nationwide, write-offs of home by banks reached a three year high in Qtr 4 2006 according to the Federal Deposit Insurance Corp. Analysts predict that another 2.2 to 2.4 million subprime borrowers are at risk of foreclosure in 2007, placing many subprime lenders at risk of folding. In response to these concerns, many Wall Street investors are abandoning the subprime sector. In addition, Freddie Mac recently announced that beginning September 1, 2007, it will no longer buy subprime mortgages with a high likelihood of excessive payment shock and foreclosure. A growing number of lending institutions are beginning to implement more stringent underwriting practices and as a result, Eric Landry with Morningstar predicts that "It's possible that an entire (portion) of buyers has been taken out of the available pool of homebuyers and won't return for several years" (Source: "Subprime Woes May Hit Capital," *Sacramento Bee,* March 14, 2007).

In Sacramento, it is estimated that approximately 27% of area buyers took out subprime loans in 2006 (Source: "Subprime Woes May Hit Capital," *Sacramento Bee,* March 14, 2007). In Sacramento County, approximately 2,700 households received a "notice of default" in Qtr. 4 2006, three times the number issued for the same period in 2005 (Source: "Homeowners Caught in Double Bind," *Sacramento Business Journal,* February 23, 2007). An increase in foreclosures in the Sacramento area would aggravate the already oversupplied resale market and would likely prolong the slowdown in the housing market. Market participants anticipate that dwindling reliance on subprime lending will have a negative impact on Sacramento's housing market over the next 1-2 years, but predict that this move will helps stabilize the area's market in the long term.

CONDOMINIUM (ATTACHED FOR-SALE) HOUSING MARKET ANALYSIS

Up until the last years of the most recent residential market boom (2000-2005), new condominium development had been minimal since the mid-1980's. This limited development resulted from a variety of factors including: 1) builder liability, 2) the low cost of housing in the area and 3) high insurance costs.

Home prices for detached single-family residential product have skyrocketed between 1998 and 2005, resulting in single-family residential home prices that have become increasingly unaffordable to local home buyers. This promoted homebuyers to seek more affordable alternatives like condominiums or townhomes. Due to the increased demand for affordable housing alternatives as well as decreased liability for attached housing builders, the Sacramento region has seen increased development of attached housing projects over the past several years. However, as discussed in the *previous "For-Sale Housing Market Analysis,"* the regional for-sale housing market, including attached product, is now in decline. Attached home absorption rates have dropped dramatically and base prices in attached projects have decreased in an attempt to spur sales. In response to this slowing, we are aware of several projects in the market (especially apartment-to-condominium conversions) where the developers are choosing to convert their remaining condominium units to for-rent apartments.

New Attached Housing Projects

The majority of condominium projects that have come online over the past several years have consisted of newly developed condominium projects. As of the February 28, 2007, Hanley Wood tracked 21 new attached housing projects in the Sacramento MSA (excluding sold-out projects that are awaiting sales to close escrow). Data from Hanley Wood is summarized in the following table.

ATTACHED PROJECTS (NEW CONSTRUCTION) - PRICING AND ABSORPTION SUMMARY
Sacramento MSA, California

	Project Name - City / Builder	Base Price Range / Unit Size Range (SF)	Date Opened	Total Number of Units: Planned	Sold	Remaining	Absorption: Overall	2006	Past 3 Mos	Base Price Increases: 2006 Annual(ized)	Past 6 Mos	Past 3 Mos	Buyer Incentives
1	**Aura Condos - Sacramento** BCN Development, LLC	$455,999 to $794,240 766 to 1,564	Apr-06	268	196	72	17.82	21.78	0.00	N/A	N/A	N/A	None
2	**Bridgefield Condominiums - Antelope** DMC Builders	$216,000 to $265,000 839 to 1,140	Jul-06	176	40	136	5.21	0.00	13.33	0.0%	1.2%	0.0%	3% of base w/lender
3	**Carriage Lane - Natomas** D R Horton	$269,990 to $344,179 1,156 to 1,650	Jul-05	156	115	41	6.03	7.67	4.33	-1.2%	1.2%	10.2%	$10,000 w/lender
4	**Crest @ Sierra Creek - Antelope** Sixells, LLC	$259,000 to $349,000 1,219 to 1,870	Aug-06	48	25	23	3.74	4.00	3.00	0.0%	0.0%	0.0%	1% of base w/lender
5	**Gallery Walk - Elk Grove** William Lyon Homes	$249,990 to $322,990 1,163 to 1,727	Apr-05	149	76	73	3.45	2.42	1.00	9.4%	10.7%	-21.7%	$10 000 w/lender
6	**Garden Villas - Natomas** Palace Development	$254,900 to -- 1,000 to --	Jun-06	65	29	36	3.33	2.86	4.00	0.0%	0.0%	0.0%	$2,500 w/lender
7	**Hampton Village - Natomas** KB Homes	$240,611 to $339,117 1,089 to 1,964	Sep-05	264	120	144	6.84	5.00	9.33	-7.0%	0.6%	0.5%	$10,000 w/lender
8	**L Street Lofts - Sacramento** SKK Development	$376,990 to $457,990 942 to 1,264	Jan-07	76	15	61	8.16	N/A	7.50	N/A	N/A	1.9%	None
9	**Laguna Pointe - Elk Grove** D R Horton	$254,990 to $324,990 1,239 to 1,746	May-06	153	28	125	3.05	3.57	3.33	-1.1%	2.6%	1.1%	$10,000 w/lender
10	**Lincoln Village - Yuba City** Klamath Investment	$139,900 to -- 1,108 to --	Sep-05	36	20	16	1.13	1.92	-0.33	-28.6%	-28.6%	-17.6%	$2,500 w/lender
11	**Lofts @ Ironworks - West Sacramento** Regis Homes	$370,000 to $385,000 1,300 to 1,300	Nov-06	104	3	101	2.75	2.0%	-0.33	N/A	0.0%	0.0%	None
12	**Magpie Creek Condos - Del Paso Heights** BLDCO Inc	$175,000 to $225,000 574 to 933	Nov-06	60	29	31	8.45	9.50	6.67	N/A	0.0%	0.0%	$10,000 w/lender
13	**Montessa - Rocklin** Pacific West Companies	$219,900 to $299,900 831 to 1,265	Feb-07	171	3	168	14.00	N/A	3.00	N/A	N/A	N/A	None
14	**Phoenician - Roseville** Granite Bay Holdings	$234,000 to $335,000 751 to 1,142	Aug-04	323	162	161	5.23	1.58	3.67	-18.5%	-4.7%	0.0%	$5,000 w/lender

ATTACHED PROJECTS (NEW CONSTRUCTION) - PRICING AND ABSORPTION SUMMARY
Sacramento MSA, California

	Project Name - City Builder	Base Price Range Unit Size Range (SF)	Date Opened	Total Number of Units: Planned	Sold	Remaining	Absorption: Overall	2006	Past 3 Mos	Base Price Increases: 2006 Annual(ized)	Past 6 Mos	Past 3 Mos	Buyer Incentives
15	**Rivage @ The Parkway - Folsom** John Laing Homes	$331,990 to $368,900 1,313 to 1,747	Nov-05	155	60	95	3 75	4 00	6 00	0 0%	0 0%	0 0%	$5 000 w/lender
16	**Serenade @ Regency Park** Washington Homes California	$260,000 to $310,000 1,254 to 1,453	Apr-06	135	32	103	2 91	2 56	5 33	0 0%	0 0%	0 0%	$5,000 w/lender
17	**Towers @ Capital Mall - Sacramento** Saca Development, LLC	$368,500 to $851,950 670 to 1,549	Jul-05	804	402	402	20 56	33 50	6 33	-0 9%	0 0%	0 0%	None
18	**Vicara @ Whitney Ranch - Rocklin** Pacific West Companies	$154 816 to $175,063 898 to 1,066	Jan-07	264	45	219	32 44	N/A	22 50	N/A	N/A	0 0%	None
19	**Ville Maison - Natomas** D R Horton	$290,990 to $321,990 1 293 to 1,650	May-06	39	16	23	1 63	1 25	1 67	-6 2%	-0 3%	-3 2%	$14,000 w/lender
20	**Washington Park - Sacramento** Signature Properties	$390,990 to $448,990 1,229 to 1,468	May-06	52	9	43	0 95	0 50	2 33	0 0%	0 0%	0 0%	$5,000 w/lender
21	**Wolf Ranch - Sacramento** Costa Communities, Inc	$242,520 to $324,900 1,012 to 1,586	Oct-06	160	14	146	2 80	8 00	-3 33	N/A	0 0%	0 0%	$10,000 w lender
	Totals/Averages			**3,658**	**1,439**	**2,219**							
						Min	0 95	0 00	-3 33	-28 6%	-28 6%	-21 7%	$2,500
						Max	32 44	33 50	22 50	9 4%	2 6%	10 2%	$14,000
						Mean	7 34	6 12	4 73	-3 9%	-2 3%	-1 5%	$7,615
						Median	3 75	3 22	3 67	-0 5%	0 0%	0 0%	

Source Hanley Wood February 28 2007

As of the end of February 2007, there were 21 actively marketing new attached housing projects that contain total of 3,658 proposed units. Of these units, 1,439 had sold, leaving a remaining inventory of 2,219 units going forward. Absorption rates are declining, with the 2006 and past 3 month data showing declining average rates in comparison to the overall absorption for these projects. Most recent indicators point to absorption in the typical absorption in the 3-6 units-mo. range. Prices over the past 12 months have declined slightly at an average of -3.3% for the 21 projects. In addition, most projects are offering moderate incentives, most in the $5,000-$10,000 range.

Apartment to Condominium Conversions

In 2005, many cities and counties in the region have received an increased number of applications for the conversion of apartments into condominiums. This option continues to be viable for entry-level homebuyers, since conversion pricing tends to be lower than pricing in newly developed condominium projects. A large number of apartment conversions have resulted in increased competition for newly developed condominium projects in the region since the motivation of the typical condominium buyer in the region is to find housing at affordable prices and converted apartments offer lower prices compared to newly developed condominium units.

However, with slowing absorption rates and declining pricing that now prevails, condominium conversions are no longer feasible. The appraisers are aware of several conversion projects where the developers have decided to convert the remaining condominium units back to for-rent apartments. Still, several are still actively marketing homes. As of the end of February 28, 2007, Hanley Wood tracked 11 conversion projects in the Sacramento MSA (excluding sold-out projects that are awaiting sales to close escrow). Data from Hanley Wood is summarized in the following table.

ATTACHED PROJECTS (APARTMENT TO CONDO CONVERSION) - PRICING AND ABSORPTION SUMMARY
Sacramento MSA, California

	Project Name City Builder	Base Price Range Unit Size Range (SF)	Date Opened	Total Number of Units Planned	Sold	Remaining	Absorption Overall	2006	Past 3 Mos	Base Price Increases 2006 Annual(ized)	Past 6 Mos	Past 3 Mos	Buyer Incentives
1	**500 N Street Condos - Sacramento** Housing Source Partners	$315,950 to $625,950 832 to 1,680	Apr 06	123	36	87	3.27	2.56	4.33	6.9%	2.5%	2.5%	$2,500 w/lender
2	**Alicante Villas - Sacramento** Pacifica Companies	$191,990 to $359,990 770 to 1,650	Jan 05	162	139	23	5.39	4.25	2.00	0.1%	0.5%	0.0%	$10,000 w/lender
3	**Altura Villas - Folsom** Pacifica Companies	$179,990 to $335,990 750 to 1,800	Aug-05	164	112	52	6.09	7.58	8.00	8.9%	5.0%	0.0%	$7,500 w/lender
4	**Hamptons @ River Heights - Carmichael** Lyon & Associates	$215,000 to _ 900 to --	Nov 06	36	16	20	4.10	6.00	3.33	N/A	0.0%	0.0%	None
5	**Highlands - Sacramento** Pacifica Companies	$144,990 to $180,990 700 to 850	May 05	182	112	70	5.30	2.08	1.67	8.7%	6.7%	0.0%	3% of base w/lender
6	**Rollingwood - Fair Oaks** Pacifica Companies	$149,900 to $253,900 680 to 1,234	Jan 05	272	116	156	4.54	2.83	1.33	7.0%	3.8%	3.8%	$7,500 w/lender
7	**Sierra View - Lincoln** D R Horton	$329,990 to $307,990 1,239 to 1,746	Aug 05	174	111	63	5.96	7.08	0.00	12.1%	5.3%	0.0%	$10,000 w/lender
8	**Somerfield - Elk Grove** Housing Source Partners	$199,990 to $303,400 767 to 1,240	Oct 06	280	18	262	3.60	5.00	2.67	N/A	12.1%	6.1%	$8,500 w/lender
9	**Venu @ Galleria - Roseville** Avenue Communities	$281,900 to $424,900 670 to 940	Apr 06	258	49	209	4.46	4.44	16.33	0.0%	0.0%	0.0%	1% of base w/lender
10	**Villages of the Galleria - Roseville** Colrich Communities	$157,990 to $284,990 615 to 2,000	Apr 05	400	185	215	8.07	6.58	1.67	1.2%	0.6%	0.0%	$5,000 w/lender
11	**Wildhorse Condos** Hillard Architects, LLC	$360,000 to $416,000 1,022 to 1,411	Jun 06	78	66	12	7.33	9.67	4.33	0.0%	0.0%	0.0%	6% of base w/lender
	Totals/Averages			**2,129**	**960**	**1,169**							
						Min	3.27	2.08	1.67	12.1%	12.1%	3.8%	$2,500
						Max	8.07	9.67	16.33	6.9%	0.6%	6.1%	$10,000
						Mean	5.28	5.28	3.61	3.4%	3.2%	0.0%	$7,286
						Median	5.30	5.00	2.67	1.2%	2.5%	0.0%	

Source Hanley Wood February 28 2007

As of the end of February 2007, the 11 actively marketing apartment conversions projects contained a total of 2,129 proposed units. Of these units, 960 had sold, leaving a remaining inventory of 1,169 units going forward into March 2007.

The overall absorption rates for the 11 actively marketing condominium conversions were similar to that of 2006, near 5.5 units per month. However, the sales trends for the past 3 months indicate a decline, with a mean and median of 3.61 and 2.67 units per month. This suggests that the market continues to slow. Pricing changes support this trend, with the average at -3.4% for 2006. Condominium conversions overall had slightly greater concessions in comparison to new-construction condominiums, ranging from $2,500 to $25,000 (6% of base pricing). Concessions are expected to remain prevalent, as the market continues to correct itself.

CONCLUSIONS–FOR-SALE HOUSING MARKET

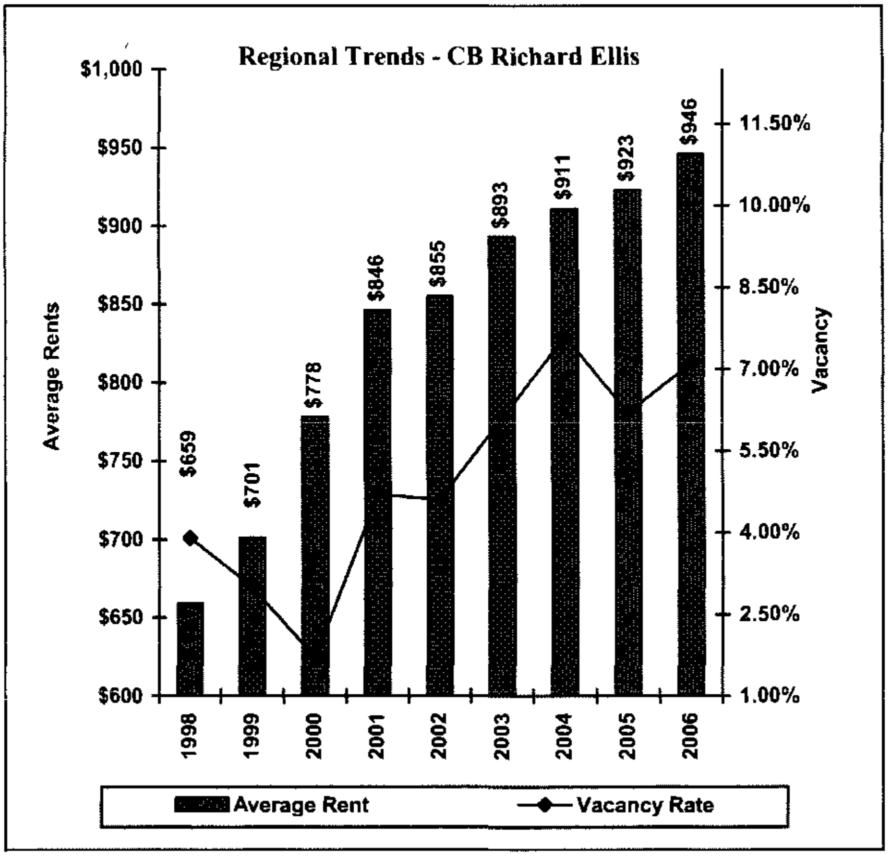
In summary, the Sacramento regional for-sale housing market has been in decline since mid-year 2005. Sales have dropped off dramatically and pricing has decreased. These trends are prevalent in both detached and attached housing markets. In some submarkets, the rapid slowing trends, large numbers of new condominium projects and conversions, and cancellations have resulted in an oversupply of attached for-sale inventory. As a result some of the condominium projects are reverting back to apartment use. These negative trends are expected to continue over at least the next 12 months as the sub-prime mortgage market troubles impact the market and result in increased foreclosure activity. Long-term, demand is expected to remain steady in the Sacramento MSA due to relatively low home prices compared to the coastal markets and its larger and more diverse jobs base compared to other central valley locations.

APARTMENT (ATTACHED RENTAL) MARKET ANALYSIS

The regional apartment market experienced sluggish conditions, increased vacancy rates and moderate rental rate declines during the early 2000's due to very strong for-sale housing market activity. Many renters took advantage of readily available financing and the region's then affordable pricing and became home owners during this period. Construction starts on new market rate apartments effectively stopped by 2004-2005, and several of those that had been under construction during this time processed condominium maps and began selling units instead of operating a rental property. Condominium conversions pulled some of the rental inventory out of the market. Meanwhile, rapidly rising home prices resulted in mortgage payments that far exceed market rental rates, even at current housing prices, which are well below prices at the peak of the market. These influences have resulted in low vacancy rates and more demand for rental units from would-be home buyers who no longer want to buy houses or condos in the current market.

Historical Market Trends

The following graph summarizes the year-end multi-family vacancy and average rental rates for the Sacramento region from 1998 through the end of 2006.



Vacancy

As of the 4th Quarter 2006, CB Richard Ellis reports that the vacancy rate of the Sacramento MSA to be 7.1%, a slight increase from the year-end 2005 vacancy reported at 6.2%. The lowest vacancy rate in 10 years was achieved in 2000 at 1.7%. Much of the increased vacancy has been attributed to a variety of factors: 1) new construction coming on-line; 2) low interest rates making the single-family housing market more affordable and 3) continued increases in rental rates in the region.

As construction in the region has slowed and the market has begun to see stabilization in rental rates, the vacancy rate has begun to decrease in 2005 which has continued during 2006. In addition to slower new construction, many apartment units have been taken off-line in 2005 for apartment to condominium conversion. This has led to a tightening of the rental market in the region. On the other hand, declining condominium market trends will likely result in many unsold condominium units, particularly conversions, going back to apartment use. Additional rental supply from this source will temper some of the upward rent and occupancy trends that are projected for the region over the next few years.

Rental Rates

An average regional rental rate of $946 per month was reported for the 4th Quarter 2006, which indicates a continued increase market rents region wide. In comparison, in the 4th Quarter of 2005 the average rental rate for the region was reported to be $923 per month. There were steady increases in rental rates throughout 2005 which has continued throughout 2006. The average regional rental rate in 2006 is far above 2000; however, a large part of the increase is a result of the considerable new Class A inventory coming online during this period.

Submarket Trends

Summarized on the chart below is the 4th Quarter 2006 CB Richard Ellis Multi-Housing Vacancy/Rental Survey. This survey covers 28 different submarkets. Rental and vacancy rates are reported for all the submarkets.

4TH QUARTER 2006 SACRAMENTO REGION APARTMENT SUBMARKET RENT & VACANCY RATES		
Submarket	**Average Reut/Mo.**	**Vacancy**
Urban Core	**$1,157**	**23.0%**
I-5 North	**$1,010**	**6.3%**
South Natomas - West	$1,089	7.8%
South Natomas - East	$858	5.6%
North Natomas	$1,240	6.2%
Rio Linda/Del Paso Heights	$825	6.1%
I-5 South	**$923**	**8.5%**
Pocket - Greenhaven	$920	7.9%
Pocket - Riverlake	$981	6.6%
Elk Grove/Laguna	$1,132	14.6%
South Sacramento	$813	6.8%
Hwy 50 Corridor	**$847**	**6.3%**
College Greens/Rosemont	$856	5.9%
Rancho Cordova	$840	6.6%
Arden Arcade	**$840**	**7.2%**
South	$900	7.5%
North	$740	6.6%
Northeast Sacramento	**$821**	**6.3%**
Carmichael	$765	5.9%
Fair Oaks/Gold River	$907	6.9%
El Dorado Foothills/I-80 Corridor	**$836**	**6.8%**
Folsom	$1,151	11.5%
El Dorado Hills	$1,185	8.1%
Cameron Park	$864	2.3%
North Highlands/Antelope	$833	5.8%
Foothill Farms	$797	9.2%
Citrus Heights	$844	6.9%
Orangevale	$875	7.8%
Placer County	**$1,055**	**6.2%**
Roseville	$1,084	6.6%
Rocklin	$1,040	6.1%
Lincoln/Auburn	$831	1.9%
Yolo County	**$1,113**	**2.9%**
West Sacramento	$773	5.2%
Davis	$1,253	2.5%
Woodland	$857	2.2%
Totals		
3rd Qtr 2006	**$946**	**7.1%**

Source CB Richard Ellis 4th Quarter 2006

It is noted that submarket occupancy and rental rates vary considerably by submarket. The highest vacancy at the moment is in Elk Grove/Laguna and Folsom submarkets. However, these much higher vacancy rates are a direct result of condominium projects recently reverting to apartment use and being in initial lease-up. Vacancy in these markets should return to more stabilized levels as the market absorbs the new inventory. Submarkets with the highest rent levels, over $1,000/mo., are generally the high-growth areas with a large proportion of Class A product.

Sales Trends

Investment activity in the Sacramento region is expected to remain strong during the remainder 2007. Investors interested in the Northern California market, but wary about putting money into the Bay Area, will be attracted to Sacramento's lower per-unit prices and the expectation that the region will achieve moderate appreciation over the near to long term due to room for rental rate increases. The investors are attracted to Sacramento due to its relative stable market conditions, which are highly influenced by the state government being a stabilizing employment factor.

In addition to increases in pricing trends in the past 12-18 months, capitalization rates of apartment projects in the Sacramento MSA have seen decreases. These decreases are attributed to the demand for multi-family projects by buyers in the region as well as on a national scale. As can be seen with recent Class A apartment sales, most capitalization rates are below in the 5.0% to 6.0%. These factors will keep demand for apartment property ahead of available supply through the remainder of 2007.

Condominium Market Influence

As previously mentioned, a significant portion of new development in the Sacramento MSA in the past 18-24 months has been in the condominium market. Many cities and counties have received application for condominium conversions. There have been several projects in the hottest development submarkets (Natomas, Roseville/Rocklin) that have applied for conversions during the construction process. Thus the units are never rented and are sold to buyers upon completion of construction. In addition to new construction, there was a surge of condominium conversions in 2005 and 2006. Developers purchased existing older projects, performing renovations and selling units as for-sale condominiums. However, over the past 12 months, the condominium market has declined sharply just as a large volume of condominium product entered the market. This has caused some of the new condominium projects with remaining inventory, particularly conversions of existing complexes, to go back to apartment use.

Rental Market Forecast

The following excerpt is from the October 2006 Apartment Research Report by *Marcus & Millichap.*

> Tenant demand for Sacramento apartment properties remains elevated despite a cooling employment market. High construction costs and a focus on building for-sale units has kept developers from overbuilding apartment units, more than two years' worth of inventory has been removed for conversion purposes. As a result of the cooling local economy and recent rise in interest rates, many would-be home buyers and new residents are opting to rent, hoping that home prices could decline. As a result, vacancy is declining sharply, falling 100 basis points in the first half of the year. Increased occupancy will allow owners to implement the metro's highest rent gain in years. Concessions should end the year at 4.6 percent of asking rates, down from 5.3 at the end of 2005.

> Sacramento apartment buyers have become more selective and the rise in interest rates, coupled with a mild decline in cap rates, have made it increasingly difficult to arrange financing for new deals. As a result, the number of deals selling for less than $1.5 million has declined 33 percent over the past 12 months and is down more than 50 percent from two years ago. Income-oriented investors are becoming more active in some areas, including the Florin Road West and Rancho Cordova submarkets, where prices trail the metro average and cap rates are amongst the highest in the MSA. Going forward, improving NOI's should bring more investors to the market, particularly investors from the Bay Area and the California Coast, where prices are much higher and cap rates are as much as 100 basis points lower than in the Sacramento metro.

Most analysts are forecasting increased demand for rental properties over the next few years. The following highlights relating to the Sacramento regional apartment market were also obtained from the 2007 Apartment Market Forecast report prepared by *Marcus & Millichap.*

- Developers are forecast to deliver 1,400 apartment units in 2007, up from the 850 units that came online one year ago. While apartment construction is spread throughout the metro, developers are targeting downtown for condos.

- Increased inventory and competition from condo units will likely push the metrowide vacancy rate up 20 basis points to 6.3 percent this year, after a 130 basis point decline in 2006.

- Asking rents are forecast to increase 3.4 percent to $993 per month, while effective rents rise 3.6 percent to $949 per month.

- Buyers will target properties in the downtown and midtown areas as the city's residential population expands. Investors are expecting to look to the Elk Grove and Placer County areas, where future population growth is expected to be particularly strong and there is currently a shortage of rental properties.

Current apartment supply and demand are coming into balance region-wide. Some excess inventory is in the market right now from condo conversions reverting back to apartment use that are still in initial lease-up. Some potential for additional condominium projects that are currently marketing to begin leasing instead still exists. All things considered, this inventory is expected to be absorbed over the next 12-18 months. Meanwhile, housing demand is shifting back towards the rental market as the for-sale market is in decline and people are less inclined to buy in this market climate. Also, foreclosures are expected to rise in the next year, a factor that will likely draw some current homeowners into rentals. These trends should spur increased demand and cause regional vacancy to drop in the near term, followed by rental rate increases shortly thereafter

The apartment market is poised for substantial rental rate growth over the next few years since the run up in for-sale housing prices in the early 2000's and limited rental rate growth during this period has created a large gap between rental rates and monthly ownership costs for equivalent units. As such, rents have a lot of room to grow before they approach monthly mortgage payments.

Rent vs. Own Analysis

The following table compares monthly rents versus ownership costs for a typical 1,000 SF apartment or condominium unit over the next 5 years (for Class A apartment/condo product in south Sacramento County). It projects 5% rental rate growth in year 2 and 10% growth every year thereafter. Pricing assuming a sale of this unit has been held flat for the entire 5-year period.

RENT V. OWN ANALYSIS (1,000 SF Apartment/Condo)					
Year	**1**	**2**	**3**	**4**	**5**
Rent/SF/Mo.	$1.25	$1.31	$1.44	$1.59	$1.75
Rent/Unit/Mo.	**$1,250**	**$1,313**	**$1,444**	**$1,588**	**$1,747**
Condo Price/SF	$210	$210	$210	$210	$210
Size (SF)	1,000	1,000	1,000	1,000	1,000
Price	$210,000	$210,000	$210,000	$210,000	$210,000
Mortgage Principal @ 95%	$199,500	$199,500	$199,500	$199,500	$199,500
Monthly Pmt @ 6.25%, 30 yrs fixed	$1,228	$1,228	$1,228	$1,228	$1,228
HOA/Mo.	$200	$200	$200	$200	$200
Property Taxes/Mo.	$267	$267	$267	$267	$267
Total Monthly Cost to Own	**$1,695**	**$1,695**	**$1,695**	**$1,695**	**$1,695**

As can be seen in the table above, ownership costs are currently estimated to be about 34% higher than apartment rents. Even at strong 5-10% annual rent increases with no future condo price appreciation, it takes 4-5 years for rents to come within $150/mo. of comparable unit mortgage payments. It is noted that the model shown above does not factor in income tax benefits to home ownership; conversely, it also does not reflect higher utilities costs associated with ownership versus renting and the benefit of FF&E (appliances), maintenance costs inherent in apartment rents that a homeowner must shoulder, and the possibility of increasing mortgage rates over this period (which is possible, if not likely, and would widen the gap). Even if sales prices decline further in the near-term, and taking into consideration that buyers are willing to pay something more to own than rent, there is ample room for strong rental rate growth in this market, and we expect such growth to occur in the next 1-2 years.

CONCLUSIONS – APARTMENT MARKET

Continued population and job growth in the Sacramento region will result in increasing demand for rental units. This will result in continued new apartment development in high growth submarkets, and stable long-term vacancy rates in most submarkets, with some short-term vacancy swings in 2007 as new inventory from condominiums reverting to apartment use are absorbed. In 2006 new construction was significantly lower than the past 3 years. In addition, rental rates and vacancy have continued to increase steadily throughout this time period.

Rental rates and occupancy rates in the area are expected to continue to show improvement in the near-term. The market has been able to outperform many West Coast markets in recent years and as rent growth in 2007 is expected to continue, it will likely outperform that of most major metropolitan areas nationwide that have seen rent declines. This is due to factors that include a stable government job base, minimal exposure to the high-tech sector and a lower cost of living compared to the Bay Area. In addition, even at current (declining) for-sale housing prices, market rental rates fall well below mortgage payments for entry-level homes, leaving ample room for significant rent increases before rental costs approach ownership costs.

HDR MARKET CONCLUSIONS–SUBJECT MARKETABILITY

Market trends surrounding the two primary high-density residential land uses (condominium and apartment) have been changing dramatically, and in opposition to each other over the past few years. The condominium market experienced a major upswing over the past few years, peaked, and has been declining rapidly over the past 12 months. At the current point in the market cycle, any value enhancement to multi-family residential land for potential condominium development over the next several years–which had been very significant– is gone.

The value of the land now lies in its apartment use potential. However, current market rent levels do not yet support new apartment construction. The apartment market was in a down cycle during the for-sale housing boom, losing renters to homeownership. These trends began to reverse themselves in 2005 as condo conversions began to pull apartment inventory out of the market and escalating home prices and flat rents made renting more attractive. Because rents have been flat or only modestly increasing over the past several years while housing prices skyrocketed, significant upward potential exists for rent growth before rents get anywhere near the monthly cost of home ownership, even if home prices continue to decline.

Given these considerations, we expect to see the following high-density residential market trends going forward:

- Little or no land sales activity for condominium construction until the next major for-sale residential development cycle.
- More condominium projects reverting back to apartment use in the next 12 months. This will likely cause periodic, short-term vacancy spikes in submarkets where this occurs as the inventory is leased up. Conversely, it will also help stabilize absorption for existing/marketing condo projects.
- Increased demand for apartment units from foreclosures and general reticence on the part of current qualified renters to buy entry-level homes in the weak for-sale market.

- Declining regional apartment vacancy rates to near or below 5% over the next 18-36 months, after any excess inventory from condominium reversions is absorbed.

- Moderate to strong rental rate increases once vacancy shows sustained declines.

- Demand for high-density residential sites by developers anticipating near-term apartment development beginning in the next 2-4 years. The timing of this new apartment development cycle will depend on several factors, including how quickly vacancy declines, the pace of rental rate increases, and how dramatically construction costs increase during this period.

Current trends in the rental and for-sale housing markets suggest that we are likely to see an apartment development cycle in the next few years. Until market-rate apartment development becomes imminent, the buyers for the property are investors and low-income housing developers who have subsidies for new development.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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RATE AND METHOD OF APPORTIONMENT FOR CITY OF SACRAMENTO COLLEGE SQUARE COMMUNITY FACILITIES DISTRICT NO. 2005-01

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in City of Sacramento College Square Community Facilities District No. 2005-01 ("CFD No. 2005-01") and collected each fiscal year commencing in Fiscal Year 2006-07, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 2005-01, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"404 Permit" means a permit issued by the Army Corps of Engineers regarding compliance with Section 404 of the federal Clean Water Act.

"Acre or Acreage" means the land area (excluding rights-of-way) of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded parcel map (excluding rights-of-way). If the land area is presented in square footage, then the Acreage equals the parcel square footage divided by 43,560 sq. ft.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2005-01: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2005-01 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2005-01 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2005-01 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2005-01 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from an escrow or appeals account, including appraisal costs; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2005-01 for any other administrative purposes of CFD No. 2005-01, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Acquisition /Financing Agreement" means an agreement between the CFD No. 2005-01 and the property owners which specifies that the construction of certain public improvements and appurtenances by the property owners, to be financed under the terms of the Act, shall be acquired by CFD No. 2005-01 and then conveyed to the City.

"Assessor's Parcel" means a parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County of Sacramento designating parcels by Assessor's Parcel number.

"Assigned Improvement Special Tax" means the Improvement Special Tax for each Developed Property, as determined in accordance with Section C (1) below.

"Assigned Maintenance Special Tax" means the Maintenance Special Tax for each Developed Property, as determined in accordance with Section I (1) below.

"Backup Improvement Special Tax" means the Improvement Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C (1) below.

"Building Area" means all of the square footage of area of buildings located within the boundary of the Assessor's Parcel. The determination of Building Area shall be made by reference to the Building permit(s) issued for such Assessor's Parcel. If building area is not available at the time of the levy calculation, the square footage provided on the County of Sacramento Assessor's Secured Roll may be used.

"Bonds" means any binding obligation including bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2005-01 under the Act.

"CFD Administrator" means the person or firm that the City of Sacramento chooses to make responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2005-01" means City of Sacramento College Square Community Facilities District No. 2005-01.

"City" means the City of Sacramento.

"City Council" means the City Council of the City of Sacramento, acting as the legislative body of CFD No. 2005-01.

"County" means the County of Sacramento.

"Developed Property" means for each Fiscal Year, all Property not otherwise classified as undeveloped or exempt, for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year."

"Exempt Property" means any property not subject to special tax as described under Section M.

"Final Map" means (i) a final map or parcel map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Improvement Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Improvement Special Tax Requirement.

"Improvement Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2005-01 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 2005-01; and (v) any amounts required for construction of facilities eligible under the Act. In arriving at the Improvement Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Improvement Special Taxes based on the delinquency rate for Improvement Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Improvement Special Tax levy.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Maintenance Expenses" means the expenses of the City, whether by the City or designee of the City, or both, in the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing, including repair, removal or replacement of all or part of any of the National Pollution Discharge Elimination System (NPDES) compliant drainage swales or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste. This includes the furnishing of water for the irrigation and the furnishing of electric current or energy for any irrigation facilities or appurtenant facilities.

"Maintenance Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Maintenance Special Tax Requirement.

"Maintenance Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2005-01 to pay the sum of: (i) Maintenance Expenses; (ii) Administrative Expenses; and (iii) any amounts required to establish or replenish any operating reserve funds. In arriving at the Maintenance Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Maintenance Special Taxes based on the delinquency rate for Maintenance Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Maintenance Special Tax levy. This amount may be $0 in any given year, as the primary responsibility for the Maintenance Expenses falls to the property owners. The City has secondary responsibility; therefore, this amount is considered as a contingency amount to be used only when the City must fulfill its responsibility.

"Maximum Improvement Special Tax" means the maximum Improvement Special Tax, determined in accordance with Section C below that can be levied in any Fiscal Year on any Assessor's Parcel.

"Maximum Maintenance Special Tax" means the maximum Maintenance Special Tax, determined in accordance with Section I below that can be levied in any Fiscal Year on any Assessor's Parcel.

"Outstanding Bonds" means all Bonds that are deemed to be outstanding under the Indenture.

"Proportionately" means for Developed Property, in any Fiscal Year, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property, or where the Backup Improvement Special Tax is being levied, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels upon which a Backup Improvement Special Tax is being levied. For Undeveloped Property in any Fiscal Year, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any property within the boundaries of CFD No. 2005-01 that is transferred to a public agency on or after the date of formation of CFD No. 2005-01 and is used for rights-of-way, or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned-Property that is otherwise constrained by public use and necessity through easement, lease or license shall be considered Public Property.

"Residential Property" means all Assessor's Parcels of Developed Property from which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2005-01, which are not exempt from the Special Tax pursuant to law or Section M below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed or Exempt Property.

"Veteran Status" means a Developed Property that has been classified as Developed Property for over 40 years.

"Zone" means Zones A, B, C or D.

"Zone A" means a specific geographic area as depicted in the Zone Map attached herein.

"Zone B" means a specific geographic area as depicted in the Zone Map attached herein.

"Zone C" means a specific geographic area as depicted in the Zone Map attached herein.

"Zone D" means a specific geographic area as depicted in the Zone Map attached herein.

B. CLASSIFICATION OF PROPERTIES

Each Fiscal Year, all Property within CFD No. 2005-01 shall be assigned to a Zone and shall be classified as Developed or Undeveloped Property, Undeveloped Property with or without a 404 Permit, and Taxable or Exempt Property and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C, D, I and J unless otherwise exempted by Section M. If a property is within two or more Zones, then that property shall be assigned to the Zone with the highest Special Tax.

Once classified as Developed Property, a parcel may not be subsequently re-classified as Undeveloped Property or changed to Exempt Property without the Improvement Special Tax being paid off in full in accordance with Section G.

C. IMPROVEMENT SPECIAL TAX RATE

1. Developed Property

Assigned Improvement Special Tax

The Assigned Improvement Special Tax for each property is shown below in Table 1.

TABLE 1

Assigned Improvement Special Tax for Developed Property
Community Facilities District No. 2005-01

Zone & Land Use	Assigned Improvement Special Tax
Zone A - Commercial	$1.50 / sf of Bldg Area
Zone B - Commercial	$2.55 / sf of Bldg Area
Zone C - Commercial	$1.95 / sf of Bldg Area
Zone D - Residential	$510 / res. unit

Increase in the Assigned Improvement Special Tax

The Assigned Improvement Special Taxes shall be applicable for Fiscal Year 2006-07, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Improvement Special Tax for the previous Fiscal Year.

Backup Improvement Special Tax

The Backup Improvement Special Tax shall be equal to the amounts shown in Table 2 below.

TABLE 2

Backup Improvement Special Tax for Developed Property
Community Facilities District No. 2005-01

Zone	Backup Improvement Special Tax
Zone A	$15,080 / acre
Zone B	$18,075 / acre
Zone C	$14,998 / acre
Zone D	$16,174 / acre

Increase in the Backup Improvement Special Tax

The Backup Improvement Special Taxes shall be applicable for Fiscal Year 2006-07, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Improvement Special Tax for the previous Fiscal Year.

Maximum Improvement Special Tax

The Maximum Improvement Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Improvement Special Tax or (ii) the amount derived by application of the Backup Improvement Special Tax.

2. **Undeveloped Property**

Maximum Improvement Special Tax

The Maximum Improvement Special Tax for Undeveloped Property shall be equal to the amounts shown in Table 3 below.

TABLE 3
Maximum Improvement Special Tax for Undeveloped Property
Community Facilities District No. 2005-01

Zone	Undeveloped Improvement Special Tax
Zone A	$15,080 / acre
Zone B	$18,075 / acre
Zone C	$14,998 / acre
Zone D	$16,174 / acre

Increase in the Maximum Improvement Special Tax

The Maximum Improvement Special Taxes shall be applicable for Fiscal Year 2006-07, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Assigned Improvement Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE IMPROVEMENT SPECIAL TAX

Commencing with Fiscal Year 2006-07 and for each following Fiscal Year, the City Council shall levy the Improvement Special Tax until the amount of Improvement Special Tax levied equals the Improvement Special Tax Requirement. The Improvement Special Tax shall be levied each Fiscal Year as follows:

First: The Improvement Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property that does not have Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax;

Second: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first step has been completed, the Improvement Special Tax shall be levied

Proportionately on each Assessor's Parcel of Undeveloped Property with a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first two steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax shall be increased Proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first three steps have been completed, then the Improvement Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property with Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax;

Fifth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first four steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property with Veteran Status whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax shall be increased Proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Sixth: If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first five steps have been completed, then the Improvement Special Tax shall be Proportionately on each Assessor's Parcel of Undeveloped Property without a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property.

E. MANNER OF COLLECTION OF IMPROVEMENT SPECIAL TAX

The Improvement Special Tax shall be collected in the following priority:

1. Up to 100% of the Assigned Improvement Special Tax on Developed Property that does not have Veteran Status,
2. then up to 100% on Undeveloped Property with a 404 Permit,
3. then up to 100% of the Maximum Improvement Special Tax on Developed Property that does not have Veteran Status,
4. then up to 100% of the Assigned Improvement Special Tax on Developed Property with Veteran Status,
5. then up to 100% of the Maximum Improvement Special Tax on Developed Property with Veteran Status,
6. then up to 100% on Undeveloped Property without a 404 Permit.

The Improvement Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2005-01 may directly bill the Improvement Special Tax, may collect Improvement Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

F. PREPAYMENT OF IMPROVEMENT SPECIAL TAX PRIOR TO INITIAL BOND ISSUE

The following definitions apply to this Section F:

"Administrative Fees and Expenses" means the administrative fees and expenses of CFD No. 2005-01, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, and the costs of recording any notices to evidence the prepayment.

"CFD Public Facilities Costs" means either $9.1 million in 2005 dollars, which shall increase by the Construction Inflation Index (as defined below) on July 1, 2006, and on each July 1 thereafter.

Full prepayments of Special Taxes may be made for any Parcel(s) subject to the levy of the Special Taxes prior to the issuance of the initial Bonds if the request to make a prepayment is received by the District Administrator no less than 30 days prior to the sale of Bonds. A Parcel's entire Special Tax obligation may be prepaid prior to the issuance of Bonds at an amount equal to the ratio of the Special Tax obligation for that parcel to the total Special Tax obligation within CFD No. 2005-01 multiplied by the CFD Public Facilities Costs, plus any Administrative Fees and Expenses, as shown below in 3 steps.

Step 1:

$$\left(\frac{\text{Special Tax obligation for parcel}}{\text{Total Special Taxes within CFD}}\right) = \text{Parcel Percent Obligation}$$

Step 2:

(Parcel Percent Obligation x CFD Public Facilities Costs) = Parcel Construction Obligation

Step 3:

Parcel Construction Obligation + Administrative Fees and Expenses = Prepayment Amount

With respect to any Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Parcel, and the obligation of such Parcel to pay the Special Tax shall cease.

G. PREPAYMENT OF IMPROVEMENT SPECIAL TAX AFTER BOND ISSUE

The following definitions apply to this Section G:

"CFD Public Facilities Costs" means either $9.1 million in 2005 dollars, which shall increase by the Construction Inflation Index (as defined below) on July 1, 2006, and on each July 1 thereafter.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of San Francisco, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of San Francisco.

"Future Facilities Costs" means the CFD Public Facilities Costs minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2005-01 prior to the date of prepayment.

The obligation of an Assessor's Parcel to pay the Improvement Special Tax may be prepaid and permanently satisfied as described herein; provided that there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Improvement Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture, unless waived by the City.

The Improvement Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount	
	plus	Redemption Premium
	plus	Future Facilities Amount
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	less	Reserve Fund Credit
	less	Capitalized Interest Credit
Total:	equals Improvement Special Tax Prepayment Amount	

As of the proposed date of prepayment, the Improvement Special Tax Prepayment Amount (defined below) shall be calculated as follows:

<u>Paragraph No.:</u>

1. Confirm that no Improvement Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property, compute the Assigned Improvement Special Tax and Backup Improvement Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Assigned Improvement Special Tax and Backup Improvement Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.

3. For Assessor's Parcels of Undeveloped Land (which does not have a building permit issued) to be prepaid, compute the Maximum Improvement Special Tax for that Assessor's Parcel Number.

4. (a) Divide the Assigned Improvement Special Tax computed pursuant to paragraphs 2 and 3 by the total estimated Assigned Improvement Special Taxes for CFD No. 2005-01 based on the Developed Property Improvement Special Taxes which could be charged in the current Fiscal Year on all expected development through build-out of CFD No. 2005-01, excluding any Assessor's Parcels which have been prepaid, and

   (b) Divide the Backup Improvement Special Tax computed pursuant to paragraphs 2 and 3 by the estimated total Backup Improvement Special Taxes at build-out of CFD No. 2005-01, excluding any Assessor's Parcels which have been prepaid.

5. Multiply the larger quotient computed pursuant to paragraph 4(a) or 4(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

6. Multiply the Bond Redemption Amount computed pursuant to paragraph 5 by the applicable redemption premium (e.g., the applicable percentage or excess of the par amount of the Bonds to be redeemed), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

7. Compute the current Future Facilities Costs

8. Multiply the larger quotient computed pursuant to paragraph 4(a) or 4(b) by the amount determined pursuant to paragraph 7 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

9. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the written notice of intent to prepay until the redemption date for the Outstanding Bonds (the "Defeasance Amount").

10. Verify the administrative fees and expenses of CFD No. 2005-01, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

11. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the Reserve Requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

12. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 4(a) or 4(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 5, 6, 8, and 10, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 5, 6, 11, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 8 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2005-01.

The Improvement Special Tax Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment above $5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

Notwithstanding the foregoing, no Improvement Special Tax prepayment shall be allowed unless the amount of Assigned Improvement Special Taxes that may be levied on Taxable Property within CFD No. 2005-01 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

H. TERM OF SPECIAL TAX IMPROVEMENT SPECIAL TAX

The Improvement Special Tax shall be levied on an Assessor's Parcel for a period not to exceed 60 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

I. MAINTENANCE SPECIAL TAX RATE

The Maintenance Special Tax may not be levied in any given year, as the primary responsibility for the Maintenance Expenses falls to the property owners. The City has secondary responsibility; therefore, the Maintenance Special Tax is considered a contingency tax to be levied only when the City must fulfill its responsibility.

1. Developed Property

Assigned Maintenance Special Tax

The Assigned Maintenance Special Tax for each property for Fiscal Year 2005-06 is shown below in Table 4.

TABLE 4

**Assigned Maintenance Special Tax for Developed Property
For Fiscal Year 2005-06
Community Facilities District No. 2005-01**

Zone & Land Use	Assigned Maintenance Special Tax
Zone A - Commercial	$0.13 / sf of Bldg Area
Zone B - Commercial	$0.20 / sf of Bldg Area
Zone C - Commercial	$0.17 / sf of Bldg Area
Zone D - Residential	$65.00 / res. unit

Increase in the Assigned Maintenance Special Tax

The Assigned Maintenance Special Taxes shall be applicable for Fiscal Year 2005-06, and shall increase thereafter, commencing on July 1, 2006 and on July 1 of each Fiscal

Year thereafter, by an amount equal to two percent (2%) of the Assigned Maintenance Special Tax for the previous Fiscal Year.

Maximum Maintenance Special Tax

The Maximum Maintenance Special Tax for each Assessor's Parcel classified as Developed Property shall be the Assigned Maintenance Special Tax.

2. **Undeveloped Property**

Maximum Maintenance Special Tax

The Maximum Maintenance Special Tax for Undeveloped Property shall be equal to the amounts shown in Table 5 below.

TABLE 5
Maximum Maintenance Special Tax for Undeveloped Property
Community Facilities District No. 2005-01

Zone	Undeveloped Maintenance Special Tax
Zone A	$1,569 / acre
Zone B	$1,572 / acre
Zone C	$1,500 / acre
Zone D	$2,062 / acre

Increase in the Maximum Maintenance Special Tax

The Maximum Maintenance Special Taxes shall be applicable for Fiscal Year 2006-07, and shall increase thereafter, commencing on July 1, 2007 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Maintenance Special Tax for the previous Fiscal Year.

J. METHOD OF APPORTIONMENT OF THE MAINTENANCE SPECIAL TAX

Commencing with Fiscal Year 2006-07 and for each following Fiscal Year, the City Council shall levy the Maintenance Special Tax until the amount of Maintenance Special Tax levied equals the Maintenance Special Tax Requirement. The Maintenance Special Tax shall be levied each Fiscal Year as follows:

First: The Maintenance Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Maintenance Special Tax;

Second: If additional monies are needed to satisfy the Maintenance Special Tax Requirement after the first step has been completed, the Maintenance Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property with a 404 Permit at up to 100% of the Maximum Maintenance Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Maintenance Special Tax Requirement after the first two steps have been completed, the Maintenance Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property without a 404 Permit at up to 100% of the Maximum Maintenance Special Tax for Undeveloped Property

K. MANNER OF COLLECTION MAINTENANCE SPECIAL TAX

The Maintenance Special Tax shall be collected in the following priority:

1. Up to 100% of the Assigned Maintenance Special Tax on Developed Property,

2. then up to 100% on Undeveloped Property with a 404 Permit,

3. then up to 100% on Undeveloped Property without a 404 Permit.

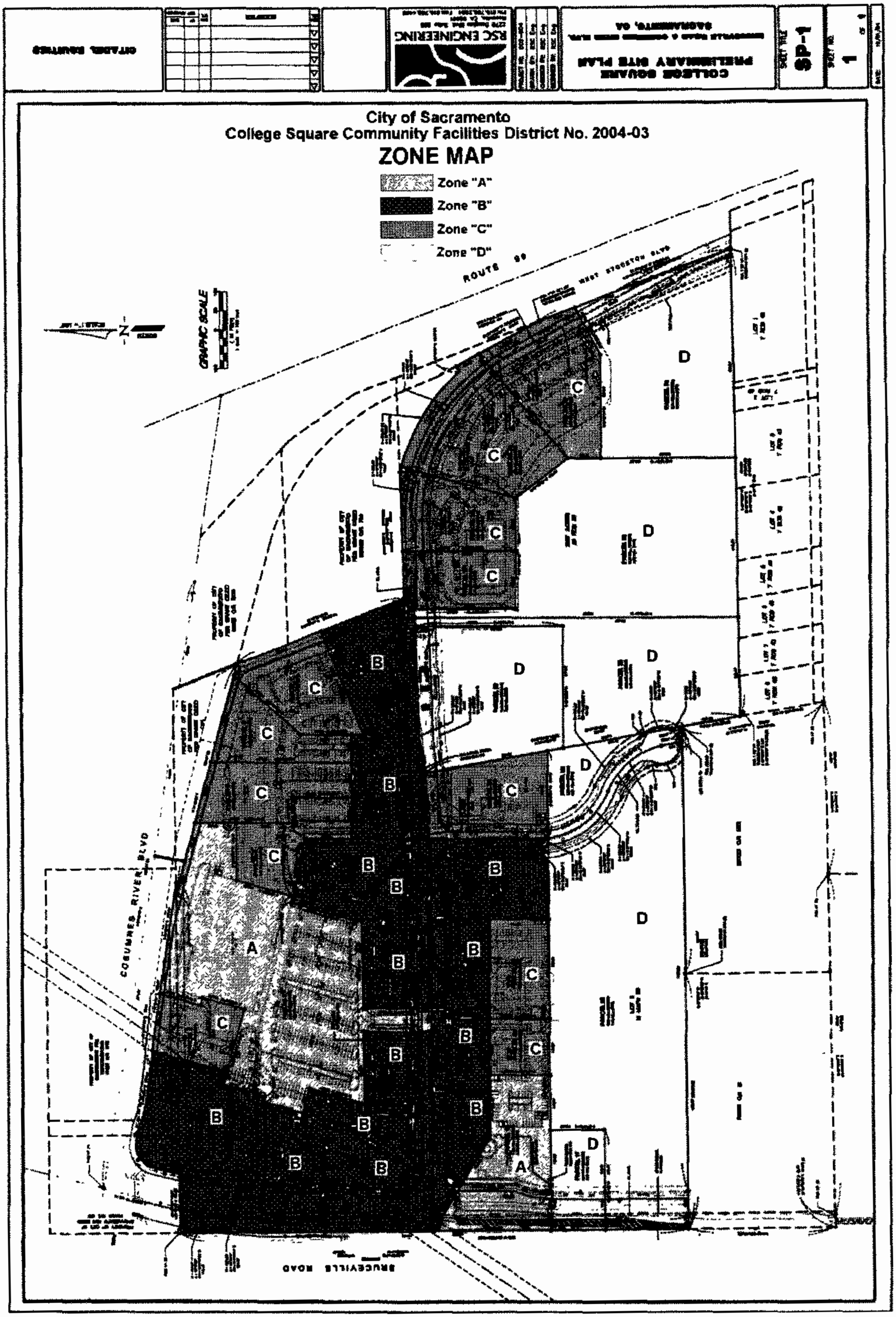
The Maintenance Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 2005-01 may directly bill the Maintenance Special Tax, may collect Maintenance Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

L. TERM OF MAINTENANCE SPECIAL TAX

The Maintenance Special Tax shall be levied on an Assessor's Parcel in perpetuity.

M. EXEMPTIONS

Property is exempt from special taxes when owned by a public agency. Property owners' association as defined by the Dept. of Corporations is exempt from special taxes, unless necessary to meet the Special Tax Requirement. Should an Assessor's Parcel no longer be owned by a property owners' association or Public Property, its tax-exempt status will be revoked.


City of Sacramento
College Square Community Facilities District No. 2004-03
ZONE MAP
Zone "A"
Zone "B"
Zone "C"
Zone "D"
ROUTE 99
WEST STOCKTON BLVD
COSUMNES RIVER BLVD
BRUCEVILLE ROAD
GRAPHIC SCALE
RSC ENGINEERING
COLLEGE SQUARE
PRELIMINARY SITE PLAN
SACRAMENTO, CA
SP-1

APPENDIX C

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the entire Indenture, a copy of which is on file and available for inspection at the corporate trust office of the Trustee at 550 Kearny Street, Suite 600, San Francisco, California 94108

Definitions

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

"Acquisition and Construction Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund established pursuant to the Indenture (to be maintained by the City Treasurer)

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

"Bond Redemption Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Bond Redemption Fund established pursuant to the Indenture (to be maintained by the Trustee)

"Bond Reserve Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Bond Reserve Fund established pursuant to the Indenture (to be maintained by the Trustee)

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

"Bonds" means the aggregate principal amount of special tax bonds of the City at any time Outstanding under the Indenture that are executed, authenticated and delivered in accordance with the provisions of the Indenture or of any Supplemental Indenture "Serial Bonds" means the Bonds for which no Sinking Fund Account Payments are established In this instance there are no Serial Bonds "Term Bonds" means the Bonds which are redeemable or payable on or before their maturity date from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their maturity date, being the Term Bond maturing on September 1, 2037

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

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

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

"City Council" means the City Council of the City

"City Clerk" means the City Clerk of the City

"City Manager" means the City Manager of the City

"City Treasurer" means the City Treasurer of the City

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

"Community Facilities District" means the City of Sacramento College Square Community Facilities District No 2005-01, a community facilities district duly organized and existing in the City under and by virtue of the Act

"Community Facilities Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Community Facilities Fund established pursuant to the Indenture (to be maintained by the City Treasurer)

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

"Costs of Issuance Account" means the account in the Acquisition and Construction Fund referred to by that name established pursuant to the Indenture (to be maintained by the City Treasurer)

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

"Developers" means College Marketplace LLC, a California limited liability company, or its successors or assigns, and Granite Bay Holdings, LLC, a California limited liability company, or its successors or assigns

"Event of Default" means an event described as such in the Indenture

"Expense Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Expense Fund established pursuant to the Indenture (to be maintained by the City Treasurer)

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

"Facilities" means those certain public improvements described in Exhibit B to the Resolution of Formation to the extent they will be owned and operated by the City

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds proposed to be invested therein (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America, and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America

"Fees" means the development impact fees described in Exhibit C to the Resolution of Formation to the extent the fees are to be paid to the City

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

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

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

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

"Holder" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Indenture

"Indenture" means this Indenture dated as of October 1, 2007, by and between the City and the Trustee entered into under and pursuant to the Act, as originally executed and delivered and as it may from time to time be amended or supplemented by any Supplemental Indenture executed and delivered as provided in the Indenture

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

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

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

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

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

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

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

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

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

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

"Mayor" means the Mayor of the City

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

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

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture all Bonds except --

(1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction,

(2) Bonds paid or deemed to have been paid within the meaning as set forth in the Indenture, and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Indenture

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

"Rebate Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Rebate Fund established pursuant to the Indenture (to be maintained by the City Treasurer)

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

"Resolution of Formation" means the City Council's Resolution No 2005-483 adopted on June 21, 2005 establishing the Community Facilities District

"Sinking Fund Account" means the account in the Bond Redemption Fund referred to by that name established pursuant to the Indenture

"Sinking Fund Account Payments" means the payments required under the Indenture to be deposited in the Sinking Fund Account for the payment of the Term Bonds

"Special Tax" means the special tax described in the Resolution of Formation

"Special Tax Formula" means the Rate and Method of Apportionment of Special Tax set forth in Exhibit D to the Resolution of Formation

"Special Tax Fund" means the City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Special Tax Fund established pursuant to the Indenture (to be maintained by the City Treasurer)

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

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

"Taxable Land" means all land within the Community Facilities District taxable under the Act and under the Special Tax Formula

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

"Trustee" means The Bank of New York Trust Company, N A , a banking corporation duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character set forth in the Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or in San Francisco, California which may at any time be substituted in its place as provided in the Indenture

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

Equal Security

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

Terms And Provisions of Bonds

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

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

Mutilated, Destroyed, Stolen or Lost Bonds In case any Bond shall become mutilated or shall be believed by the Trustee to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the City and the Trustee in the premises, the City shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost

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

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

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

Funds and Accounts

Acquisition and Construction Fund There is established in the treasury of the City a fund to be known as the "City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund," into which fund shall be deposited the amount required to be deposited therein by the provisions of the Indenture All money in the Acquisition and Construction Fund shall be applied by the City Treasurer in the manner provided by the Act for paying the costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction, or for the repayment of funds advanced to or for the Community Facilities District, or for the payment of the Fees, provided, that any money remaining in the Acquisition and Construction Fund after the completion of the payment of the costs of the acquisition and construction of the Facilities (but not prior to October 25, 2010) shall be withdrawn by the City Treasurer from the Acquisition and Construction Fund and deposited by the City Treasurer in the Special Tax Fund

Costs of Issuance Account There is established in the Acquisition and Construction Fund an account to be known as the "City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Costs of Issuance Account," into which account shall be deposited the amount required to be deposited therein by the provisions of the Indenture All money in the Costs of Issuance Account shall be applied by the City Treasurer in the manner provided by law for payment of Costs of Issuance, provided, that any money remaining in the Costs of Issuance Account after the completion of the payment of the Costs of Issuance (but not later than April 22, 2008) shall be withdrawn by the City Treasurer from the Costs of Issuance Account and deposited by the City Treasurer in the Special Tax Fund, and the Costs of Issuance Account shall be closed

Deposit of Proceeds of the Special Tax in the Special Tax Fund The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Indenture, and will be deposited as and when received in the "City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Special Tax Fund," which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding under the Indenture, and all money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes as set forth in the Indenture

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

(1) Expense Fund City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Expense Fund (maintained by the City Treasurer) On September 1 in each year, beginning in September 2008, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of any unbudgeted Expenses during the prior twelve-month period) All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor

(2) Bond Redemption Fund City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Bond Redemption Fund (maintained by the Trustee) On or before the first (1st) day in March and September in each year, beginning in March 2008, the City Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be On or before September 1 in each year, beginning in September 2008, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 or the Sinking Fund Account Payment required to be made on such September 1 into the Sinking Fund Account (which the Trustee agrees and covenants to maintain), as the case may be All of the payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the aggregate amount of principal of the Bonds becoming due on such date or the Sinking Fund Account Payment required to be made on such date, as the case may be, then such money shall be applied pro rata in such proportion as the interest and principal or Sinking Fund Account Payments bear to each other No deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided in the Indenture

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

(3) Bond Reserve Fund City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Bond Reserve Fund (maintained by the Trustee) On or before September 1 in each year, beginning in September 2008, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund the amount of money that is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve, and for this purpose all investments in the Bond Reserve Fund shall (beginning in September 2008) be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments, or (ii) the market value of such investments, and in making any valuations under the Indenture, the Trustee may use and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system, provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve

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

(b) All money remaining in the Special Tax Fund on September 1 of each year, beginning in September 2008, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Indenture, shall be withdrawn from the Special Tax Fund by the City Treasurer and deposited in the "City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding under the Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the purposes authorized by the Community Facilities District in accordance with the Act, provided, that the City Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the City Treasurer's actual knowledge) an Event of Default is then existing under the Indenture

Cash Deposit or Letter of Credit The City has obtained from College Marketplace LLC, one of the Developers, a cash deposit or a letter of credit (the "Letter of Credit") pursuant to an "Agreement for Credit Enhancement Letter of Credit" (the "Agreement for Credit Enhancement"), entered into between College Marketplace LLC and the City, dated October 1, 2007 Under certain circumstances specified in the Agreement for Credit Enhancement, the City may draw upon the cash deposit or Letter of Credit (such amounts are referred to as "Draws") Further, under certain circumstances specified in the Agreement for Credit Enhancement, the City is to apply some or all of the Draws to the payment of Debt Service The Trustee is to accept payments from the City for deposit in the Bond Redemption Fund without regard to whether the money paid is from collections of the Special Tax or from Draws, and without any duty to differentiate between the two sources in the handling of moneys The Trustee has no duties or obligations with respect to the cash deposit or the Letter of Credit or the Agreement for Credit Enhancement whatsoever, except as provided in the Indenture, and in the event of any claim against the Trustee arising out of the Letter of Credit or the Agreement for Credit Enhancement, other than claims arising from the Trustee's own willful misconduct or negligence, the City will indemnify, defend and hold harmless the Trustee against all costs, expense and damages arising or resulting from such claim

Covenants of the City

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

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

Against Federal Income Taxation

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

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the "City of Sacramento College Square Community Facilities District No 2005-01, 2007 Special Tax Bonds Rebate Fund" to be held in trust and administered by the City Treasurer The City will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Indenture and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate

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

Expense Budgets The City Council will, on or before September 1 in each year, beginning in September 2008, adopt a budget setting forth the costs of the estimated Expenses for the twelve-month period from such September 1 through the next succeeding August 31 (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period), provided, that any budget adopted in accordance with the Indenture may be amended by the City Council at any time

Accounting Records, Financial Statements and Other Reports

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

(b) The City will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the costs of the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities The City will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof

(c) The City will prepare annually not later than October 30 of each year and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Act (see Section 53359 5), including

(1) The principal amount of the Outstanding Bonds,

(2) The balance in the Bond Reserve Fund,

(3) The balance in the Bond Redemption Fund constituting capitalized interest, if any,

(4) The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the total amount of special taxes due on the delinquent parcels, the length of time that each delinquent parcel has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified, and

(5) The balance in the Acquisition and Construction Fund,

(6) The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most recent equalized assessment roll, the date of assessed value reported, and that the information comes from the County Assessor's Office of the County of Sacramento,

(7) The total amount of special taxes due, the total amount of unpaid special taxes, and whether the special taxes are paid under the County's Teeter Plan, and

(8) Contact information for the City official providing the information

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

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

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

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

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

Cash Deposit/Letter of Credit The City will administer the cash deposit or Letter of Credit described above in accordance with the Agreement for Credit Enhancement The City will draw on the cash deposit or Letter of Credit, subject to the limitations of the Agreement for Credit Enhancement and the Letter of Credit, as needed to provide funds to the Trustee to pay Debt Service

The Trustee

The Bank of New York Trust Company, N A , at its Principal Corporate Trust Office, is appointed Trustee for the purpose of receiving all money which the City is required to transfer to it under the Indenture and for applying and using such money as provided in the Indenture for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds The City agrees that it will at all times maintain a Trustee having a Principal Corporate Trust Office in either Los Angeles or in San Francisco, California

The City may at any time remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing, provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in either Los Angeles or San Francisco, California, with a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars ($100,000,000) and subject to supervision or examination by a federal or state banking authority, and if such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published The Trustee may at any time resign by giving written notice of such resignation to the City and by giving notice of such resignation by mail pursuant to the Indenture to the Holders, and upon receiving such notice of resignation the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required by the Indenture Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the City and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Indenture

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

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

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

Liability of the Trustee The recitals of facts, agreements and covenants contained in the Indenture and in the Bonds shall be taken as statements, agreements and covenants of the City, and the Trustee does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity of the Indenture or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it in the Indenture or in the Bonds, and shall not be liable in connection with the performance of its rights or obligations under the Indenture except for its own negligence or willful misconduct The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer thereof, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its rights or obligations under the Indenture, or in the exercise of any of its rights or obligations under the Indenture.

Amendment of or Supplement to the Indenture

Procedure for Amendment of or Supplement to the Indenture.

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

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

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

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

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

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

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

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

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

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

Events of Default and Remedies of Holders

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

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

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

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

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

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

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

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

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

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any subsequent Event of Default or breach of duty or contract No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any right or remedy or shall be construed to be a waiver of any Event of Default or breach of duty or contract or an acquiescence therein Every right and remedy conferred upon the Holders by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders

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

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

Defeasance

Discharge of the Bonds

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

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

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption pursuant to the Indenture to the respective Holders of all such Outstanding Bonds and to those securities information services selected by it pursuant to the Indenture and to the original purchaser or underwriter of the Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth in the Indenture and that all obligations of the City under the Indenture with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to the securities information services selected by it pursuant to the Indenture and to the original purchaser or underwriter of the Bonds that the deposit required by clause (2) above has been made with the escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of or redemption prices of such Bonds

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

Miscellaneous

Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds Notwithstanding anything contained in the Indenture, the City shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds

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

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

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

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall be deposited in the Special Tax Fund, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made

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

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

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

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

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC. The City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com.**

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each 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 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 Bonds, except in the event that use of the book-entry system for the 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 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 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.

Redemption notices shall be sent to DTC. If less than all of the 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 any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTCs book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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APPENDIX E

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

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CITY OF SACRAMENTO
COLLEGE SQUARE
COMMUNITY FACILITIES DISTRICT NO. 2005-01
2007 SPECIAL TAX BONDS

CONTINUING DISCLOSURE CERTIFICATE
(ISSUER)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Sacramento (the "City") in connection with the issuance of its City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the "Bonds") pursuant to an Indenture dated as of October 1, 2007 (the "Indenture"), and in connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2—12(b)(5).

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

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

"Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"Dissemination Agent" means any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. The City shall act as initial Dissemination Agent under this Disclosure Certificate.

"Holders" means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.

"Report Date" means seven months after the end of the District's fiscal year, or February 1 of each year based upon the District's current June 30 fiscal year end.

"Repository" means each National Repository and each State Repository.

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

"Statc" means the State of California.

"State Repository" means any public or privatc repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

"Underwriter" means Stone & Youngberg LLC as original underwriter of the Bonds and any other underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than the Report Date, commencing February 1, 2008 with the report for the 2006-07 fiscal year, provide to each Repository and (upon request each year to the Underwriter) an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the Report Date if they are not available by that date. The City shall give notice of any change in its fiscal year in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 15 Business Days prior to the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repositories an Annual Report by the Report Date, the City (or the Dissemination Agent, if other than the City) shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Report Date the name and address of each National Repository and each State Repository;

(ii) file the Annual Report with each Repository by the Report Date and file any notice of a Listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(iii) (if the Dissemination Agent is other than the City) file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

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

(a) The City's comprehensive audited financial report for the prior fiscal year.

(b) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior fiscal year.

(c) Balances in each of the following funds established pursuant to the Indenture as of the close of the prior fiscal year:

(i) the Bond Redemption Fund (with a statement of the debt service requirement to be discharged by said Fund prior to the receipt of expected additional special tax revenue); and

(ii) the Bond Reserve Fund.

(d) A statement of the debt service requirements for the Bonds for the prior fiscal year.

(e) A statement of the total special tax levied in the prior fiscal year.

(f) A statement of the actual special tax collections for the Community Facilities District for the prior fiscal year.

(g) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(i) the Reserve Requirement for the prior fiscal year;

(ii) a statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax; and

(iii) a statement of any discontinuance of the County's Teeter Plan with respect to any taxable property in the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) Modifications to the rights of Holders of the Bonds;

(viii) Bond calls;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds; and

(xi) Rating changes on the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly deliver a notice of such occurrence to the Underwriter (upon request of the Underwriter) and to the Dissemination Agent (if other than the City) which shall promptly file copies of the notice either with (1) the Repositories or (2) the MSRB; and then (if the Dissemination Agent is other than the City) file a report with the City certifying that the Listed Event notice has been provided pursuant to this Disclosure Certificate, stating the date it was provided and indicating that it was provided to the MSRB or listing all the Repositories to which it was provided. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

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

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of information being presented by the City.

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

SECTION 10. City Not Responsible for Continuing Disclosure by Other Parties. Nothing contained herein shall be construed to require the City to enforce the obligation of any other party, including any owner or property within the Community Facilities District, to provide information to any National Repository, the State Repository, the MSRB, or any Participating Underwriter or otherwise to comply with such other party's continuing disclosure undertaking entered into in connection with the issuance of the Bonds.

SECTION 11 Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holders of the Bonds or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and if the City is not the Dissemination Agent, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City:

City of Sacramento
915 I Street
Office of the City Treasurer
Historic City Hall
Third Floor, #0900
Sacramento, California 95814-2704
Attention: City Treasurer
Fax: (916) 808-5168

To the Participating Underwriter:

Stone & Youngberg LLC
One Ferry Building
San Francisco, California 94111
Attention: Municipal Research Department
Fax: (415) 445-2395

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Underwriter, the Holders of the Bonds and the Beneficial Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: October __, 2007

CITY OF SACRAMENTO

By: ______________________________
City Treasurer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento

Name of Bond Issue: City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds

Date of Issuance: October __, 2007

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate (Issuer) dated as of October __, 2007. The City anticipates that the Annual Report will be filed by

Dated: ______________

By: ______________________________
Authorized Representative

CITY OF SACRAMENTO
COLLEGE SQUARE
COMMUNITY FACILITIES DISTRICT NO. 2005-01
2007 SPECIAL TAX BONDS

CONTINUING DISCLOSURE CERTIFICATE
(DEVELOPER)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by ___________, (the "Developer") in connection with the issuance by the City of Sacramento (the "City") of its City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the" Bonds") pursuant to an Indenture dated as of October 1, 2007 (the "Indenture"), and in connection therewith the Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2—12(b)(5).

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

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Developer and which has filed with the Developer a written acceptance of such designation. The Developer shall act as initial Dissemination Agent under this Disclosure Certificate.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.

"Report Date" means three months after the end of the City's fiscal year (i.e., September 30) and nine months after the end of the City's fiscal year (i.e., March 31) based upon the District's current June 30 fiscal year end.

"Repository" shall mean each National Repository and each State Repository.

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

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

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

"Underwriter" shall mean Stone & Youngberg LLC as original underwriter of the Bonds and any other underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Semiannual Disclosure Reports.

(a) The Developer shall, not later than the first Report Date, commencing March 31, 2008 provide to each Repository and the original Underwriter of the Bonds (if requested) a Semiannual Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than 15 Business Days prior to each Report Date, the Developer shall provide the Semiannual Disclosure Report to the Dissemination Agent (if other than the Developer). If the Developer is unable to provide to the Repositories a Semiannual Disclosure Report by the Report Date, the Developer shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Report Date the name and address of each National Repository and each State Repository;

(ii) file the Semiannual Disclosure Report with each Repository by the Report Date and file any notice of a Listed Event, if requested by the Developer, as soon as practicable following receipt from the Developer of such notice; and

(iii) (if the Dissemination Agent is other than the Developer), file a report with the Developer certifying that the Semiannual Disclosure Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

SECTION 4. Content of Semiannual Disclosure Report. The Developer's Semiannual Disclosure Report shall contain or incorporate by reference the following:

(a) Any significant changes (as enumerated in Section 5 or which could materially affect the security for the Bonds) in the information concerning the Developer contained in the Official Statement dated October ___, 2007, relating to the Bonds (the "Official Statement").

(b) Any change in the legal structure of the Developer or in the composition of the Developer.

(c) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the ability of the Developer to make Special Tax payments or to comply with its obligation under any development agreement or shortfall agreement entered into with the City.

(d) Information relating to all property owned by the Developer within the District (the "Property") and a summary of the Developer's activity on the Property since the filing of the last Semiannual Disclosure Report, including, but not limited to (as applicable):

(i) property currently owned in the District by the Developer;

(ii) status of development or construction activities on the Property, including the issuance of building permits;

(iii) any significant amendments to or changes in land use entitlements;

(iv) aggregate property sold, optioned or leased by the Property Owner to end users or merchant builders:

	Since Date of Issuance of the Bonds		Since the Last Periodic Report
Acres*		Acres*	
Lots		Lots	
Bldg. Sq. Ft		Bldg. Sq. Ft	

*For bulk land sales only; and

(v) a description of the status of any land purchase contracts with regard to the Property.

(e) Any significant changes in the information concerning the Developer's property set forth in the Official Statement under the caption "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT" including, without limitation, updates to Tables 6 and 8 within that section.

SECTION 5. Reporting of Significant Events.

(a) The Developer shall give, or cause to be given, notice of the occurrence of any of the following events:

(i) Transfer of any taxable property within the District to any related persons by the Developer (any transaction not subject to reassessment under California property tax law).

(ii) Transfer of property within the District to another unrelated developer or builder such that such developer or builder owns 5% or more of the taxable property within the District at any time.

(iii) Any failure of the Developer to make general property tax, special assessments or Special Tax payments when due with respect to any taxable parcel within the District.

(iv) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any general partner of the Developer.

(v) Status of any significant government imposed preconditions or any legislative, administrative and/or judicial challenges to the commencement or continuation of development known to the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly deliver a notice of such occurrence to the original Underwriter of the Bonds and to the Dissemination Agent (if other than the Developer) which shall promptly file copies of the notice either with (1) the Repositories or (2) the MSRB; and then (if the Dissemination Agent is other than the Developer) file a report with the Developer certifying that the Listed Event notice has been provided pursuant to this Disclosure Certificate, stating the date it was provided and indicating that it was provided to the MSRB or listing all the Repositories to which it was provided.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate to prepare and file a Semiannual Disclosure Report or notices of Listed Events shall terminate upon the earlier to occur of the following:

(a) legal defeasance, prior redemption or payment in full of the Bonds, or

(b) at such time as the Property is no longer responsible in the aggregate for 5% or more of the annual Special Tax; provided, however, that the Developer's obligations under this Disclosure Certificate shall remain in force with respect to any transferred property for which the Purchaser (as defined below) has not executed an Assumption Agreement (as defined below).

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5. Upon any transfer by the Developer of any portion of the property owned by the Developer, the obligation of the Developer hereunder shall terminate with respect to such property.

SECTION 7. Subsequent Developer. The Developer agrees to require, as a condition of sale of property within the District which the Developer sells while any Bonds remain outstanding, that any purchaser who, as result of such sale, would own at least 10% of the taxable property within the District (the "Purchaser") execute an agreement (an "Assumption Agreement") whereby such Purchaser agrees (1) to assume and perform all of the obligations of the Developer hereunder with respect to such transferred property, and (2) to require, as a condition of sale by the Purchaser to any such person, a further agreement by that purchaser (the "Subsequent Purchaser") as if the Purchaser was the Developer and the Subsequent Purchaser was the Purchaser under the terms of this paragraph. The failure of the Developer to obtain an Assumption Agreement from the Purchaser shall not prevent the transfer of all or any portion of the Developer's Property or invalidate such transfer in any respect, nor place the Developer in default of any obligation created by this Disclosure Certificate or otherwise subject the Developer to any penalty or claim for damages.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the Developer in carrying out its obligations under this Disclosure Certificate, and the City may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Developer shall act as initial Dissemination Agent under this Disclosure Certificate.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, with the prior written consent of the City, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Certificate to update such information or include it in any future Disclosure Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the

Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and if the Developer is not the Dissemination Agent, the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City:

City of Sacramento
915 I Street
Office of the City Treasurer
Historic City Hall
Third Floor, #0900
Sacramento, California 95814-2704
Attention: City Treasurer
Fax: (916) 808-5168

To the Participating Underwriter:

Stone & Youngberg LLC
One Ferry Building
San Francisco, California 94111
Attention: Municipal Research Department
Fax: (415) 445-2395

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Scope of Undertaking. The Developer undertakes to perform such actions and only such actions as are specifically set forth in this Developer's Disclosure Certificate and no implied covenants (by virtue of Developer's having entered into a development agreement with the City of Sacramento, or otherwise) shall be read into this Disclosure Certificate against the Developer.

Date: October __, 2007

____________________________ LLC

By: ________________________________
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento

Name of Bond Issue: City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds

Date of Issuance: October __, 2007

NOTICE IS HEREBY GIVEN that the Developer has not provided a Semiannual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate (Developer) dated as of October __, 2007. The Developer anticipates that the Semiannual Disclosure Report will be filed by

Dated: ______________

By: ______________________________
Authorized Representative

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

October 25, 2007

City of Sacramento
Sacramento, California

City of Sacramento
College Square Community Facilities District No. 2005-01
<u>2007 Special Tax Bonds</u>
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "Issuer") in connection with the issuance by the Issuer of $11,465,000 aggregate principal amount of City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the "Bonds") pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and an Indenture by and between the Issuer and The Bank of New York Trust Company, N.A., as trustee, dated as of October 1, 2007 (the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, 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. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the Rate and Method of Apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding special tax obligations of the Issuer, payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture) and certain funds held under the Indenture.

2. The Indenture has been duly adopted and constitutes a valid and binding obligation of the Issuer.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G
CERTAIN INFORMATION CONCERNING THE CITY OF SACRAMENTO

General

The City is located at the confluence of the Sacramento and American Rivers in the south central portion of the Sacramento Valley, a part of the State's Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 88 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

A comparison of the City's population growth to that of the County of Sacramento (the "County") and the State is provided in the table below. Population estimates are as of January 1 in each year.

TABLE G-1
CITY OF SACRAMENTO
COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
Population Estimates

Year	City of Sacramento	Average Annual Percentage Change	County of Sacramento	Average Annual Percentage Change	State of California	Average Annual Percentage Change
1970	257,105	3.41%	643,373	2.80%	19,935,134	2.68%
1980	275,741	0.72	783,381	2.18	23,667,837	1.87
1990	369,365	3.40	1,041,219	3.29	29,758,213	2.57
1995	384,300	0.81	1,115,100	1.42	31,910,000	1.45
2000	407,018	1.40	1,223,499	2.07	33,873,086	1.27
2001	414,627	1.87	1,252,509	2.37	34,441,561	1.68
2002	426,660	2.90	1,287,246	2.77	35,088,671	1.88
2003	435,506	2.07	1,317,806	2.37	35,691,472	1.72
2004	444,505	1.95	1,344,867	2.05	36,245,016	1.55
2005	452,050	1.81	1,366,937	1.64	36,728,196	1.33
2006	457,514	1.21	1,385,607	1.36	37,171,015	1.21
2007	467,343	2.00	1,406,804	1.40	37,662,518	1.30

Source: U.S. Bureau of Census and State of California Department of Finance.

Government

The City was incorporated in 1849, although it had been settled in the 1830s during which time Captain John A. Sutter acquired a 50,000-acre land grant. It was on Sutter's farm that the City was planned in 1848. The discovery of gold on the American River during that same year triggered the "Forty-Niner" gold rush, which led to the development of Sacramento as the supply center for the northern mines of the Mother Lode. Although less publicized, the agricultural potential of the Sacramento Valley was just as important to the future of the City. In 1854, Sacramento became the capital of the State. Today, State government employees and governmental-related activities contribute substantially to the City's economy.

In 1856, the City was the western terminus of the State's first railroad, which ran a distance of approximately 25 miles to Folsom. Shortly thereafter, it provided the starting point for the first transcontinental railroad, the Central Pacific, which later became the Southern Pacific. Prior to completion of that railroad, Sacramento was the western-most station for the Pony Express.

The City operates under a Charter, adopted in 1921, that currently provides for a nine-member elected Council, including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, City Attorney, City Clerk and City Treasurer to carry out its adopted policies. Sacramento was one of the first cities to utilize the Council-Manager form of government, which has since been recognized as an efficient and effective method of providing municipal services.

Members of the Council serve terms of four years. The Mayor is chairperson of the Council and is elected in at-large City elections. Councilmembers are elected by eight individual districts.

The Local Economy

The table below shows the historic gross assessed values of all property within the City (but excluding property subject to redevelopment tax increments).

TABLE G-2
CITY OF SACRAMENTO
Historic Gross Assessed Property Values
(dollars in thousands)

Fiscal Year	Secured	Public Utility	Unsecured	Total
1996-97	$15,812,272	$50,688	$1,193,868	$17,056,828
1997-98	15,939,774	53,559	1,227,359	17,220,692
1998-99	16,539,681	57,831	1,247,496	17,845,188
1999-00	17,289,515	58,000	1,246,831	18,594,346
2000-01	18,369,903	54,667	1,231,639	19,656,209
2001-02	19,718,191	57,292	1,171,368	20,946,851
2002-03	21,855,519	66,428	1,157,123	23,079,070
2003-04	23,859,347	60,908	1,168,917	25,089,123
2004-05	27,010,976	57,800	1,363,104	28,411,880
2005-06	31,112,448	56,950	1,574,566	32,743,964
2006-07	35,687,712	54,611	1,441,042	37,183,365

Source: County of Sacramento, Office of Auditor/Controller / Construction Industry Research Board.

Economic Structure. Set forth below is data reflecting the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area's civilian labor foree, employment and unemployment. These figures are for the Sacramento-Arden Arcade-Roseville Metropolitan Statistieal Area which includes the counties of El Dorado, Placer, Sacramento and Yolo and may not necessarily accurately reflect employment trends in the City of Sacramento.

TABLE G-3
SACRAMENTO-ARDEN ARCADE-ROSEVILLE METROPOLITAN STATISTICAL AREA
Estimated Number of Wage and Salary Workers By Industry

	2000	2001	2002	2003	2004	2005	2006	2007*
ian Labor Force [1]	908,800	936,200	970,100	992,000	1,007,800	1,024,200	1,039,800	1,056,800
loyment	869,900	894,200	916,300	934,600	952,300	974,100	991,300	1,005,300
nployment	38,900	42,000	53,800	57,400	55,500	50,100	48,500	51,100
nployment Rate	4.3%	4.5%	5.5%	5.8%	5.5%	4.9%	4.6%	4.8%
l All Industries[2]	806,000	827,000	840,100	853,500	866,400	888,300	908,000	929,300
al Farm	8,900	8,100	7,900	7,500	7,400	7,400	7,600	9,800
al Nonfarm	797,100	818,900	832,200	846,000	859,100	880,900	900,300	919,500
oods Producing	105,800	110,200	109,100	113,400	118,800	122,900	121,000	119,700
latural Resources & Mining	900	900	800	700	700	700	800	800
'onstruction	53,100	59,500	61,300	66,500	70,800	73,400	71,000	70,200
Aanufacturing	51,900	49,800	47,000	46,300	47,300	48,800	49,200	48,700
rvice Providing	691,300	708,700	723,100	732,600	740,300	758,000	779,400	799,800
'rade, Transportation & Utilities	138,700	140,600	140,600	143,100	146,100	148,900	153,200	153,700
Wholesale Trade	25,100	25,800	25,600	26,300	26,500	26,900	28,600	29,300
Retail Trade	89,900	91,600	92,700	94,900	96,700	98,700	100,600	100,400
Transportation, Warehousing & ties	23,600	23,300	22,400	21,900	22,900	23,400	23,900	24,000
nformation	18,600	22,300	23,100	21,900	20,900	19,900	19,900	20,300
'inancial Activities	52,300	52,500	55,200	59,400	60,400	63,500	65,300	66,000
'rofessional & Business Services	103,500	99,300	96,100	95,800	98,400	102,800	106,300	109,500
Education & Health Services	70,600	75,900	78,000	81,000	84,600	88,200	92,000	95,400
Leisure & Hospitality	70,300	72,200	75,200	77,300	79,900	82,100	85,700	87,100
Other Services	26,800	27,700	28,200	28,000	28,500	28,500	28,700	29,300
Government	210,700	218,100	226,800	226,200	221,600	224,000	228,400	238,500
Federal Government	15,500	12,800	12,700	12,900	12,600	12,800	12,600	12,600
State and Local Government	195,200	205,300	214,100	213,300	209,000	211,300	215,800	225,900

[1] Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

[2] Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

* As of May 2007.

Source: Labor Market Information Division of the California State Employment Development Department.

The table below represents the Sacramento Region Major Private-Sector Employers for the greater Sacramento area (including, Sacramento, El Dorado, Placer, Sutter, Yolo and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, financial and package delivery services. Major public sector employers include the State of California and the County.

TABLE G-4
GREATER SACRAMENTO AREA
Major Private-Sector Employers

Name of Employer	Type of Business	No. of Employees
Kaiser Permanente	Healthcare	7,283
Raley's Inc.	Retail Groceries	7,134
Intel Corp.	Semiconductors & Related Devices	6,500
UC Davis Health System	Healthcare	6,449
CHW/Mercy Healthcare Sacramento	Healthcare	6,303
Sutter Medical Center	Healthcare	6,227
SBC	Telecommunications	5,010
Hewlett-Packard Co.	Computer Hardware Manufacturer	4,000
Target Corp.	Retail	3,212
The Home Depot	Retail	3,200
Wells Fargo	Financial Services	3,083
Cache Creek Casino Resort	Casino	2,326
Sacramento Municipal Utility District (SMUD)	Utility	2,300
PRIDE Industries Inc.	Mail and Fulfillment Services; Manufacturing and Logistics	2,200
Health Net Inc.	Healthcare	2,160
Electronic Data Systems (EDS)	Computer and Data Processing	2,015
Rideout Memorial Hospital	Healthcare	2,000
Bank of America	Financial Services	1,964
Pacific Gas and Electric Co. (PG&E)	Utility	1,953
Blue Shield of California	Healthcare	1,744
Vision Service Plan Inc.	Insurance Agents, Brokers & Services	1,688
Apple Computer Inc.	Computer, Hardware & Software Application	1,500
The McClatchy Co.	Newspapers	1,410
Aerojet	Propulsion, Smart Munitions, Fine Chemical Manufacturer	1,400
Franklin Templeton Investment	Financial Services	1,200
DST Output	Computer Programming & Business Services	1,170
Union Pacific Railroad Co., Inc.	Freight Railroad	1,062
SureWest Communications	Telecommunications	1,010
Woodland Healthcare	Healthcare	944
Marshall Medical Center	Healthcare	920

Source: Sacramento Area Commerce and Trade Organization, 2005.

Commercial Activity. The following table shows a summary of historic taxable sales within the City.

TABLE G-5
CITY OF SACRAMENTO
Taxable Transactions
(in thousands)

Business	2000	2001	2002	2003	2004	2005	2006*
RETAIL STORES:							
Apparel Stores	$167,352	$165,051	$184,332	$197,884	$217,533	$244,319	$115,046
General Merchandise Stores	617,303	620,208	603,027	613,304	668,864	700.577	325.764
Food Stores	240,227	248,401	244,110	262,784	268,920	279,255	138,858
Eating & Drinking Places	438,164	460,409	476,009	508,416	559,897	615,212	323,876
Home Furnishings. & Appliances	119,200	114,345	118,964	119,887	127,725	146,232	64,032
Building. Materials & Farm Implements.	328,469	375,303	386,656	413,908	480,420	528,628	243,281
Auto Dealers. & Auto Supplies	476,485	500,189	499,827	509,352	457,911	421,707	202,706
Service Stations	233,059	233,932	206,977	271,453	317,874	382,239	202,422
Other Retail Stores	642,159	642,037	659,864	744,086	701,522	721,612	352,881
Retail Stores Total	3,262,418	3,559,875	3,379,766	3,641,074	3,800,666	4,039,781	1,968,866
All Other Outlets	1,687,758	1,652,508	1,619,829	1,646,630	1,869,898	2,029,214	983,184
TOTAL ALL OUTLETS	$4,950,176	$5,012,383	$4,999,595	$5,287,704	$5,670,564	$6,068,995	$2,952,050

- Through Second Quarter of 2006.

Source: State Board of Equalization

Building and Construction. **The following table presents residential and non-residential building permit valuations and the number of new housing units for the City.**

TABLE G-6
CITY OF SACRAMENTO
Residential and Non-Residential Building Permit Valuations and New Housing Units
(Dollar Amounts Are Stated Fully)

	2001	2002	2003	2004	2005	2006	2007*
Residential Building Permit Valuations							
New Single Family	$399,498,142	$479,627,831	$483,080,599	$429,519,813	$224,904,467	$211,301,576	$157,615,706
New Multi-Family	61,143,318	96,733,285	198,917,767	112,839,356	101,740,056	169,160,730	53,708,373
Alterations/Additions	67,105,074	75,538,127	82,911,943	120,170,639	127,722,262	113,100,281	63,415,881
Total Residential	$527,746,534	$651,899,243	$764,910,309	$662,529,808	$454,366,785	$493,562,587	$274,739,960
New Housing Units							
Single Family	2,745	3,227	3,605	3,108	1,782	1,731	917
Multi-Family	881	1,328	2,368	1,214	1,176	1,907	503
Total Units	3,626	4,555	5,973	4,322	2,958	3,638	1,420
Non-Residential Building Permit Valuations							
New Commercial	$66,545,808	$97,108,790	$99,722,509	$92,793,643	$114,617,811	$186,225,999	52,206,745
New Industrial	32,124,717	30,088,140	18,772,115	35,754,172	38,965,511	26,610,422	2,450,898
Other New Non-Res	18,461,319	24,527,341	45,164,003	23,234,556	47,298,984	52,347,200	32,603,082
Alterations/Additions	71,294,882	80,310,523	93,859,828	121,622,522	120,049,747	139,022,975	86,616,750
Total Non-Residential	$188,426,726	$232,034,794	$257,518,455	$273,404,893	$320,932,053	404,206,596	$173,877,475
TOTAL Residential and Non-Residential	$716,173,260	$883,934,037	$1,022,428,764	$935,934,701	$775,298838	$897,769,183	$448,617,435

*Through June of 2007
Source: Construction Industry Research Board.

Agriculture. Agriculture continues to be an important factor in Sacramento's economy. Agricultural production and processing have been continually improved by the application of modern technological methods, keeping the industry's need for labor relatively low. This is demonstrated by the fact that although agricultural production and processing is a major factor in Sacramento's economic base, it ranks only tenth in terms of the number of people employed, even when the largest seasonal employment figures are used. The area's agricultural production is important on a national basis, with one or more of the nearby nine counties leading the nation in the production of various crops. These crops have traditionally been almonds, apricots, honeydew and Persian melons, olives, peaches, persimmons, plums, prunes, safflower, ladino clover seed, sugar beets, tomatoes for processing, rice and walnuts.

Community Facilities. The four-county Sacramento metropolitan area offers over 125 public parks, 200 tennis courts, 45 theaters and 53 golf courses. The Sacramento area's Mediterranean climate encourages use of the many recreational opportunities along the American and Sacramento rivers including fishing, swimming, biking along the 22 mile bicycle trail, horseback riding and hiking. The area supports an equally impressive arts community. Professional symphony, opera, theater and ballet companies perform to sizable crowds. Scores of multi-screen cinemas showing first-run films, museums, live theaters, and more than 100 traditional and modem art galleries, host hundreds of thousands of patrons year round.

ARCO Arena, a 17,300-seat privately-owned sports arena located in the North Natomas area of the City adjacent to Interstate 5, is currently the home of the Sacramento Kings of the National Basketball Association and the Sacramento Monarchs of the Women's National Basketball Association.

Media outlets in the four-county area consist of more than 30 newspapers, nine television stations (four network, four independents and one public) and 30 radio stations.

Public school education within the City is available through eight elementary, two high school and six unified school districts. There are approximately 84 private schools in the County and 70 industrial, technical trade schools. School enrollment during the 2005-2006 school year was approximately 88,000 in the City public schools.

The Los Rios Community College District serves the majority of the County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The Los Rios Community College District maintains three campuses in the County: American River College, located in Carmichael (northeast of the City of Sacramento); Sacramento City College located in the City of Sacramento; and Cosumnes River College, located in the southern area of the City. The Los Rios Community College District also maintains two education centers, the El Dorado Center, located in Placerville, and the Folsom Lake Center, located in Folsom.

California State University, Sacramento, offers four-year program in business administration, liberal arts, engineering, education and nursing, and masters degree programs in various fields. The reported combined enrollment of undergraduate and graduate students for the spring semester of the 2006-2007 school year was approximately 28,529. Other higher education facilities located in Sacramento are: McGeorge School of Law branch of the University of the Pacific; the Medical Center of the University of California, Davis; National University, Lincoln Law School; Golden Gate University; University of Phoenix; the University of Southern California (for public administration); and the University of Northern California (law).

Transportation. Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California, running from Mexico to Canada. State 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific railroads, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern and Santa Fe via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound, Trailways, the Sacramento Regional Transit District, and the Yolo County Transit District. The Sacramento Regional Transit District also provides light rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean freight service to all major United States and world ports. Via a deep water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also provides passenger and package service stations located in Sacramento.

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by 13 major carriers, two regional carriers and one commuter carrier. Executive Airport, located in Sacramento is a full-service, 540-acre facility serving general aviation. Finally, Mather Airport, also located in the City, currently offers full-service, fixed-base operations, 24-hour air traffic control, serves general aviation, and has one of the longest runways in California.

Utilities. The City is unique among large California cities in that it has an abundant water supply delivered by two rivers within its boundaries. The City has rights to approximately 900 cubic feet per second from the Sacramento and American rivers through permits issued by the State Water Resources Control Board. These water rights are supplemented with storage in Folsom Reservoir obtained through contract with the United States Bureau of Reclamation. The available supply is adequate to furnish the peak summer water demand for the population estimated to be within the service area by the year 2030. Two plants supply treated water to the service area south of the American River, portions of North Sacramento and the Natomas area. Ground water obtained from wells in the area north of the American River is of high quality and needs no treatment except for chlorination. Additionally, the City provides sewage collection service for most of the area. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The Sacramento Municipal Utility District ("SMUD") generates, transmits and distributes electric power to a 900 square-mile service area that includes the County and a small portion of Placer County. SMUD generates about half the electricity used by its customers and purchases the balance on the open market through short-term and long-term contracts (in equal proportions). Although SMUD has been able to keep electric rates stable for over ten years, sharply increasing costs for wholesale electricity and natural gas in California have caused SMUD to propose and have approved an increase in electric rates.

Pacific Gas and Electric Company ("PG&E") supplies natural gas and electricity throughout the County from sources in California, the southwestern United States and Canada. PG&E is one of the oldest public utility companies in California and is the largest in the United States. For many years it has provided adequate natural gas and electricity for the continually growing population in its service area. However, PG&E has recently been adversely affected by the sharply increasing cost of wholesale electricity and natural gas, resulting in financial difficulty and power shortages in many parts of the State.

The City is served by Pacific Bell, a Pacific Telesis Company, which is the principal telephone utility in the County. However, several telephone firms are active in the area, including General Telephone of California, Citizen Utilities Company of California and the Roseville Telephone Company.

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APPENDIX H

SEMI-ANNUAL DEBT SERVICE SCHEDULE

	Principal	Interest	Semiannual Debt Service	Total Annual Debt Service
03/01/08	—	$236,752.25	$236,752.25	—
09/01/08	$80,000	338,217.50	418,217.50	$654,969.75
03/01/09	—	335,857.50	335,857.50	—
09/01/09	0	335,857.50	335,857.50	671,715.00
03/01/10	—	335,857.50	335,857.50	—
09/01/10	10,000	335,857.50	345,857.50	681,715.00
03/01/11	—	335,562.50	335,562.50	—
09/01/11	25,000	335,562.50	360,562.50	696,125.00
03/01/12	—	334,825.00	334,825.00	—
09/01/12	40,000	334,825.00	374,825.00	709,650.00
03/01/13	—	333,645.00	333,645.00	—
09/01/13	55,000	333,645.00	388,645.00	722,290.00
03/01/14	—	332,022.50	332,022.50	—
09/01/14	75,000	332,022.50	407,022.50	739,045.00
03/01/15	—	329,810.00	329,810.00	—
09/01/15	95,000	329,810.00	424,810.00	754,620.00
03/01/16	—	327,007.50	327,007.50	—
09/01/16	115,000	327,007.50	442,007.50	769,015.00
03/01/17	—	323,615.00	323,615.00	—
09/01/17	135,000	323,615.00	458,615.00	782,230.00
03/01/18	—	319,632.50	319,632.50	—
09/01/18	160,000	319,632.50	479,632.50	799,265.00
03/01/19	—	314,912.50	314,912.50	—
09/01/19	185,000	314,912.50	499,912.50	814,825.00
03/01/20	—	309,455.00	309,455.00	—
09/01/20	215,000	309,455.00	524,455.00	833,910.00
03/01/21	—	303,112.50	303,112.50	—
09/01/21	245,000	303,112.50	548,112.50	851,225.00
03/01/22	—	295,885.00	295,885.00	—
09/01/22	275,000	295,885.00	570,885.00	866,770.00
03/01/23	—	287,772.50	287,772.50	—
09/01/23	310,000	287,772.50	597,772.50	885,545.00
03/01/24	—	278,627.50	278,627.50	—
09/01/24	345,000	278,627.50	623,627.50	902,255.00
03/01/25	—	268,450.00	268,450.00	—
09/01/25	380,000	268,450.00	648,450.00	916,900.00
03/01/26	—	257,240.00	257,240.00	—
09/01/26	425,000	257,240.00	682,240.00	939,480.00
03/01/27	—	244,702.50	244,702.50	—
09/01/27	465,000	244,702.50	709,702.50	954,405.00
03/01/28	—	230,985.00	230,985.00	—
09/01/28	515,000	230,985.00	745,985.00	976,970.00
03/01/29	—	215,792.50	215,792.50	—

09/01/29	565,000	215,792.50	780,792.50	996,585.00
03/01/30	—	199,125.00	199,125.00	—
09/01/30	615,000	199,125.00	814,125.00	1,013,250.00
03/01/31	—	180,982.50	180,982.50	—
09/01/31	675,000	180,982.50	855,982.50	1,036,965.00
03/01/32	—	161,070.00	161,070.00	—
09/01/32	735,000	161,070.00	896,070.00	1,057,140.00
03/01/33	—	139,387.50	139,387.50	—
09/01/33	800,000	139,387.50	939,387.50	1,078,775.00
03/01/34	—	115,787.50	115,787.50	—
09/01/34	865,000	115,787.50	980,787.50	1,096,575.00
03/01/35	—	90,270.00	90,270.00	—
09/01/35	940,000	90,270.00	1,030,270.00	1,120,540.00
03/01/36	—	62,540.00	62,540.00	—
09/01/36	1,020,000	62,540.00	1,082,540.00	1,145,080.00
03/01/37	—	32,450.00	32,450.00	—
09/01/37	1,100,000	32,450.00	1,132,450.00	1,164,900.00
Total:	$11,465,000	$15,167,734.75	$26,632,734.75	$26,632,734.75