ISSUE—BOOK-ENTRY-ONLY **NO RATING**

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 amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$20,030,000
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
SPECIAL TAX BONDS, SERIES 2016

Dated: Delivery Date **Due: September 1, as shown on the inside cover page**

This Official Statement describes bonds that are being issued by the City of Sacramento (the "City") with respect to the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento (the "District"). The City of Sacramento Natomas Central Community Facilities District No. 2006-02 Special Tax Bonds, Series 2016 (the "Bonds") are being issued by the City to (a) pay the cost and expense of acquisition and construction of certain public facilities and to finance certain governmental fees required in connection with the development of the District; (b) fund a reserve fund securing the Bonds; and (c) 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 (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of October 1, 2016 as supplemented by a First Supplemental Indenture dated as of October 1, 2016, each by and between the City and U.S. Bank National Association, as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of the Special Tax (as defined in this Official Statement) levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in integral multiples of $5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2017. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX LEVIED ON TAXABLE PARCELS IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. See "THE BONDS — Redemption."

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for the Trustee by its counsel, and for Hovnanian by Holland & Knight LLP, San Francisco, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 27, 2016.

STIFEL

Dated: October 18, 2016

$20,030,000
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
SPECIAL TAX BONDS, SERIES 2016
MATURITY SCHEDULE

Base *CUSIP No.*[†]: 786071

$6,770,000 Serial Bonds

Maturity Date (September 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP No.*[†]**
2017	$1,750,000	2.000%	0.860%	100.956%	LC2
2018	115,000	2.000	1.130	101.583	LD0
2019	135,000	2.000	1.360	101.779	LE8
2020	155,000	2.000	1.640	101.335	LF5
2021	175,000	2.000	1.920	100.367	LG3
2022	200,000	2.000	2.110	99.397	LH1
2023	225,000	2.000	2.290	98.171	LJ7
2024	250,000	2.125	2.480	97.482	LK4
2025	275,000	2.375	2.660	97.765	LL2
2026	305,000	2.500	2.820	97.264	LM0
2027	335,000	5.000	2.820	118.622[C]	LN8
2028	370,000	3.000	3.080	99.208	LP3
2029	405,000	5.000	2.920	117.681[C]	LQ1
2030	450,000	5.000	3.000	116.934[C]	LR9
2031	495,000	5.000	3.070	116.286[C]	LS7
2032	545,000	3.250	3.430	97.810	LT5
2033	585,000	3.250	3.490	96.959	LU2

$13,260,000 Term Bonds

$2,030,000 3.375% Term Bonds due September 1, 2036, Yield: 3.560% Price: 97.380% CUSIP No. [†] 786071 LV0
$4,575,000 5.000% Term Bonds due September 1, 2041, Yield: 3.410% Price: 113.197%[c] CUSIP No. [†] 786071 LW8
$6,655,000 5.000% Term Bonds due September 1, 2046, Yield: 3.460% Price: 112.751%[c] CUSIP No. [†] 786071 LX6

C Priced to the optional redemption date of September 1, 2026, at par.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital I.Q. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such numbers.

CITY OF SACRAMENTO

CITY COUNCIL

Kevin Johnson, Mayor
Rick Jennings II, Vice Mayor, District 7
Larry Carr, Mayor Pro Tem, District 8
Angelique Ashby, District 1
Allen Warren, District 2
Jeff Harris, District 3
Steven Hansen, District 4
Jay Schenirer, District 5
Eric Guerra, District 6

ADMINISTRATIVE OFFICES

John F. Shirey, City Manager
John Dangberg, Assistant City Manager
Howard Chan, Assistant City Manager
John Colville, Interim City Treasurer
James Sanchez, City Attorney
Shirley Concolino, MMC, City Clerk
Leyne Milstein, Finance Director

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

FirstSouthwest, a Division of Hilltop Securities, Inc.
Oakland, California

Trustee

U.S. Bank National Association
Los Angeles, California

Special Tax Consultant

NBS Government Finance Group
Temecula, California

Appraiser

Integra Realty Resources
Sacramento, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of 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, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. 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, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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 a 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.*

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

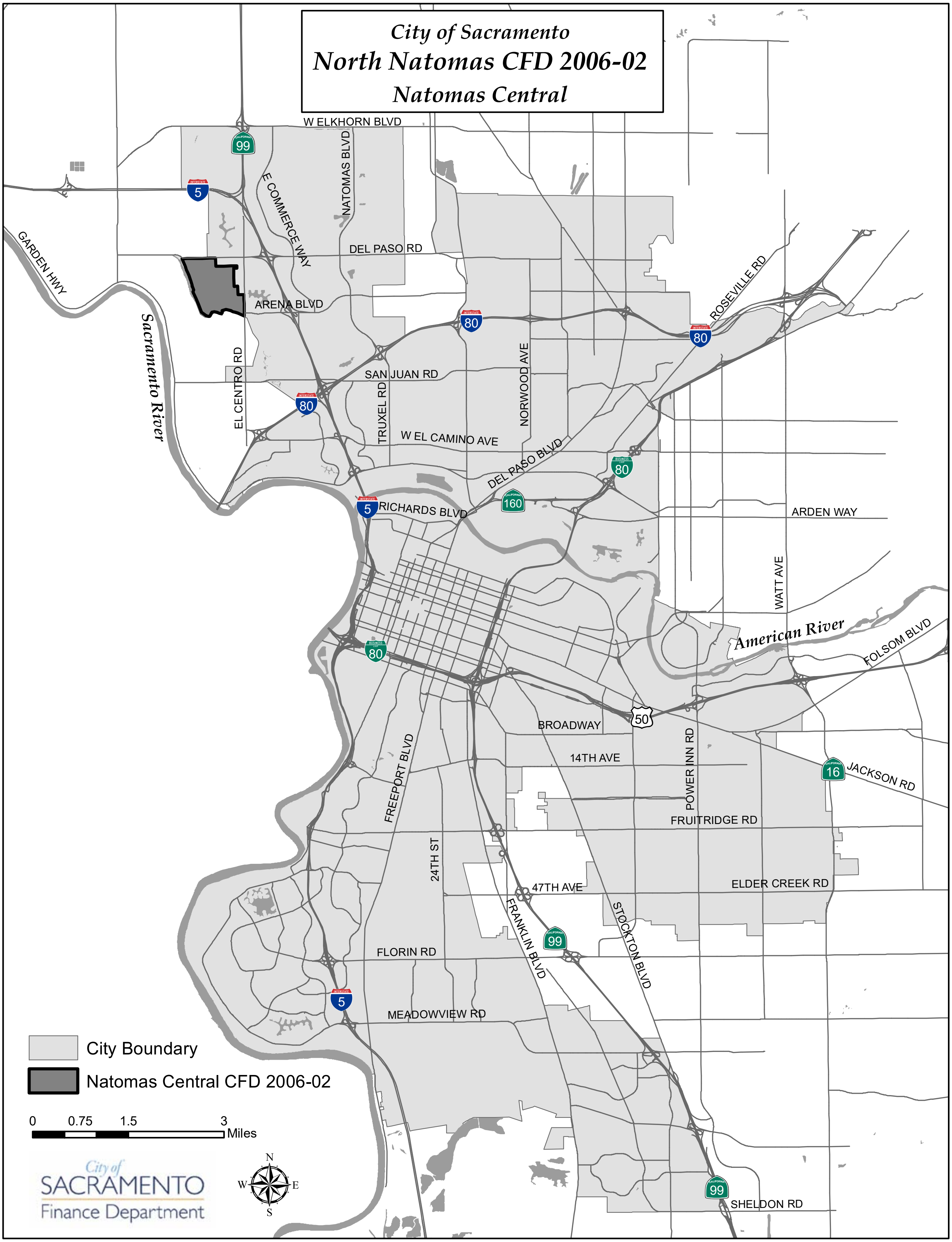
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

City of Sacramento

North Natomas CFD 2006-02

Natomas Central



City of Sacramento
North Natomas CFD No. 2006-02

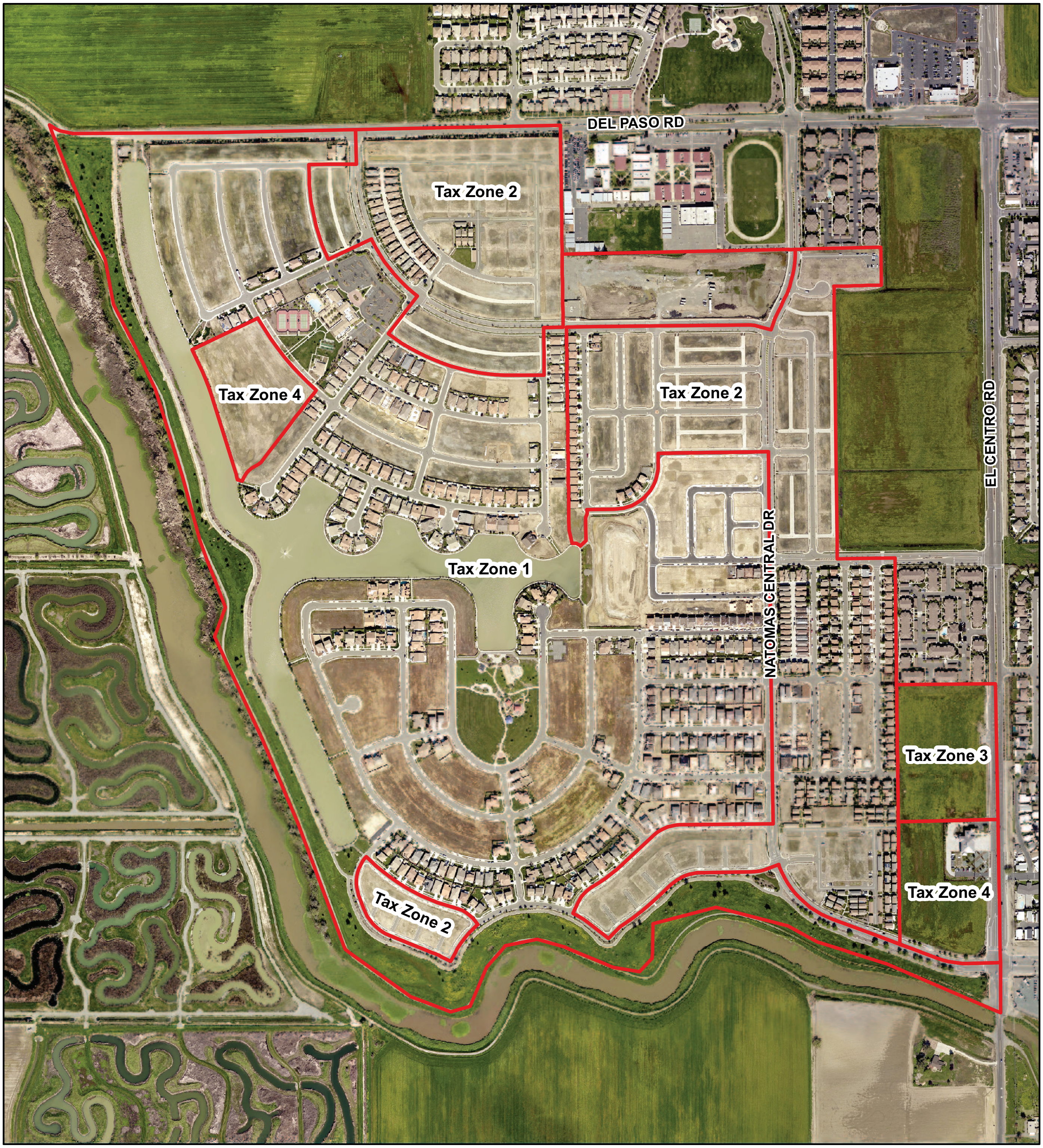


Photo From Spring 2016

City of SACRAMENTO Finance Department

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$20,030,000
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
SPECIAL TAX BONDS, SERIES 2016

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Sacramento (the "City") of City of Sacramento Natomas Central Community Facilities District No. 2006-02 Special Tax Bonds, Series 2016 (the "Bonds") in the aggregate principal amount of $20,030,000. The proceeds of the Bonds will be used to (a) pay the cost and expense of acquisition and construction of certain public facilities and to finance certain governmental fees required in connection with the development of the District; (b) fund a reserve fund securing the Bonds; and (c) pay costs of issuance of the Bonds. See "THE FINANCING PLAN—Estimated Sources and Uses of Funds."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq*. of the Government Code of the State of California) (the "Act"), and pursuant to a Master Indenture, dated as of October 1, 2016 as supplemented by a First Supplemental Indenture dated as of October 1, 2016, each by and between the City and U.S. Bank National Association, as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are secured under the Indenture by a pledge of and lien upon the proceeds of the Special Tax (as defined herein) levied on taxable parcels within the District and all amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund as provided in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriter and the City. See "THE BONDS — General Provisions."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

The District

General. The District consists of approximately 398 gross acres and is located in the northwestern portion of the City approximately six miles from downtown Sacramento. The District is situated to the west of El Centro Road at Natomas Central Drive and its boundaries are coterminous with the boundaries of the "Natomas Central" development. Approximately 195 acres of property in the District are expected to be subject to the Special Tax (as defined in this Official Statement) at build-out. The property within the District which is not subject to the levy of the Special Tax consists primarily of open space/conservation property and public property. K. Hovnanian at Westshore LLC, a California limited liability company ("Hovnanian"), an indirect subsidiary of Hovnanian Enterprises, Inc., a Delaware corporation, is the master developer of property in the District. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Formation Proceedings. The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on October 10, 2006, the City Council adopted Resolution No. 2006-729 (the "Resolution of Intention"), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District. On October 10, 2006 the City Council also adopted Resolution No. 2006-730, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed $35,000,000 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities."

Subsequent to a noticed public hearing, the City Council adopted Resolution Nos. 2007-056 and 2007-057 on January 30, 2007 (the "Resolution of Formation" and the "Resolution to Incur Debt," respectively) which established the District, authorized the levy of a special tax within the District, determined the necessity to incur bonded indebtedness within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On February 9, 2007, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $35,000,000. A Notice of Special Tax Lien was recorded in the office of the Clerk Recorder's office of the County of Sacramento (the "County") on February 15, 2007 in Book No. 20070215 on Page No. 0553. On February 27, 2007, the City Council adopted Ordinance No. 2007-013 (the "Ordinance") which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment of Special Tax within the District approved at the February 9, 2007 election (the "Rate and Method"), a copy of which is attached hereto as APPENDIX A.

Property Ownership and Development Status

The District encompasses the Natomas Central development. The residential development within the District is planned for 1,954 for-sale residential units at build-out, including age-restricted projects consisting of approximately 682 single family detached homes. The balance of the property within the District is anticipated to be used for recreational facilities, parks and open space. Construction within the District commenced in 2006, however, the planned development within the District was delayed as a result of the de facto building moratorium described below. See "THE COMMUNITY FACILITIES DISTRICT— De Facto Building Moratorium and Flood Hazard."

As of September 5, 2016, there were 609 completed homes within the District owned by individual homeowners and nine completed model homes owned by the Model Home Owner (as defined below).

As of September 5, 2016, Hovnanian owned (i) 354 parcels for which final maps have been recorded ranging from a mass graded state to certain parcels for which vertical construction has commenced, (ii) 38 parcels that are anticipated to be remapped into 51 parcels, and (iii) 4 large lots that, when subdivided, are expected to create 194 parcels.

At build-out, Hovnanian's remaining development is anticipated to include 599 single family detached homes consisting of 371 market-rate units and 228 age-restricted units. Hovnanian has completed construction of the clubhouse which serves the age-restricted community within the District. Hovnanian expects to sell the remaining units at a rate of 10 to 14 units per month until August 2019, with build-out occurring in February 2020; provided, however, Hovnanian can make no assurance as to the timing of such home sales.

As of September 5, 2016, Natomas Investors LLC owned 262 finished lots within the District. Natomas Investors LLC is not a homebuilder and is actively marketing the lots that it owns within the District to merchant homebuilders.

As of September 5, 2016, Lennar Homes of California, Inc. ("Lennar"), Shea Homes ("Shea Homes"), Western Pacific Housing, Inc., a Delaware corporation (dba D.R. Horton America's Builder ("D.R. Horton") and Taylor Morrison of California LLC ("Taylor Morrison") (or their homebuilding subsidiaries and divisions, as further described in this Official Statement), owned 216, 177, 70 and 12 lots within the District, respectively. As of such date, the property owned by Lennar was in a finished lot condition with home construction in its initial phase. Taylor Morrison has commenced vertical construction on the 12 remaining lots that it owns within the District, which are under contract to be sold to individuals. All in-tract infrastructure within the projects owned by Lennar, Shea Homes, Taylor Morrison and D.R. Horton is complete. As of September 5, 2016, the lots owned by Shea Homes and D.R. Horton were in a finished lot condition. Shea Homes expects to sell such lots to another home builder in 2016.

The table below summarizes the property ownership within the District as of September 5, 2016.

Owner	***No. of Parcels***
Hovnanian(1)	599
Natomas Investors LLC	262
Lennar Homes of California	216
Shea Homes Limited Partnership	177
D.R. Horton	70
Taylor Morrison of California LLC	12
Individual Homeowners(2)	618
Total	**1,954**

(1) Reflects projected final map parcels at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."
(2) Includes nine homes owned by the Model Home Owner.
Source: NBS Government Finance Group, Inc.; the Appraiser and the City.

The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed by Hovnanian and its predecessors. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

In 2008, in response to certain findings regarding the risk of levee failure surrounding the Natomas Basin, the Federal Emergency Management Agency (FEMA) revised the Flood Insurance Rate Map within the Natomas Basin, which includes the area within the District. The revised map placed the Natomas Basin within a Special Flood Hazard Area (a "Zone AE" designation). As a result of the revised map and the Zone AE designation, the Natomas Basin, including the District, was subject to a de facto building moratorium from December 2008 to June 15, 2015. FEMA has issued a revised map effective June 16, 2015, designating the Natomas Basin as Zone A99. Such designation allows for the resumption of new building construction, subject to certain restrictions as described in this Official Statement. See "THE COMMUNITY FACILITIES DISTRICT— De Facto Building Moratorium and Flood Hazard" and "SPECIAL RISK FACTORS — Natural Disasters." See "THE COMMUNITY FACILITIES DISTRICT—Value-to-Lien Ratios."

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE COMMUNITY FACILITIES DISTRICT," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and APPENDIX B — "APPRAISAL REPORT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from the proceeds of the Special Tax on a parity with the Bonds (the "Parity Bonds") are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Tax to be levied annually against the taxable property in the District, or, to the extent necessary, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax will constitute a lien on the property subject to taxation in the District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Tax, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general obligations of the City but are special limited obligations of the City payable solely from the proceeds of the Special Tax and other amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term "Special Tax" means the taxes which have been authorized pursuant to the Act to be levied against Taxable Land (as defined in the Indenture) within the District under and pursuant to the Act and in accordance with the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the City will pledge to repay the Bonds and any Parity Bonds from the proceeds of the Special Tax on deposit in the Special Tax Fund established under the Indenture.

The Special Tax is the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held in the Bond Reserve Fund and in the Bond Redemption Fund held by the Trustee under the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund."

Foreclosure Covenant. The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by $5,000 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year, to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). The District is included in the County's Teeter Plan (as defined below). See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS — Teeter Plan Termination."

See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Foreclosure Covenant*" herein and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens." There is no assurance that the property within the District can be sold for the appraised or assessed values described in the Appraisal Report, or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within the District. See "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL REPORT."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Parity Bonds and Liens. Under the terms of the Indenture, the City may issue additional bonds secured by the proceeds of the Special Tax on a parity with the Bonds if certain conditions are met, but only for the purpose of refunding the Bonds and Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds for Refunding Purposes Only." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within the District, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

Appraisal Report

An MAI appraisal (the "Appraisal Report") of the land and existing improvements within the District was prepared by Integra Realty Resources, Sacramento, California (the "Appraiser"). The Appraisal Report is dated October 5, 2016, with a date of value of September 5, 2016 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT." The Appraisal Report provides an estimate of market value by ownership, and an estimate of the not-less-than aggregate value (the sum of market values by ownership), for the properties in the District that are subject to the lien of the Special Tax. As currently planned, development in the District is expected to consist of 1,954 residential units (including approximately 682 age-qualified units). As of the Date of Value, the Appraiser estimates that the aggregate value of all of the Taxable Property (as defined in the Rate and Method) within the District subject to the Special Tax was not less than $262,140,000, which consists of $130,550,000 for the appraised value of lots owned by Hovnanian, Natomas Investors LLC, Shea Homes, Taylor Morrison and D.R. Horton and 173 homes which were conveyed to individual homeowners in 2015 through the Date of Value, and $131,590,000 assessed value of 445 homes which were conveyed to individual homeowners between 2007 and 2010.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City and the District make no representations as to the accuracy of the Appraisal Report. See "THE COMMUNITY FACILITIES DISTRICT — Property Values" and "—Value-to-Lien Ratios." There is no assurance that any property within the District can be sold for the estimated values set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to provide monies to pay the Special Tax for that parcel in the event of a default in payment of the Special Tax by the land owner. See "THE COMMUNITY FACILITIES DISTRICT," "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL REPORT."

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in integral multiples of $5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in Appendix G. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption." For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the underwriter (the "Underwriter") of the Bonds. 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 in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, and for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for the Trustee by its counsel, and for Hovnanian by Holland & Knight LLP, San Francisco, California. Other professional services have been performed by Integra Realty Resources, Sacramento, California, as the Appraiser, FirstSouthwest, a Division of Hilltop Securities, Inc., Oakland, California as municipal advisor to the City and NBS Government Finance Group, Temecula, California, as Special Tax Consultant.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "Reports"). The City has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See "CONTINUING DISCLOSURE."

See "CONTINUING DISCLOSURE" and APPENDIX F for a description of the specific nature of the Reports to be filed by the City and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Holders' Risks

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See "SPECIAL RISK FACTORS" herein.

Changes Since the Date of the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated October 11, 2016: (i) in Table 2 under the caption "THE COMMUNITY FACILITIES DISTRICT — Estimated Fiscal Year 2016-17 Tax Burden to reflect Fiscal Year 2016-17 overlapping tax and assessment rates; (ii) under the caption "PROPERTY OWNERSHIP AND DEVELOPMENT — D.R. Horton — *D.R. Horton Financing Plan* to provide clarification of D.R. Horton's plan of finance for its project in the District and (iii) in Appendix D to this Official Statement to provide updated demographic information for the City and the County.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City Treasurer's Office at 915 I Street, Historic City Hall, 3rd Floor, Sacramento, California 95814.

THE FINANCING PLAN

Authorized Facilities and Fees

A portion of the proceeds of the Bonds will be applied to finance certain facilities and governmental fees authorized under the Act, which facilities and fees relating to the costs of such facilities include, without limitation, water and storm drain improvements, detention basins, roadways and traffic improvements, landscaping and open space improvements, in addition to other improvements authorized under the Acquisition Agreement described below. See "THE COMMUNITY FACILITIES DISTRICT—Description of Authorized Facilities."

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:	
Principal Amount of Bonds	$ 20,030,000.00
Plus Net Original Issue Premium	1,654,866.80
Total Sources	$ 21,684,866.80
Uses of Funds:	
Acquisition and Construction Fund	$ 19,448,067.60
Costs of Issuance(1)	643,077.50
Bond Reserve Fund (2)	1,593,721.70
Total Uses	$ 21,684,866.80

(1) Includes Underwriter's Discount, Bond Counsel fees, Disclosure Counsel Fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, appraisal costs, printing costs and other issuance costs.
(2) Equal to the Required Bond Reserve for the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund."
Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March 1, 2017 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of $1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the principal corporate trust office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2027, are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2026, from any source of available funds, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

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

Redemption Dates	***Redemption Price***
March 1, 2017 through March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2036 (the "2036 Term Bonds"), are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 2036

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2034	$ 630,000
2035	675,000
2036 (maturity)	725,000

The Bonds maturing on September 1, 2041 (the "2041 Term Bonds"), are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 2041

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2037	$ 775,000
2038	840,000
2039	910,000
2040	985,000
2041 (maturity)	1,065,000

The Bonds maturing on September 1, 2046 (the "2046 Term Bonds" and, together with the 2036 Term Bonds and the 2041 Term Bonds, the "Term Bonds"), are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 2046

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2042	$ 1,145,000
2043	1,235,000
2044	1,325,000
2045	1,425,000
2046 (maturity)	1,525,000

In the event of a partial optional redemption or extraordinary redemption of Term Bonds, each of the remaining Sinking Fund Account Payments for such Term Bonds will be reduced proportionately by the principal amount of all such Term Bonds optionally or extraordinarily redeemed.

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

Notice of Redemption. When Bonds are to be redeemed under the Indenture the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the principal corporate trust office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that additional interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered for redemption at the principal corporate trust office of the Trustee so designated. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) to securities depositories and securities information services selected by the City in accordance with the Indenture, and (c) to the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

DEBT SERVICE SCHEDULE

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Redemption."

Date	*Principal*	*Interest*	*Total Annual Debt Service*
3/1/2017	--	$288,181.60	--
9/1/2017	$1,750,000	418,328.13	2,456,509.73
3/1/2018	--	400,828.13	--
9/1/2018	115,000	400,828.13	916,656.26
3/1/2019	--	399,678.13	--
9/1/2019	135,000	399,678.13	934,356.26
3/1/2020	--	398,328.13	--
9/1/2020	155,000	398,328.13	951,656.26
3/1/2021	--	396,778.13	--
9/1/2021	175,000	396,778.13	968,556.26
3/1/2022	--	395,028.13	--
9/1/2022	200,000	395,028.13	990,056.26
3/1/2023	--	393,028.13	--
9/1/2023	225,000	393,028.13	1,011,056.26
3/1/2024	--	390,778.13	--
9/1/2024	250,000	390,778.13	1,031,556.26
3/1/2025	--	388,121.88	--
9/1/2025	275,000	388,121.88	1,051,243.76
3/1/2026	--	384,856.25	--
9/1/2026	305,000	384,856.25	1,074,712.50
3/1/2027	--	381,043.75	--
9/1/2027	335,000	381,043.75	1,097,087.50
3/1/2028	--	372,668.75	--
9/1/2028	370,000	372,668.75	1,115,337.50
3/1/2029	--	367,118.75	--
9/1/2029	405,000	367,118.75	1,139,237.50
3/1/2030	--	356,993.75	--
9/1/2030	450,000	356,993.75	1,163,987.50
3/1/2031	--	345,743.75	--
9/1/2031	495,000	345,743.75	1,186,487.50
3/1/2032	--	333,368.75	--
9/1/2032	545,000	333,368.75	1,211,737.50
3/1/2033	--	324,512.50	--
9/1/2033	585,000	324,512.50	1,234,025.00
3/1/2034	--	315,006.25	--
9/1/2034	630,000	315,006.25	1,260,012.50
3/1/2035	--	304,375.00	--
9/1/2035	675,000	304,375.00	1,283,750.00
3/1/2036	--	292,984.38	--
9/1/2036	725,000	292,984.38	1,310,968.76
3/1/2037	--	280,750.00	--
9/1/2037	775,000	280,750.00	1,336,500.00
3/1/2038	--	261,375.00	--
9/1/2038	840,000	261,375.00	1,362,750.00
3/1/2039	--	240,375.00	--
9/1/2039	910,000	240,375.00	1,390,750.00
3/1/2040	--	217,625.00	--
9/1/2040	985,000	217,625.00	1,420,250.00
3/1/2041	--	193,000.00	--
9/1/2041	1,065,000	193,000.00	1,451,000.00
3/1/2042	--	166,375.00	--
9/1/2042	1,145,000	166,375.00	1,477,750.00
3/1/2043	--	137,750.00	--
9/1/2043	1,235,000	137,750.00	1,510,500.00
3/1/2044	--	106,875.00	--
9/1/2044	1,325,000	106,875.00	1,538,750.00
3/1/2045	--	73,750.00	--
9/1/2045	1,425,000	73,750.00	1,572,500.00
3/1/2046	--	38,125.00	--
9/1/2046	1,525,000	38,125.00	1,601,250.00
Totals	**$20,030,000**	**$18,020,991.07**	**$38,050,991.07**

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are payable from and secured by the proceeds of the Special Tax and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund or the Acquisition and Construction Fund established by the Indenture.

The Indenture defines the term "Special Tax" to mean the special tax authorized to be levied and collected annually on all Taxable Land in the District under and pursuant to the Act at the special election held in the District on February 9, 2007. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and "SPECIAL RISK FACTORS — Proposition 218" below. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in the District. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax*" and APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Although the Special Tax will be levied against Taxable Property within the District, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the Special Tax or that they will pay it even if able to do so. See "SPECIAL RISK FACTORS" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Tax

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on January 30, 2007 for the purpose of financing the various public improvements and governmental fees required in connection with the proposed development within the District. On February 9, 2007, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed $35,000,000, secured by special taxes levied on property within the District to finance the facilities and fees. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The City will covenant in the Indenture, so long as any Bonds are Outstanding, to annually levy the Special Tax against all Taxable Land in the District in accordance with the Rate and Method and, subject to the limitations in the Rate and Method and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the 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 and payable and to replenish the Bond Reserve Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Special Tax is collected in the manner as *ad valorem* property taxes for the County are collected and, except as otherwise provided in the Indenture or by the Act, are 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. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Under the Indenture, all proceeds of the Special Tax are to be deposited in the Special Tax Fund, which has been established under the Indenture and is held and maintained in trust by the City Treasurer. The City agrees in the Indenture to deposit all proceeds of the Special Tax in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

(1) to the Bond Redemption Fund to pay debt service payments on all outstanding Bonds,

(2) to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve,

(3) to the Expense Fund to pay administrative costs of the District, and

(4) to the Community Facilities Fund.

On or before each March 1 and September 1, the Treasurer will, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on that March 1 and September 1. On or before each September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on that September 1, plus the aggregate of the Sinking Fund Account Payments required by the Indenture to be made on that September 1 into the Sinking Fund Account.

All of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other.

No deposit needs to be made into the Bond Redemption Fund if the amount of money contained in the Bond Redemption Fund is at least equal to the amount required by the Indenture to be deposited in the Bond Redemption Fund at the times and in the amounts described above

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Remaining Facilities Amount" (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Rate and Method) in the Expense Fund, and (iii) transfer to Trustee for deposit in the Bond

Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Parity Bonds pursuant to the terms of any Supplemental Indenture.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "*Limitation on Special Tax Levy*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Tax" herein.

Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Rate and Method which the City Council and the electors within the District have approved. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in the District as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The definitions of the capitalized terms used under this caption "— *Rate and Method of Apportionment of Special Tax*" are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. The District is composed of four tax zone areas (each a "Zone"). Each Fiscal Year, all Taxable Property within each Zone of the District shall be classified by the City Treasurer as Developed Property or Undeveloped Property, and the City Treasurer shall determine the Special Tax Requirement. The Maximum Special Tax for Developed Property shall be based on the Zone in which the Assessor's Parcel is located. The Maximum Special Tax for Undeveloped Property and Other Taxable Property shall be based on the Acreage of the Assessor's Parcel.

Exemptions. No Special Tax shall be levied on Assessor's Parcels of Public Property, parcels that are owned by a public utility for an unmanned facility, parcels that are subject to an easement or other instrument that precludes any other use on the Parcel, and Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site or other site that will ultimately be owned by a public agency.

Maximum Special Tax. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within each Zone for Fiscal Years 2016-17 and 2017-18 is as follows:

Zone	***Maximum Special Tax Fiscal Year 2016-17***	***Maximum Special Tax Fiscal Year 2017-18***
1	$ 1,390 per unit	$ 1,418 per unit
2	1,170 per unit	1,193 per unit
3	1,024 per unit	1,044 per unit
4	9,752 per acre	9,947 per acre
Other Taxable Property	12,921 per acre	13,179 per acre

The Maximum Special Tax for Undeveloped Property in Fiscal Years 2016-17 and 2017-18 are $12,921 and $13,179 per acre, respectively. See the Rate and Method attached as APPENDIX A.

Annual Increases. On each July 1, the Maximum Special Tax for Developed Property and for Undeveloped Property will be increased by an amount equal to 2% of the amount in effect for the previous Fiscal Year.

Method of Apportionment of Special Tax. Each Fiscal Year, the City Council shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

> First: The Special Tax shall be levied proportionately on each Parcel of Developed Property at up to 100% of the Maximum Special Tax for Developed Property until the amount levied on Developed Property is equal to the Special Tax Requirement prior to the application of capitalized interest that is available under the Indenture;
>
> Second: If additional revenue is needed to satisfy the Special Tax Requirement after capitalized interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property; and
>
> Third: If additional revenue is needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to the Rate and Method, at up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the District. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Tax. The Annual Special Tax obligation for a Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Remaining Facilities Amount, the Redemption Premium, the Defeasance Requirement, Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds (if any), all as specified in Section H of the "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached as APPENDIX A.

Limitation on Special Tax Levy. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy, subject to the Maximum Special Tax rate on Undeveloped Property.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

Although the Special Tax constitutes a lien on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay the Special Tax, properties in the District are subject to other assessments and special taxes as set forth under Table 1 below. These other special taxes and assessments are on parity with the lien for the Special Tax. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Foreclosure Covenant. The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within the District resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by $5,000 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below).

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Land Values" herein. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Bond Reserve Fund

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Bond Reserve Fund an amount equal to the Required Bond Reserve and thereafter to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve. The Indenture provides that the amount to be maintained in the Bond Reserve Fund as the Required Bond Reserve shall, as of any date of calculation, equal the least of (a) 10% of the principal amount of the Outstanding Bonds and Parity Bonds, or (b) Maximum Annual Debt Service, or (c) 125% of the average 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; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "AA" or higher assigned by Fitch or "Aa" or higher assigned by Moody's or "AA" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Parity Bonds; and provided further, that, with respect to the issuance of any issue of Parity Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such issue of Parity Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Parity Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%. As of the date of issuance of the Bonds the Required Bond Reserve will be fully funded in the amount of $1,593,721.70.

Subject to the limits on the maximum annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Bond Reserve Fund at the Required Bond Reserve. Amounts in the Bond Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Parity Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds or Parity Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund" herein.

Issuance of Parity Bonds for Refunding Purposes Only

The City may issue additional series of Parity Bonds (each a "Series"), in addition to the Bonds, which shall be secured by a lien on the Special Tax and funds pledged for the payment of the Bonds under the Master Indenture on a parity with the Outstanding Bonds. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant hereto and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the term bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than 12 months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the bonds of such Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial bonds of such Series or Sinking Fund Account Payments for term bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; provided, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

(9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(b) No Event of Default under the Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(c) After the issuance and delivery of such Series of Bonds either (i) none of the Bonds theretofore issued thereunder will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds."

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 County's Teeter plan has been in effect since Fiscal Year 1993-94, and, under 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 taxing entities and 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 eligibility determinations on an annual basis and may exclude a district or individual parcel that had previously been included in the plan. The District is currently included in the County's Teeter Plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis. See "SPECIAL RISK FACTORS – Teeter Plan Termination."

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District was formed in 2007 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. An entity related to Hovnanian, as the qualified elector of the District, authorized the City to incur bonded indebtedness with respect to the District to finance certain public facilities and governmental fees to meet the needs of new development within the District and approved the Rate and Method and authorized the levy of the Special Tax.

The District consists of approximately 398 gross acres and is located in the northwestern portion of the City approximately six miles from downtown Sacramento. The District is situated to the west of El Centro Road at Natomas Central Drive and its boundaries are coterminous with the boundaries of a project being marketed as "Westshore." Approximately 195 acres of property in the District are expected to be subject to the Special Tax at build-out. The property within the District which is not subject to the levy of the Special Tax consists primarily of open space/conservation property, property owned by the owners association and public property.

In 2005, the City approved the "Natomas Central" project within the District which is entitled for up to 2,331 residential units on approximately 398 acres (Resolution No. 2005-778). Hovnanian's predecessors commenced construction in 2006 and the first homes in the District were conveyed to individual homeowners in 2007. The product mix and development plan within the District has changed over time to meet buyer preferences. On December 8, 2008, as a result of FEMA designating the Natomas Basin (including the area within the District) a Special Flood Hazard Area ("Zone AE"), the Natomas Basin was subject to a de facto building moratorium from December 2008 through June 15, 2015. During such time, the only homes that were constructed within the District were those for which building permits had been issued prior to December 8, 2008 and home foundations had been completed. Within the District, 445 homes were completed and conveyed to individual homeowners between 2007 and 2010. On January 16, 2015, the City resumed acceptance of applications for building permits within the Natomas Basin. See "—De Facto Building Moratorium and Flood Hazard" below.

The development within the District is currently planned for 1,954 residential units at build-out, including both market-rate and age-restricted units. As of September 5, 2016, there were 609 completed homes within the District owned by individual homeowners (416 of which are market-rate units and 193 are age-restricted units and part of Hovnanian's "Four Seasons" project described below) and nine completed model homes owned by the Model Home Owner. As of such date, Hovnanian owned (i) 354 parcels for which final maps have been recorded ranging from a mass-graded state to certain parcels for which vertical construction has commenced, (ii) 38 parcels that are anticipated to be remapped into 51 parcels, and (iii) 4 large lots that, when subdivided, are expected to create 194 parcels. In total, Hovnanian expects to construct 599 homes on the property that it currently owns within the District, of which 371 are expected to be market-rate units and 228 are expected to be age-restricted units. Since the City resumed accepting building permits within the District on January 16, 2015, as of September 5, 2016, Hovnanian has completed and conveyed 117 homes to individual homeowners and nine model homes to the Model Home Owner. There remains in-tract infrastructure to be constructed by Hovnanian to complete development of its property in the District.

The age-restricted units being developed by Hovnanian are expected to be part of the "Four Seasons" community. Construction of the Four Seasons project has commenced. Hovnanian has completed construction of a 22,700 square foot clubhouse to serve the Four Seasons community with various amenities including a gym, movie theater, billiards room, pool and spa.

As of September 5, 2016, Natomas Investors LLC owned 262 finished lots within the District. Natomas Investors LLC is not a homebuilder and is actively marketing the lots that it owns within the District to merchant homebuilders. In March 2016, Natomas Investors LLC closed 216 lots to Lennar and in August 2016, Natomas Investors LLC closed 54 lots to Hovnanian.

As of September 5, 2016, Lennar, Shea Homes, D.R. Horton and Taylor Morrison, owned 216, 177, 70 and 12 lots within the District, respectively. As of such date, the property owned by Lennar was in a finished lot condition with home construction in its initial phase. Taylor Morrison has commenced vertical construction on the 12 remaining lots that it owns within the District, which are under contract to be sold to individuals. All in-tract infrastructure within the projects being developed by Lennar, Shea Homes, Taylor Morrison and D.R. Horton is complete. The 177 lots owned by Shea Homes were in a finished lot condition and Shea Homes expects to sell such lots to another merchant builder by the end of 2016.

The table below summarizes the property ownership within the District as of September 5, 2016.

Owner	***No. of Parcels***
Hovnanian[(1)]	599
Natomas Investors LLC	262
Lennar Homes of California	216
Shea Homes Limited Partnership	177
D.R. Horton	70
Taylor Morrison of California LLC	12
Individual Homeowners[(2)]	618
Total	**1,954**

(1) Reflects projected final map parcels at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."
(2) Includes nine homes owned by the Model Home Owner.
Source: NBS Government Finance Group, Inc.; the Appraiser and the City.

See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — "APPRAISAL REPORT."

Water and sewer service to the property is provided by the City and the Sacramento Regional County Sanitation District, respectively. Electricity is supplied by Sacramento Municipal Utilities District and natural gas is supplied by Pacific Gas & Electric.

Description of Authorized Facilities

Facilities. A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of the Facilities, including Facilities which are included in the City's and other governmental agency fee programs, in accordance with the terms of the Indenture and the Acquisition Agreement (as defined below). Hovnanian has constructed all of the Facilities in the District that were required to be constructed by Hovnanian. As more fully detailed in the Acquisition Agreement, the Facilities, including those Facilities which are included in the City's and other governmental agency fee programs and are eligible to be financed with the proceeds of the Bonds consist of backbone infrastructure, including without limitation water and storm drain improvements, detention basins, roadways and traffic improvements, landscaping and open space improvements, in addition to other improvements authorized under the Acquisition Agreement described below. Approximately $20.6 million of the costs of such Facilities or fees included in the City's governmental fee programs are expected to be reimbursed from Bond proceeds. See "ESTIMATED SOURCES AND USES OF FUNDS." Hovnanian has been reimbursed for a portion of the costs of certain Facilities from the Special Tax levy.

Status of Facilities. All of the backbone infrastructure with respect to the District has been completed and no discretionary approvals or remediation is necessary in order for Hovnanian and the current or future merchant builders to complete their developments within the District. With the exception of the property owned by Hovnanian, in-tract infrastructure necessary to complete development within the District is complete. The costs of such remaining in-tract infrastructure will be paid by Hovnanian. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Acquisition Agreement. The City and Hovnanian are parties to an Acquisition and Shortfall Agreement, dated as of July 10, 2008, as amended by the First Amendment to Acquisition and Shortfall Agreement and the Second Amendment to Acquisition and Shortfall Agreement (as amended, the "Acquisition Agreement"), which provides, among other things, the means by which Hovnanian and its predecessors constructed the Facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire completed segments of the Facilities with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the public infrastructure (including the Facilities) constructed to serve development within the District.

Pursuant to the Acquisition Agreement, Hovnanian agreed to pay all costs of the Facilities included in the Acquisition Agreement in excess of the moneys available in the Acquisition Agreement. Further, the Acquisition Agreement provides that any lack of availability of amounts in the Acquisition and Construction Fund created under the Indenture to pay the acquisition costs of the Facilities shall in no way diminish any obligation of Hovnanian with respect to the construction of or contributions for public facilities and mitigation measures required by the conditions of any governmental approval to which Hovnanian or any land within is subject, except to the extent expressly set forth in such agreement or approval.

Hovnanian has completed construction of all the backbone infrastructure necessary to complete development within the District. Hovnanian has been reimbursed for a portion of the costs of such infrastructure through the Special Tax levy on a pay-as-you-go basis.

De Facto Building Moratorium and Flood Hazard

De Facto Building Moratorium. In 2005, in response to revised criteria and standards relating to levees and flood protection, the United States Army Corp of Engineers (the "Corps") and the Sacramento Area Flood Control Agency ("SAFCA") commissioned the Natomas Levee Evaluation Study ("NLES"). The NLES final report concluded that considerable improvements were necessary along the south levee of the Natomas Cross Canal, the east levee of the Sacramento River, and the north levee of the American River. As a result of these conclusions, on July 20, 2006, the Corps issued a letter to SAFCA stating that the Corps could no longer support its original position certifying the levees in the Natomas Basin. On December 29, 2006, FEMA issued a letter to the City notifying the City that FEMA planned to update the Flood Insurance Rate Map within the Natomas Basin. On December 8, 2008, FEMA's Revised Map became effective, placing the Natomas Basin (including the District) within a Special Flood Hazard Area ("Zone AE"). As a result of the Revised Map and the Zone AE designation, the Natomas Basin was subject to a de facto building moratorium from December 2008 through June 15, 2015.

FEMA has issued a revised map and designated the area within the Natomas Basin (including the District) as Zone A99 effective June 16, 2015, which allows for the resumption of new building construction, subject to the limitations described below. According to FEMA, an area designated as Zone A99 has a 1%

annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized.

On March 31, 2015, the City adopted an ordinance allowing for non-residential development and a limited resumption of residential development in the portion of the Natomas Basin that is within the City and designated as Zone A99 (the "Building Ordinance"). The Ordinance became operative on June 16, 2015, upon the revised map and Zone A99 designation by FEMA. The Building Ordinance allow resumption of non-residential development with no cap and limited residential development of up to 1,000 single-family detached units and 500 multi-family attached units each calendar year. Dwelling units in excess of those limits will require City Council approval. Hovnanian does not expect the foregoing unit cap to prevent development within the District from progressing in the manner or timeframe described in this Official Statement.

Flood Hazard. Even though the Natomas Basin has been designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until certain levee improvements are completed. On June 10, 2014, President Barack Obama signed the Water Resources Reform & Redevelopment Act ("WRRDA") into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surrounding the Natomas Basin (the "Levee Project"). Although the WRRDA authorizes funding, the Congress must pass annual appropriations to complete the Levee Project. Currently, the completion of the Levee Project is expected to take at least five to ten years. If the Levee Project is completed, the City expects that under current FEMA criteria, the Natomas Basin will be zoned "X (shaded)," meaning an area that is subject to a 0.2% annual chance of a flood event (i.e., a 500-year flood zone).

As described above, completion of the Levee Project does not eliminate the risk of flood-related property damage within the Natomas Basin (including the District). The requirement to purchase flood insurance will remain in effect even though the Natomas Basin is designated as Zone A99. See "SPECIAL RISK FACTORS — Natural Disasters."

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in the District and are set forth in Table 1 below, (the "Debt Report"). The Debt Report sets forth those entities which have issued debt other than general obligation bonds supported by *ad valorem* taxes. Table 1 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the District's allocable share outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by NBS Government Finance Group, Inc. as of September 1, 2016. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 1
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
OVERLAPPING DEBT SUMMARY

Overlapping District	***Percent Applicable***	***Total Outstanding Bonded Debt***
City of Sacramento North Natomas Central CFD 2006-02	**100.00%**	**$ 20,030,000**
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	0.30	882,671
Sacramento Area Flood Control District Operations and Maintenance Assessment District Bonds	1.97	8,631
Sacramento Area Flood Control District Natomas Basin Local Assessment District	5.40	684,838
City of Sacramento North Natomas CFD No. 97-01 Mello-Roos Act Bonds	5.45	1,288,048
Total		**$ 22,894,188**

Source: NBS Government Finance Group, Inc.; the Appraiser and the City.

Estimated Fiscal Year 2016-17 Tax Burden

The following table sets forth the total tax obligation of sample Developed Parcels with a single-family detached unit within the District based on the initial principal amount of the Bonds, the Fiscal Year 2016-17 Special Tax levy and the Fiscal Year 2016-17 tax rates for overlapping taxing entities. The actual amounts charged and the effective tax rates vary for individual parcels within the District and may increase or decrease in future years. Table 2 below does not include homeowner association dues, which are not included on the property tax bills of the County. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

TABLE 2
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
ESTIMATED TAX OBLIGATION
FOR INDIVIDUALLY OWNED SAMPLE SINGLE FAMILY DETACHED UNIT

Property Value and Property Taxes		***Active Adult***	***Drive-Thru Alley***	***Traditional Single Family***
Rounded Lowest Sales Value[(1)]		$270,000	$280,000	$350,000
LESS: Homeowner's Exemption		(7,000)	(7,000)	(7,000)
Estimated Net Assessed Value		$263,000	$273,000	$343,000
Ad Valorem Property Taxes	***Percent of Estimated Net Assessed Value***			
General Purposes	1.0000%	$2,630	$2,730	$3,430
Los Rios Community College District GO Bonds	0.0141	38	39	49
Natomas USD GO Bonds	0.2257	609	632	790
Total Ad Valorem Property Taxes	1.24	$3,277	$3,401	$4,269
Assessments, Special Taxes, and Parcel Charges[(2)]				
City of Sacramento CFD No. 2006-02		**$1,170**	**$1,170**	**$1,390**
City of Sacramento Assessment District L&L		79	79	79
City of Sacramento North Natomas Landscaping CFD #3		79	79	79
City of Sacramento North Natomas NL CFD 9902 K		10	10	10
City of Sacramento North Natomas TMA CFD No. 9901		27	27	27
Neighborhood Park Maint CFD 2002-02		65	65	65
North Natomas Drainage CFD		70	70	70
Reclamation District 1000 M & O		25	25	25
Sacramento Library Services Tax		32	32	32
Sacramento Core Library Services Tax		13	13	13
SAFCA Consolidated Capital Assessment		66	75	113
SAFCA Natomas Basin Local Assessment District		45	50	82
SAFCA Natomas Basin Local Assessment #1		4	8	13
Total Assessments, Special Taxes, and Parcel Changes		$1,685	$1,703	$1,998
Total Property Taxes[(3)]		**$4,963**	**$5,105**	**$6,267**
Total Effective Tax Rate		**1.84%**	**1.82%**	**1.79%**

(1) Estimates represent the lower range of home sales prices based on the Appraisal Report.
(2) Reflects Fiscal Year 2016-17 Special Tax levy and Fiscal Year 2016-17 tax and assessment rates for overlapping taxing entities.
Source: NBS Government Finance Group; California Municipal Statistics, Inc.; Sacramento County.

Property Values

Assessed Value. The assessed value of the property within the District represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within the District accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

The table below sets forth historic assessed values of the property within the District from Fiscal Years 2011-12 through 2016-17.

TABLE 3
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
HISTORICAL ASSESSED VALUES

Fiscal Year	***Assessed Value***	***Increase/(Decrease) in Assessed Value***
2011-12	$148,679,222	N/A
2012-13	129,680,678	(12.78)[(1)]
2013-14	139,141,276	7.30
2014-15	151,622,217	8.97
2015-16	156,193,017	3.01
2016-17	191,437,985	22.57

(1) Decrease as a result of a reassessment by the County of a substantial portion of the parcels within the District.
Source: The City.

Appraisal. The estimated assessed value of the property within the District, as shown on the City's assessment roll for Fiscal Year 2016-17, is approximately $191,437,985. However, as described above, due to Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the City engaged the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT."

The purpose of the Appraisal Report was to estimate the market value of the properties in the District subject to the lien of the Special Tax. Market value was estimated by ownership, and the sum of the market values by ownership represented an aggregate value (which is not equivalent to the market value of the District as a whole). For homes that were conveyed to individual homeowners between 2007 and 2010, the Appraiser used the Fiscal Year 2016-17 assessed values as provided by the County. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of September 5, 2016 (the "Date of Value"), the aggregate value of the property within the District was not less than $262,140,000 (consisting of $131,590,000 of *assessed value* of the homes conveyed to individual owners between 2007 and 2010 and $130,550,000 of *appraised values* for the balance of the appraised property within the District). Table 4 below shows the market value of the various parcels owned by Hovnanian, Natomas

Investors LLC, Lennar, Shea Homes, Taylor Morrison, D.R. Horton and the aggregate of individual owners within the District as set forth in the Appraisal Report as of the Date of Value.

TABLE 4
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
SUMMARY OF APPRAISED AND ASSESSED VALUES
(AS OF SEPTEMBER 5, 2016)

Owner	***No. of Parcels***	***Value***
Hovnanian[(1)]	599	$ 23,480,000
Natomas Investors LLC	262	11,070,000
Lennar Homes of California	216	15,470,000
Shea Homes Limited Partnership	177	12,250,000
D.R. Horton	70	5,320,000
Taylor Morrison of California LLC	12	1,080,000
Individual Homeowners[(2)]	173	61,880,000
Individual Homeowners[(3)]	445	131,590,000
TOTAL	**1,954**	**$262,140,000**

(1) Reflects projected final map parcels at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."

(2) Total represents the aggregate appraised value for 164 homes which were conveyed to individual homeowners and nine model homes conveyed to the Model Home Owner in 2015 and 2016 (as of the Date of Value). The sale value of these properties has not yet been included in the County assessor's tax roll. The property within the Natomas Basin, including the District, was subject to a de facto building moratorium between December 8, 2008 and June 15, 2015. See "—De Facto Building Moratorium and Flood Hazard."

(3) Total represents the aggregate assessed value provided by the County for 445 homes which were conveyed to individual homeowners between 2007 and 2010. The property within the Natomas Basin, including the District, was subject to a de facto building moratorium between 2008 and 2015. See "—De Facto Building Moratorium and Flood Hazard."

Source: The Appraiser.

In estimating the value for the 173 homes which were conveyed to individual homeowners and the Model Home Owner in 2015 and 2016 (as of the Date of Value), the Appraiser used the sales comparison approach and adjusted for differences between the comparables and the subject properties to arrive at an adjusted total for such homes. In estimating the value for the finished lots owned by Hovnanian and the other merchant builders, the Appraiser used the sales comparison approach and the subdivision development method to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report indicates the Appraiser's opinion as to the market value of the property in the District as of the Date of Value and under the conditions specified in the Appraisal. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the City a certification to the effect that, while the Appraiser has not updated the Appraisal Report since the date of the Appraisal Report and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in the District is less than the value of the District reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

Value-To-Lien Ratios

Based on the principal amount of the Bonds, the estimated appraised District-wide value-to-lien ratio including all Taxable Property as of the Date of Value is 11.46-to-1. This ratio includes other land-secured debt (i.e., other community facilities districts and assessment districts) within the District but does not include an allowance for overlapping general obligation bonds. See "— Direct and Overlapping Indebtedness" above.

In Fiscal Year 2016-17, the Special Tax is levied at the Assigned Special Tax rates as set forth in the Rate and Method. In Fiscal Year 2017-18, the Special Tax is expected to be levied at approximately 95.5% of the maximum Special Tax rate for Developed Property. The City does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18. The share of Bonds set forth in Table 5 below is allocated based on each property's share of the projected Fiscal Year 2017-18 Special Tax levy as of the Date of Value. As of the Date of Value, assuming no further transfer of property and no additional building permits are issued, Hovnanian is expected to be responsible for approximately 17.0% of the projected Fiscal Year 2017-18 Special Tax levy. To determine the value-to-lien ratios in Table 5 below, an allocation of the "bulk value" as estimated by the Appraiser of the property owned by Hovnanian and the other merchant builders was divided by the projected number of parcels at buildout. For the 173 parcels owned by individual owners which were sold in 2015 and 2016, the "not less than aggregate value" as estimated by the Appraiser was divided by the total number of such parcels. The values for homes sold prior to 2010 are based on the assessed values assigned by the County assessed.

Table 5 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds and overlapping debt allocable to each category of parcels and the estimated value-to-lien ratios for various categories of parcels based upon land values and property ownership in the District as of the Date of Value as set forth in the Appraisal Report. Table 6 below shows the value to lien ratio and projected Fiscal Year 2017-18 Special Tax levy by development status as of the Date of Value. In the Reports provided pursuant to the City's Continuing Disclosure Certificate, Table 6 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

TABLE 5
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Property Classification / Owner(1)	*Number of Parcels*	*Number of Parcels at Buildout*	*Value*(2)(9)	*City of Sacramento CFD No. 2006-02 Projected Fiscal Year 2017-18 Special Tax Levy*	*Percentage Share of City of Sacramento CFD No. 2006-02 Projected Fiscal Year 2017-18 Special Tax Levy*	*Allocation of City of Sacramento CFD No. 2006-02 Bonds* (3)	*Total Direct and Overlapping Debt*(4)	*Estimated Value-to-Lien Ratios*
Developed Property								
Improved Property(5)								
Hovnanian	2	2	$ 78,397	$ 2,591	0.28%	$ 55,712	$ 60,356	1.30:1
K. Hovnanian – Clubhouse(6)	1	0	0	83,609	8.97	1,797,545	1,818,921	N/A
Taylor Morrison	12	12	1,080,000	15,548	1.67	334,274	344,124	3.14:1
Individual Property Owners(7)	618	618	193,470,000	746,099	80.08	16,040,632	17,401,231	11.12:1
Improved Property Subtotal	**633**	**632**	**$ 194,628,397**	**$ 847,847**	**91.00%**	**$ 18,228,163**	**$ 19,624,632**	**9.92:1**
Unimproved Property(5)								
Hovnanian	60	60	$ 2,351,920	$ 71,807	7.71%	$ 1,543,805	$ 1,617,408	1.45:1
Natomas Investors LLC	6	6	253,511	6,546	0.70	140,744	152,409	1.66:1
Lennar	5	5	358,102	5,455	0.59	117,287	128,518	2.79:1
Unimproved Property Subtotal	**71**	**71**	**$ 2,963,533**	**$ 83,809**	**9.00%**	**$ 1,801,837**	**$ 1,898,335**	**1.56:1**
Undeveloped Property								
Hovnanian(8)	334	537	$ 21,049,683	$ 0	0.00%	$ 0	$ 427,528	49.24:1
Natomas Investors LLC	256	256	10,816,489	0	0.00	0	219,194	49.35:1
Shea Homes	177	177	12,250,000	0	0.00	0	147,728	82.92:1
Lennar	211	211	15,111,898	0	0.00	0	502,522	30.07:1
D.R. Horton	70	70	5,320,000	0	0.00	0	57,166	93.06:1
Undeveloped Property Total	**1,048**	**1,251**	**$ 64,548,070**	**$ 0**	**0.00%**	**$ 0**	**$ 1,354,138**	**47.67:1**
TOTAL	**1,752**	**1,954**	**$ 262,140,000**	**$ 931,656**	**100.00%**	**$ 20,030,000**	**$ 22,877,104**	**11.46:1**

(1) Based on development status as of the Date of Value. Pursuant to the Rate and Method, Undeveloped Property is Taxable Property for which a building permit had not been issued as of June 1 of the prior Fiscal Year.

(2) Based on Appraisal Report as of the Date of Value. Excludes the value of the completed clubhouse which was not appraised and for which the County has not assigned assessed value. The clubhouse is subject to the Special Tax levy which is expected to be paid by the homeowners' association of the Four Seasons community.

(3) Allocated based on share of projected Fiscal Year 2017-18 Special Tax levy.

(4) Allocated based on share of the Bonds and overlapping land-secured bonded debt. As of September 1, 2016. See "— Direct and Overlapping Indebtedness" above.

(Footnotes continued on following page)

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(5) Improved Property includes property for which vertical construction has been completed. Unimproved Property includes property for which vertical construction has not commenced or is partially completed.

(6) The clubhouse property, which serves Hovnanian's age-restricted Four Seasons project, was not appraised and has not been assigned assessed value by the County. The clubhouse is subject to the Special Tax levy which is expected to be paid by the homeowners' association of the Four Seasons community.

(7) Includes nine completed Model Homes owned by the Model Home Owner. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."

(8) The 537 parcels reflect projected final map parcels at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."

(9) With respect to the property owned by Hovnanian and the other merchant builders, the values presented represent the "bulk value" of property owned by each respective property owner, as estimated by the Appraiser, divided by the projected number of parcels at buildout.

Source: NBS Government Finance Group, Inc.

TABLE 6
CITY OF SACRAMENTO
NATOMAS CENTRAL
COMMUNITY FACILITIES DISTRICT NO. 2006-02
PROJECTED SPECIAL TAX LEVY AND ESTIMATED VALUE TO LIEN RATIOS
BOND YEAR ENDING SEPTEMBER 1, 2018

Actual Development Status	*Projected Fiscal Year 2017-18 Special Tax Levy*	*Percentage of Total Projected Fiscal Year 2017-18 Special Tax Levy*	*Value*[(1)]	*Share of CFD 2006-02 Special Tax Bonds*[(2)]	*Total Overlapping Land-Secured Debt*[(3)]	*Value to Overlapping Land-Secured Debt*
Developed Parcels[(4)]						
Improved	$ 847,847	91.00%	$ 194,628,397	$ 18,228,163	$ 19,624,632	9.92:1
Unimproved	83,809	9.00	2,963,533	1,801,837	1,898,334	1.56:1
Subtotal Developed	**$ 931,656**	**100.00%**	**$ 197,591,930**	**$ 20,030,000**	**$ 21,522,966**	**9.18:1**
Undeveloped Parcels	0	0.00	64,548,070	0	1,354,138	47.67:1
Total	**$ 931,656**	**100.00%**	**$ 262,140,000**	**$ 20,030,000**	**$ 22,887,104**	**11.46:1**

(1) Based on Appraisal Report as of the Date of Value. Excludes the value of the completed clubhouse which was not appraised and for which the County has not assigned assessed value. The clubhouse is subject to the Special Tax levy which is expected to be paid by the homeowners' association of the Four Seasons community.

(2) Allocated based on projected Fiscal Year 2017-18 Special Tax levy.

(3) Represents share of the Bonds and overlapping land-secured bonded debt. As of September 1, 2016. See "— Direct and Overlapping Indebtedness" above.

(4) Improved Property includes property for which vertical construction has been completed. Unimproved Property includes property for which vertical construction has not commenced or is partially completed.

Source: NBS Government Finance Group, Inc.

Property Ownership Summary

Table 7 below shows the taxpayers within the District measured by the percentage of the projected Fiscal Year 2017-18 Special Tax levy based on ownership status as of the Date of Value. The City does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18. As such, only property that was classified as Developed Property as of the Date of Value is shown in Table 7 below. See "SPECIAL RISK FACTORS — Concentration of Ownership."

TABLE 7
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
PROJECTED FISCAL YEAR 2017-18 SPECIAL TAX LEVY BY PROPERTY OWNERSHIP

Property Ownership[(1)]	*Projected Number of Parcels Levied*	*Total Value*[(1)(6)]	*Projected Fiscal Year 2017-18 Special Tax Levy*	*Projected Share of Fiscal Year 2017-18 Special Tax Levy*	*Projected Share of Outstanding Bonds*[(2)]	*Total Overlapping Land-Secured Debt*[(3)]	*Value-to-Lien Ratio*
Hovnanian[(4)]	63	$ 2,430,317	$ 158,008	16.96%	$ 3,397,062	$ 3,496,685	0.70:1
Taylor Morrison	12	1,080,000	15,548	1.67	334,274	344,124	3.14:1
Natomas Investors LLC	6	253,511	6,546	0.70	140,744	152,409	1.66:1
Lennar	5	358,102	5,455	0.59	117,287	128,518	2.79:1
Subtotal – Developers	**86**	**$ 4,121,930**	**$ 185,557**	**19.92%**	**$ 3,989,367**	**$ 4,121,736**	**1.00:1**
Individual Owners[(5)]	618	$193,470,000	$ 746,099	80.08%	$16,040,632	$ 17,401,231	11.12:1
Total	**704**	**$197,591,930**	**$ 931,656**	**100.00%**	**$20,030,000**	**$ 21,522,966**	**9.18:1**

(1) Based on Appraisal Report as of the Date of Value.
(2) Allocated based on share of projected Fiscal Year 2017-18 levy.
(3) Represents share of the Bonds and overlapping land-secured bonded debt. As of September 1, 2016. See "— Direct and Overlapping Indebtedness" above.
(4) Property owned by Hovnanian includes parcel on which the completed clubhouse is located, which serves the Four Seasons community. The clubhouse is subject to the Special Tax levy (representing 8.97% of the estimated Fiscal Year 2017-18 Special Tax levy) which is expected to be paid by the homeowners' association of the Four Seasons community. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."
(5) Includes nine completed Model Homes owned by the Model Home Owner. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian."
(6) With respect to the property owned by Hovnanian and the other merchant builders, the values presented represent the "bulk value" of property owned by each respective property owner, as estimated by the Appraiser, divided by the projected number of parcels at buildout.

Source: NBS Government Finance Group, Inc.

The table below lists the entities that own Taxable Property that were classified as Undeveloped Property under the Rate and Method based on development status as of the Date of Value and the share of the Fiscal Year 2017-18 Maximum Special Tax levy on Undeveloped Property. The City does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18; however, under the Rate and Method, the City has the ability to do so if necessary to satisfy the Special Tax Requirement.

TABLE 8
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
TOP UNDEVELOPED PARCEL OWNERS
FISCAL YEAR 2017-18 MAXIMUM SPECIAL TAX LEVY

Property Owner	***Undeveloped Parcels***	***Number of Parcels at Build-Out***	***Acres***	***Fiscal Year 2017-18 Maximum Special Tax Levy***
Hovnanian	334	537[1]	44.93	$ 592,230
Lennar	211	211	25.91	341,481
Natomas Investors LLC	256	256	16.46	216,946
Shea Homes	177	177	26.46	348,677
Total	**978**	**1,181**	**113.76**	**$ 1,499,334**

[1] Reflects projected final map parcels at buildout. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Hovnanian.”

Source: NBS Government Finance Group.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in the District for Fiscal Years 2011-12 through 2015-16. The District is currently included in the County’s Teeter Plan, and, as a result, the City receives 100% of the Special Tax levy with respect to the District, without regard to the actual amount of collections. See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS—Teeter Plan Termination.”

TABLE 9
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2011-12 THROUGH 2015-16

			Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied		
Fiscal Year	***Amount Levied***	***Parcels Levied***	***Parcels Delinquent***	***Amount Delinquent***	***Percent Delinquent***
2011-12	$2,258,422	1,651	5	$ 4,008	0.18%
2012-13	2,303,582	1,651	2	881	0.04
2013-14	2,309,197	1,651	0	0	0.00
2014-15	2,355,369	1,651	1	668	0.03
2015-16	2,496,101	1,651	12	10,094	0.40

Source: NBS Government Finance Group.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within the District will occur in a timely manner or in the configuration or to the density described herein, or that Hovnanian, Natomas Investors LLC, Shea Homes, Taylor Morrison, Lennar, D.R. Horton or any owners or affiliates thereof, or any other property owner described herein will or will not retain ownership of its property within the District. Neither the Bonds nor any of the Special Tax is a personal obligation of any property owner within the District. The Bonds are secured solely by the Special Tax and amounts on deposit in certain of the funds and accounts maintained by the Trustee under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax securing the Bonds is a personal obligation of any property owner or any affiliate thereof and, if a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof.

Completed Development

As of the Date of Value, there were 609 homes owned by individual homeowners, 445 of which were completed and sold between 2007 and 2010. In addition, nine model homes constructed by Hovnanian are owned by HCA Model Fund 2016-9, LLC, a model home financing company unrelated to Hovnanian (the "Model Home Owner"). See THE COMMUNITY FACILITIES DISTRICT — De Facto Building Moratorium and Flood Hazard" above. Hovnanian, Natomas Investors LLC, Shea Homes, Taylor Morrison, Lennar and D.R. Horton currently own the property remaining to be developed within the District which are expected to include 1,336 additional homes at build-out. Their respective development and financing plans are described in further detail below.

Hovnanian

General. K. Hovnanian at Westshore, LLC, a California limited liability company (an indirect subsidiary of Hovnanian Enterprises, Inc., a Delaware corporation), previously defined as "Hovnanian," together with its predecessors, is the master developer of property in the District.

Hovnanian Enterprises, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, particularly Hovnanian Enterprises, Inc.'s Annual Report on Form 10-K for the fiscal year ended October 31, 2015, as filed by Hovnanian Enterprises, Inc., with the SEC on December 18, 2015, and its Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2016, as filed by Hovnanian Enterprises, Inc. with the SEC on September 9, 2016, set forth certain data relative to the consolidated results of operations and financial position of Hovnanian Enterprises, Inc., and its subsidiaries as of such dates. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Hovnanian Enterprises, Inc. The address of such Internet web site is www.sec.gov. All documents subsequently filed by Hovnanian Enterprises, Inc., pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Hovnanian Enterprises, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from Hovnanian Enterprises, Inc.'s website at www.khov.com. These Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement.

Hovnanian Enterprises, Inc. has no obligation to develop any property in the District or to pay any Special Tax levied on property in the District.

Acquisition Agreement and Status of Required Infrastructure. Pursuant to the Acquisition Agreement, Hovnanian and its predecessors have constructed all of the public backbone infrastructure improvements required under the Acquisition Agreement to support the planned development within the District. In-tract improvements required to develop and construct homes on the property owned by Hovnanian within the District remain to be constructed by Hovnanian.

Hovnanian Development and Financing Plan. As of the Date of Value, Hovnanian owned (i) 354 parcels for which final maps have been recorded, (ii) 38 parcels that are anticipated to be remapped into 51 parcels, and (iii) 4 large lots that, when subdivided, are expected to create 194 parcels. At build-out the Hovnanian Property is expected to include 599 single family detached homes. After the effective date of the Building Ordinance allowing a limited resumption of construction within the District, as of the Date of Value, Hovnanian had completed and conveyed 117 homes within the District to individual homeowners and nine model homes to the Model Home Owner. Hovnanian expects to sell the remaining units at a rate of 10 to 14 units per month until August 2019, with build-out occurring in February 2020; provided, however, Hovnanian can make no assurance as to the timing of such construction. Notwithstanding Hovnanian's estimates regarding build-out and completion of its planned development in the District, no assurance can be given that Hovnanian will be able to finance and complete such development as currently anticipated.

Hovnanian constructed nine model homes and sold them to the Model Home Owner. Pursuant to the agreement with the Model Home Owner, such homes are available for use as model homes throughout the build-out of Hovnanian's project within the District. At the time that the models are no longer needed for such purpose, Hovnanian will market and sell the model homes to homeowners and the Model Home Owner will convey title directly to the new homeowners.

Of the 599 lots on property owned by Hovnanian as of the Date of Value, Hovnanian plans to develop a total of 371 market-rate homes encompassing six neighborhoods being marketed as "Retreat at Westshore," "Village at Westshore," "Parkwalk at Westshore," "Commons at Westshore," "Paseo at Westshore," and "Cottage at Westshore," as shown below in Table 10. In addition, of the 599 lots, Hovnanian plans to develop an additional 228 units for its active adult age-restricted development being marketed as "Four Seasons." Hovnanian has completed construction of a 22,700 square foot clubhouse to serve the Four Seasons community with various amenities including a gym, movie theater, billiards room, pool and spa.

Hovnanian's project within the District includes three lot types: Drive-Thru Alley, Traditional, and Cluster. Drive-Thru and Cluster lots consist of smaller lots without individual driveways, front yard garage access and fenced rear yards. Traditional lots feature larger lots sizes with private driveways. Table 10 below summarizes the product mix and estimated base sales prices of Hovnanian's projects within the District.

TABLE 10
CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02
HOVNANIAN DEVELOPMENT SUMMARY

Neighborhood	*Village/Lot*	*Gross Number of Lots*[1]	*Cumulative Closed as of September 5, 2016*[3]	*Lots Owned as of September 5, 2016*	*Estimated Home Size (Square Feet)*	*Lot Type*	*Estimated Base Sales Prices*[4]
Final Map or Tentative Map[2]							
Retreat at Westshore	Village A	34	27	7	1,763 - 1,892	Drive-Thru Alley	$312,990 – $323,990
Retreat at Westshore	Village B	54	0	54	1,763 - 1,892	Drive-Thru Alley	$312,990 – $323,990
Village at Westshore	Village A	45	24	21	1,954 - 2,100	Traditional	$357,990 – $360,990
Parkwalk at Westshore	Parcel A	118	22	96	2,265 - 2,478	Traditional	$374,000 - $393,990
Commons at Westshore	Village E/J/P	26	26	0	1,914 - 2,536	Traditional	$334,990 - $380,990
Paseo at Westshore[5]	Village F	51	0	51	1,575 - 2,123	Drive-Thru Alley	$298,140 - $327,140
Cottage at Westshore	Village F	4	0	4	1,575 – 2,123	Drive-Thru Alley	$277,640 - $287,640
Four Seasons – Summer	Village C	7	7	0	1,405 - 1,510	Drive-Thru Alley	$280,990 - $289,990
Four Seasons – Spring	Village G/C	48	10	38	2,048 - 2,191	Traditional	$388,990 - $396,990
Four Seasons – Autumn	Village K	13	10	3	2,536 - 2,721	Traditional	$434,990 - $454,990
Four Seasons – Winter[6]	Village H/M	131	0	131	1,302 – 1,709	Alley & Cluster	$279,990 - $317,990
Subtotal		531	126	405			
Large Lot Property							
Unmapped Property[7]	Lot A[8]	71	N/A	71	1,954 - 2,100	Traditional	$357,990 - $360,990
	Lot B[9]	56	N/A	56	1,302 - 1,709	Alley & Cluster	$279,990 -$ 317,990
	Lot E[8]	46	N/A	46	1,575 - 2,123	Traditional	$357,990 - $360,990
	Village Q[8]	21	N/A	21	1,575 - 2,123	Drive-Thru Alley	$298,140 - $327,140
Subtotal		194	N/A	194			
Grand Totals		**725**	**126**	**599**			

(1) Includes all of the lots that Hovnanian has been developing since the City's de facto building moratorium was lifted, including (i) the 392 lots owned by Hovnanian as of September 5, 2016, (ii) the 13 additional lots in Village F that are anticipated to be approved, (iii) the 194 lots proposed to be created from the unmapped property, and (iv) the 126 lots sold by Hovnanian and closed to homeowners or the Model Home Owner as of September 5, 2016.
(2) Includes all of the expected units shown on the final maps; provided, however, that in Paseo at Westshore, there are currently 38 mapped lots, which are expected to be remapped into 51 lots.
(3) Units closed include nine model homes sold to the Model Home Owner.
(4) As of September 15, 2016.
(5) Village F has a final map for 38 lots, but is being revised to become 51 lots. A revised tentative map has been approved and the final map is pending.
(6) As of September 15, 2016.
(7) The Unmapped Property consists of Lot A, Lot B, Lot E, and Village Q. Hovnanian has proposed the creation of 194 lots on these parcels.
(8) Parcel has an approved tentative map for the respective number of lots as of September 15, 2016.
(9) A tentative map for 56 lots has been submitted to the City. Until the map is finalized and approved, the number of potential units could be more or less than 56.
Source: Hovnanian.

Hovnanian or its predecessor has completed all backbone infrastructure necessary to complete development within the District. Hovnanian has provided estimates that its construction costs will be approximately $133,572,775, including approximately $20,849,099 for additional development fees and permits, as well as construction of all remaining units. As of the Date of Value, the estimated average costs of the remaining residential units ranged from $130,000 to $217,000 for all direct hard costs, fencing, landscaping and fees.

As of the Date of Value, Hovnanian had expended approximately $53,729,438 on project costs on its planned development within the District. Hovnanian expects to expend approximately an additional $123,529,304 to complete development of its land, including home construction, within the District. Hovnanian is financing a portion of its development activities in the District through internal sources, and intends to use this source of funds, together with proceeds of future home sales, to finance home construction costs and carrying costs for the property (including property taxes and the Special Tax) until full sell-out of its proposed development.

Notwithstanding Hovnanian's belief that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to Hovnanian will be sufficient to complete the property development and home construction as currently anticipated. While Hovnanian has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Hovnanian nor any affiliate thereof, has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and sales revenues are inadequate to pay the costs to complete Hovnanian's planned development within The District and other financing by Hovnanian is not put into place, there could be a shortfall in the funds required to complete the proposed development by Hovnanian and portions of the project may not be developed.

The Hovnanian Property is encumbered by three corporate deeds of trust (collectively, the "Deeds of Trust") securing the repayment of the following four note issues (collectively, the "Corporate Notes"):

1. A $75,000,000 Term Note, with an interest rate of LIBOR plus 7.000%, due August 1, 2019, issued pursuant to that certain Credit Agreement dated as of July 29, 2016 (as it may be amended or supplemented, the "Credit Agreement"), by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., and certain other guarantors;

2. A $577,000,000 Senior Secured First Lien Notes, with an interest rate of 7.250%, due October 15, 2020, issued pursuant to the Indenture dated as of October 2, 2012 (as it may be amended or supplement, the "First Lien Indenture"), by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and certain other guarantors;

3. A $220,000,000 Senior Secured Second Lien Notes, with an interest rate of 9.125%, due November 15, 2020, issued pursuant to the Indenture dated as of October 2, 2012 (as it may be amended or supplemented, the "Second Lien Indenture"), by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., and certain other guarantors; and

4. A $75,000,000 Senior Secured Second Lien Notes, with an interest rate of 10.000%, due October 15, 2018 issued pursuant to the Indenture dated as of September 8, 2016 (as it may be amended or supplemented, the "2016 Lien Indenture" and together with the First Lien Indenture and the Second Lien Indenture, collectively, the "Note Indentures").

None of the Corporate Notes were issued or will be used to directly finance any development of property in the District. At the time that a home is constructed and closed to a homeowner, the liens of the Deeds of Trust are released.

As of September 30, 2016, the Corporate Notes are also secured by 486 communities that are indirect subsidiaries of Hovnanian Enterprises throughout the United States.

In the event of a default under one or more of the Deeds of Trust, some or all of the Hovnanian Property securing the Deeds of Trust may be foreclosed upon and sold, or Hovnanian may be required to convey the Hovnanian Property securing the Deeds of Trust to settle the default. Some of the events of default under the Deeds of Trust include, but are not limited to, the following:

(a) Failure by the obligated party to pay interest on one or more of the Corporate Notes when due that continues for 30 days;

(b) Failure by the obligated party to pay principal on one or more of the Corporate Notes when due and payable;

(c) Failure of the obligated party to comply with the terms of the Note Indentures;

(d) Acceleration of any indebtedness that has an outstanding principal of $25 million or more and such acceleration does not cease or is not satisfied within 30 days after such acceleration;

(e) Failure to make principal or interest payment of $25 million or more with respect any indebtedness within 30 days of such principal or interest becoming due and payable;

(f) Any final judgment against K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., or any Significant Subsidiary (as such term is defined in the Note Indentures for the Corporate Notes) that exceed $25 million or more for payment of money having been entered by a court and such judgment is not satisfied, stayed, annulled or rescinded within 60 days of being entered; and

(g) Filing for bankruptcy by K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., or any Significant Subsidiary (as such term is defined in the Note Indentures for the Corporate Notes).

As of September 30, 2016, the Corporate Notes are in good standing.

Taylor Morrison

General. Taylor Morrison of California, LLC is a subsidiary of Taylor Morrison Homes Corporation. Taylor Morrison Homes Corporation is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, particularly Taylor Morrison Homes Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed by Taylor Morrison Homes Corporation, with the SEC on February 25, 2016, and its Quarterly Report on Form 10-Q, as filed by Taylor Morrison Homes Corporation with the SEC as required, set forth certain data relative to the consolidated results of operations and financial position of Taylor Morrison Homes Corporation, and its subsidiaries as of such dates. Copies of Taylor Morrison Homes Corporation's Annual Report and each of its other quarterly and current reports, including any amendments, are available from of Taylor Morrison Homes Corporation's website at www.taylormorrison.com. These Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement.

Taylor Morrison Development Plan. Taylor Morrison's planned development within the District includes 137 market-rate single family detached homes in a project being marketed as "Westshore." Between 2007 and 2010, Taylor Morrison completed and conveyed 78 of such homes to individual homeowners. After the effective date of the Building Ordinance, allowing a limited resumption of construction within the District, Taylor Morrison has completed and conveyed an additional 47 homes within the District to individual homeowners. As of the Date of Value, Taylor Morrison owned 12 lots within the District in various stages of construction and all 12 planned homes were under contract to be sold to individual owners.

Taylor Morrison has constructed the in-tract infrastructure necessary to complete its development within the District. Taylor Morrison expects to complete development and close all homes within its planned development in the District to individual homeowners by December 2016.

Taylor Morrison's Westshore project within the District is expected to include four floor plans ranging in size from approximately 2,018 square feet to approximately 2,865 square feet, with base sales prices as of September 5, 2016 ranging from approximately $348,000 to approximately $410,000. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

Natomas Investors LLC

As of the Date of Value, Natomas Investors LLC owned 262 lots in the District. A final tract map has been recorded for all 262 parcels for this property. As of the Date of Value, such property was in a finished lot condition and in-tract infrastructure necessary to develop such property has been completed. The size of the lots owned by Natomas Investors LLC ranges from 2,280 to 5,775 square feet and such property is expected to include both market-rate and age-restricted projects at build-out. Natomas Investors LLC is not a homebuilder and is actively marketing the lots that it owns within the District for sale to merchant builders. In March 2016, Natomas Investors LLC closed 216 lots to Lennar and, in August 2016, Natomas Investors LLC closed 54 lots to Hovnanian.

Lennar

General. Lennar Homes of California, Inc., a California corporation, is based in Aliso Viejo, California, and has been in the business of developing residential real estate communities in California since 1995. Lennar is owned by U.S. Home Corporation, a Delaware corporation ("U.S. Home"), and two other entities, Lennar Land Partners Sub, Inc. (7.331% interest) and Lennar Land Partners Sub II, Inc. (11.933% interest). U.S. Home, Lennar Land Partners Sub, Inc., and Lennar Land Partners Sub II, Inc. are each wholly-owned by Lennar Corporation.

Lennar Corporation ("Lennar Corporation"), founded in 1954 and publicly traded under the symbol "LEN" since 1971, is one of the nation's largest home builders, operating under a number of brand names, including Lennar Homes and U.S. Home. Lennar develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar maintains an interest. Lennar is an indirect wholly owned subsidiary of Lennar Corporation.

Lennar Corporation is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Lennar Corporation. The address of such Internet web site is www.sec.gov. All documents subsequently filed by Lennar Corporation, pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.

Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com. This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.

Lennar Development Plan. In early March 2016, Lennar purchased 216 finished lots within the District from Natomas Investors LLC where it plans to build an age-restricted residential project to be marketed as "Heritage." The in-tract infrastructure necessary to develop such property has been completed.

Lennar's Heritage project within the District is expected to include two product lines – "Coronado" and "Carmel." The Coronado product line is expected to include four floor plans ranging in size from approximately 1,743 square feet to approximately 2,206 square feet, with base sales prices as of the Date of Value ranging from approximately $368,990 to approximately $406,990. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. The Carmel product line is expected to include floor plans ranging in size from approximately 1,295 square feet to approximately 1,535 square feet. Lennar has not yet determined the estimated base sales prices for the Carmel product line. Lennar commenced construction within the District in June 2016 and as of the Date of Value, Lennar had commenced vertical construction on five lots within the District. Lennar expects first occupancies in October 2016 and sellout in March 2021. Lennar plans to finance that cost using its available equity.

D.R. Horton

General. As previously defined in this Official Statement, "D.R. Horton" is Western Pacific Housing, Inc., a Delaware corporation. D.R. Horton is a subsidiary of D.R. Horton, Inc., a Delaware corporation ("D.R. Horton, Inc."), a public company whose common stock is traded on the New York Stock Exchange under the symbol "DHI." Founded in 1978 and headquartered in Fort Worth, Texas, D.R. Horton, Inc. constructs and sells homes in 27 states and 79 metropolitan markets of the United States under the names of D.R. Horton, America's Builder, Express Homes, Emerald Homes, Regent Homes and Pacific Ridge Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly D.R. Horton, Inc.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed by D.R. Horton, Inc. with the SEC on November 19, 2015, and D.R. Horton Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016, as filed by D.R. Horton Inc. with the SEC on July 26, 2016, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including D.R. Horton, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is www.sec.gov. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of D.R. Horton, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.'s website at www.drhorton.com. The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made as to the accuracy or adequacy of the information contained on such Internet sites.

D.R. Horton Development Plan. In early September 2016, D.R. Horton purchased 70 finished lots within the District from Natomas Investors LLC where it plans to build a market rate residential project to be marketed as "Portola at Westshore". The in-tract infrastructure necessary to develop such property has been completed. D.R. Horton has not yet determined the estimated base sales prices and home sizes for the Portola at Westshore project. D.R. Horton expects to commence construction of the homes within the Portola at Westshore project in January 2017 with first occupancies in May 2017 and sellout in May 2018.

Notwithstanding D.R. Horton's projection regarding construction and sellout of its planned development of the Portola at Westshore project, no assurance can be given that D.R. Horton will commence construction of and complete such development as currently anticipated.

D.R. Horton Financing Plan. D.R. Horton plans to finance the cost of its Portola at Westshore project from internally generated funds and home sales revenue. However, home sales revenues expected to be generated from the proposed Portola at Westshore project will not be segregated and set aside for completing such project. Home sales revenues are collected daily from D.R. Horton Inc.'s divisions for use in operations, to pay down debt and for other corporate purposes and may be diverted to other D.R. Horton Inc. needs at the discretion of D.R. Horton Inc.'s management. Notwithstanding the foregoing, D.R. Horton believes that such funding sources will be sufficient to complete its proposed development of the Portola at Westshore project as described herein.

No assurance can be given that amounts necessary to fund the planned development by D.R. Horton will be available when needed. Neither D.R. Horton nor any other entity or person is under any legal obligation of any kind to expend funds for the development of D.R. Horton's proposed Portola at Westshore Project. Any contributions by D.R. Horton, D.R. Horton, Inc. or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete D.R. Horton's planned development of its Portola at Westshore Project, such development may not be completed. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Shea Homes

General. Shea Homes Limited Partnership (as part of the Shea family of companies) builds homes in California, Arizona, Colorado, Florida, Nevada, North Carolina, South Carolina, Texas and Washington, including active adult communities known as Trilogy. Although Shea Homes is a privately held company, it produces quarterly disclosures similar to a publicly held company for its bondholders and other interested parties which are available at Shea Homes' website at www.sheahomes.com. Such Internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

In 2006, Shea Homes purchased 205 finished lots from K. Hovnanian Forecast Homes, Inc. After the effective date of the Building Ordinance allowing construction to resume within the District, Shea has 177 finished lots, consisting of 131 single family lots with a typical size of 55 x 105 feet and 46 single family lots with a typical size of 60 x 105 feet. A final tract map has been recorded for the 177 parcels for this property. As of September 5, 2016, such property was in a finished lot condition and in-tract infrastructure necessary to develop such property has been completed. Shea Homes had designed conceptual architecture with homes ranging from approximately 2,400 square feet to 3,400 square feet. As of September 5, 2016, vertical construction had not commenced on Shea Homes' property within the District. Shea Homes expects to sell all 177 lots that it owns in the District to another home builder in 2016.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in the District to pay their Special Tax when due. Such failures to pay the Special Tax could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed below could adversely affect the value of the property in the District. See "— Land Values" and "— Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that Hovnanian, the other merchant builders or any future homeowners within the District will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within the District as of the Date of Value, assuming no transfer of property within the District, approximately 19.9% of the projected Fiscal Year 2017-18 Special Tax would be paid by four property owners with 17.0% payable by Hovnanian.

Failure of any developers currently owning property within the District, any future developers or any of their successor(s), to pay the annual Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that Hovnanian, the other merchant builders or their successors, will complete the remaining intended construction and development in the District. See "— Failure to Develop Properties."

The City does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18; however, the City expects to levy the Special Tax on Developed Property within the District that did not have improvement value as of the Date of Value. If such developers fail to complete the remaining intended construction and development in the District, the Special Tax will continue to be levied on property without improvement value, and if necessary, on Undeveloped Property. No assurance can be given that Hovnanian, its successors or the other merchant builders will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Tax, neither the faith and credit nor the taxing power of the City is pledged for the payment of the Bonds or related interest, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of the City's income, receipts or revenues, except the Special Tax and other amounts pledged under the Indenture.

Insufficiency of Special Tax

Under the Rate and Method, the annual amount of Special Tax to be levied on Taxable Property in the District will generally be based on the Zone to which a parcel of Developed Property is assigned. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax.*"

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund." The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within the District for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within the District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

The City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Foreclosure Covenant*" for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Assessor's Parcels of Public Property, parcels that are owned by a public utility for an unmanned facility, parcels that are subject to an easement or other instrument that precludes any other use on the Parcel, and Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site or other site that will ultimately be owned by a public agency. See Section G of APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, 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 ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the 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 is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of Hovnanian the other merchant builders, or any property owner to pay the Special Tax when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

Hovnanian reports that the area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by Hovnanian within the District has been completed. With the exception of certain portions of the property owned by Hovnanian, all in-tract infrastructure necessary to complete development within the District has been constructed. All lots owned by the Natomas Investors LLC, Shea Homes, Taylor Morrison, Lennar and D.R. Horton for which vertical construction had not commenced are in a finished lot condition. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Tax when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Tax when due.

The City does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18 but has the ability to do so under the Rate and Method to satisfy the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Holders should it be necessary for the City to foreclose on Undeveloped Property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within the District as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of Hovnanian and other merchant builders to make Special Tax payments, if levied, on the Undeveloped Property that they own and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Land Values."

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of the merchant builders who currently own property in the District or of any other purchaser or potential purchaser of property in the District or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within the District beyond the current stage of development. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." The description of expected development by merchant builders in this Official Statement is based on information provided to the City by Hovnanian, the merchant builders and the Appraiser. In making an investment decision, purchasers of the Bonds should not assume that any current or future merchant builders or such other persons or entities that purchase property within the District will develop such properties beyond the current stage of development reached by Hovnanian and the current merchant builders.

Natural Disasters

The market value of the property within the District can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). The property within the District is not located within an Alquist-Priolo Earthquake Fault Zone.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

The District is located within the Natomas Basin, which is currently designated as Zone A99, meaning that, among other things, at least 50% of the improvements required to achieve 100-year flood protection have been completed. Until the improvements are 100% completed, however, the property within the District will remain at risk for flood-related property damage. See "THE COMMUNITY FACILITIES DISTRICT — De Facto Building Moratorium and Flood Hazard."

The area within the Natomas Basin has experienced flood events. For instance, in 1986, flooding caused seepage in the levees within the proximity of the Sacramento International Airport. As described in this Official Statement, completion of the Levee Project does not eliminate the risk of flood-related property damage within the Natomas Basin (including the District).

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel 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 taxed parcels 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 the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which 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 which 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 such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. Hovnanian has represented to the City that it is not aware of any hazardous substance condition of the property within the District. The City has not independently determined whether any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the Taxable Property. If the value of the parcel of Taxable Property is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the property owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See "THE COMMUNITY FACILITIES DISTRICT —Value-to-Lien Ratios."

The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale as a result of delinquencies in the Special Tax. In arriving at the estimate of market value, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District below that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquencies in the Special Tax offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquencies in the Special Tax. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness."

The Special Tax 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. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Tax have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "— Bankruptcy and Foreclosure."

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within the District described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness" and "— Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the parcel; (2) was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy: and (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. 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 Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act 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 those covered by the above requirement, 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.

Special Tax Collections

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens" for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclosure on the lien of the Special Tax in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within the District but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent the Special Tax, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Tax and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, 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 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 that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. The special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax— *Foreclosure Covenant*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, the Trustee is given the right for the equal benefit and protection of all Holders of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could 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 with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Holders on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> "Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax…shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters in the District approved the Special Tax and the issuance of bonds on February 9, 2007. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS — Limitations on Remedies."

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of Hovnanian or the other merchant builders within the District to complete the remaining proposed development within the District.

Limitations on Remedies

Remedies available to the owners of the Bonds 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 interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

CONTINUING DISCLOSURE

The City will execute a continuing disclosure certificate for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Community Facilities District and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The City as the initial Dissemination Agent (the "Dissemination Agent") will file the Report and notices of Listed Events with EMMA. The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City will sign and deliver to the Underwriter a Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file Annual Reports with EMMA no later than nine months after the end of the City's fiscal year, which is currently June 30. The first Annual Report will be due March 31, 2017.

The City has previously entered into a number of continuing-disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. In certain continuing-disclosure filings during the past five years, the City provided links to the City's website where documents could be downloaded rather than submit the documents as part of the filing itself; with respect to certain bonds of the Sacramento City Financing Authority (the "Authority") involving the Sacramento Housing and Redevelopment Agency ("SHRA"), and also with respect to bonds of SHRA itself, the posting of the SHRA's audited financial statements occurred after the due date; and certain filings related to the Authority's bonds and SHRA's bonds did not expressly include all the required information (including, in one instance, unaudited financial statements). In addition, certain filings were made after the required filing date, such as the City's audited financial statements for fiscal years 2011 and 2013 with respect to some prior issues, the City's annual reports for each of the past five fiscal years with respect to some prior issues, and certain required information supplementing the City's annual reports for certain prior issues (including the City's budget in at least two instances). The City did not file notice of late filings in the past five years. With respect to event notices, on one occasion the City inadvertently failed to file a notice of an insurer-related rating change and on another occasion, the City filed a notice of a rating change in a timely manner but failed to link such notice to all CUSIP numbers to which such rating change was applicable. The City has taken appropriate steps to minimize the possibility of duplicating errors that have occurred in the past.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

The City is required to file certain financial statements with the Annual Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS." The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

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 C — "PROPOSED FORM OF OPINION OF BOND COUNSEL."

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, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 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 Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Bonds and certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel the City.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City's ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

MUNICIPAL ADVISOR

The City has retained FirstSouthwest, a Division of Hilltop Securities, Inc. ("FirstSouthwest"), as municipal advisor in connection with the issuance and sale of the Bonds. Although FirstSouthwest has assisted in the preparation of the Official Statement, FirstSouthwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further FirstSouthwest does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated. The Underwriter has agreed to purchase the Bonds at a price of $21,441,789.30 (being $20,030,000.00 aggregate principal amount thereof, plus net original issue premium of $1,654,866.80 and less Underwriter's discount of $243,077.50). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. Stifel served as a dinner sponsor for a February 2016 retirement event for the former City Treasurer.

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

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, Municipal Advisor to the City, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of the Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

By: /s/ John Colville
Interim City Treasurer

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Rate and Method of Apportionment for the levy and collection of the Special Tax of Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento (the "District"). An Annual Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Sacramento Natomas Central Community Facilities District No. 2006-02 (herein "CFD No. 2006-02") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2006-02, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. <u>DEFINITIONS</u>

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area 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 or other parcel map recorded at the County Recorder's Office.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2006-02 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2006-02.

"Administrator" shall mean the person or firm designated by the City to administer the Special Taxes according to this RMA.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

"Assessor's Parcel Map" means an official map of the County Assessor designating Parcels by Assessor's Parcel Number.

"Authorized Facilities" means those facilities that are authorized to be funded by CFD No. 2006-02.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2006-02 related to public infrastructure and/or improvements that will serve property included within CFD No. 2006-02.

"Buildable Lot" means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

"Capitalized Interest" means funds in any capitalized interest account available to pay debt service on Bonds.

"CFD Formation" means the date on which the Resolution of Formation to form CFD No. 2006-02 was adopted by the City Council.

"City" means the City of Sacramento.

"City Council" means the City Council of the City of Sacramento.

"County" means the County of Sacramento.

"Developed Property" means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

"Exempt Property" means:

(1) Public Property, except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act;

(2) Parcels that are owned by a public utility for an unmanned facility;

(3) Parcels that are subject to an easement or other instrument that precludes any other use on the Parcel; and

(4) Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

"Expected Land Uses" means the total number of Residential Units expected within the CFD at the time of CFD Formation. The Expected Land Uses are identified in Attachment 2 of this RMA.

"Expected Maximum Special Tax Revenues" means the amount of annual revenue that would be available within the CFD if the Maximum Special Tax was levied on the Expected Land Uses, assuming a five percent loss of units that were originally part of the Expected Land Uses in Tax Zone 1. The Expected Maximum Special Tax Revenues are shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years or changes in land use as set forth in Section D below.

"Final Bond Sale" means the issuance of the last series of Bonds that will be issued on behalf of CFD No. 2006-02 (excluding any Bond refundings), as determined in the sole discretion of the City.

"Final Map" means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term "Final Map" shall not include (i) any large-lot subdivision map, Assessor's Parcel Map, or subdivision map or portion thereof that does not create Buildable Lots, or (ii) Assessor's Parcels that are designated as remainder parcels.

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

"Indenture" means the bond indenture, fiscal agent agreement, trust 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.

"Maximum Special Tax" means the greatest amount of Special Tax that can be levied on an Assessor's Parcel in any Fiscal Year determined in accordance with Sections C and D below.

"Other Taxable Property" means all Parcels of Taxable Property in CFD No. 2006-02 which are not Residential Property as defined herein.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levied to the Maximum Special Taxes is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any property within the boundaries of CFD No. 2006-02 that is owned by the City, federal government, State of California or 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 Parcels in CFD 2006-02 that are developed or are expected to be developed with Residential Units as defined herein.

"Residential Unit" means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Special Tax.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Special Tax" means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2006-02. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

"Tax Zone 1" means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 1.

"Tax Zone 2" means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 2.

"Tax Zone 3" means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 3.

"Tax Zone 4" means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 4.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-02 which are not exempt from the Special Tax pursuant to law or Section G below.

"Undeveloped Property" means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property as defined herein.

B. <u>DATA FOR ADMINISTRATION OF SPECIAL TAX</u>

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Parcels of Taxable Property. The Administrator shall also determine: (i) within which Tax Zone each Assessor's Parcel is located, (ii) whether each Assessor's Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In addition, the Administrator shall, ***on an ongoing basis***, monitor whether changes in land use have been proposed that will affect the Expected Maximum Special Tax Revenues. If the Expected Maximum Special Tax Revenues will be reduced pursuant to a proposed land use change, the Administrator shall apply the steps set forth in Section D below.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2006-02 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

Following are the Maximum Special Tax rates for Parcels of Developed Property in CFD 2006-02:

Table 1

Tax Zone	Maximum Special Tax Fiscal Year 2006-07 *
Tax Zone 1	$1,140 per Residential Unit
Tax Zone 2	$960 per Residential Unit
Tax Zone 3	$840 per Residential Unit
Tax Zone 4	$8,000 per Acre
Other Taxable Property	$10,600 per Acre

** On July 1, 2007 and each July 1 thereafter, the Maximum Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property for Fiscal Year 2006-07 is $10,600 per Acre. On July 1, 2007 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. CHANGES TO LAND USES WITHIN CFD NO. 2006-02

Prior to the Final Bond Sale, changes to the Expected Land Uses (including a reduction in Buildable Lots) may occur without any required prepayment of Special Taxes. If such changes result in a reduction to the Expected Maximum Special Tax Revenues anticipated at CFD Formation, the Administrator shall revise Attachment 2 to reflect the new Expected Maximum Special Tax Revenues, which shall then be used to determine the amount of Bonds that can be issued. If a land use change occurs after the Final Bond Sale and such change results in a reduction in the Expected Maximum Special Tax Revenues, the following steps shall be applied to ensure there is no reduction in Maximum Special Tax revenues:

Step 1: By reference to Attachment 2 (which will be updated by the Administrator each time a land use change has been processed according to this Section D), the Administrator shall identify the then-current Expected Maximum Special Tax Revenues for CFD No. 2006-02;

Step 2: The Administrator shall calculate the Maximum Special Tax Revenues that could be collected from property in the CFD if the land use change is approved;

Step 3: If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain 110% coverage on the Bonds' debt service, the landowner of the property affected by the change in Expected Land Uses must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment shall be calculated using the formula set forth in Section H below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map that reflects that land use change, the Administrator may, in the next Fiscal Year, levy the amount of the mandatory prepayment on any Parcel(s) of Undeveloped Property within that Final Map.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain 110% coverage on the Bond's debt service, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

E. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in CFD No. 2006-02 up to 100% of the Maximum Special Tax for Developed Property determined pursuant to Section C.1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for such Undeveloped Property determined pursuant to Section C.2.

Step 3: If additional revenue is needed to meet the Special Tax Requirement after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section G below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.2.

F. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for CFD No. 2006-02 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2046-2047.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section H below.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section H:

"Remaining Facilities Costs" means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other funding.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

"Previously Issued Bonds" means all Bonds that have been issued prior to the date of prepayment.

"Public Facilities Requirements" means either $25,000,000 in 2006 dollars, which shall increase on January 1, 2007, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such lower number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by CFD No. 2006-02.

The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 2006-02 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if 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 Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Included, as Attachment 3 herein, is a sample prepayment calculation for one Parcel in Tax Zone 1. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

Bond Redemption Amount	
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

Step 1. Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City. If this Section H is being applied to calculate a prepayment pursuant to Section D above, use, for purposes of this Step 1, the amount by which the Expected Maximum Special Tax Revenues have been reduced below the amount needed to maintain 110% coverage on the Bond's debt service due to the change in land use that necessitated the prepayment.

Step 2. Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the total Expected Maximum Special Tax Revenues for all property in the CFD, as shown in Attachment 2 of this RMA or as adjusted by the Administrator after prepayments or land use changes.

Step 3. Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "***Bond Redemption Amount***").

Step 4. Compute the current Remaining Facilities Costs (if any).

Step 5. Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (the "***Remaining Facilities Amount***").

Step 6. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "***Redemption Premium***").

Step 7. Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.

Step 8. Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

Step 9: Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (the "***Defeasance Requirement***").

Step 10. The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (the "***Administrative Fees and Expenses***").

Step 11. If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Bond indenture, 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***").

Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "***Prepayment Amount***").

See Attachment 3 for sample prepayment calculation.

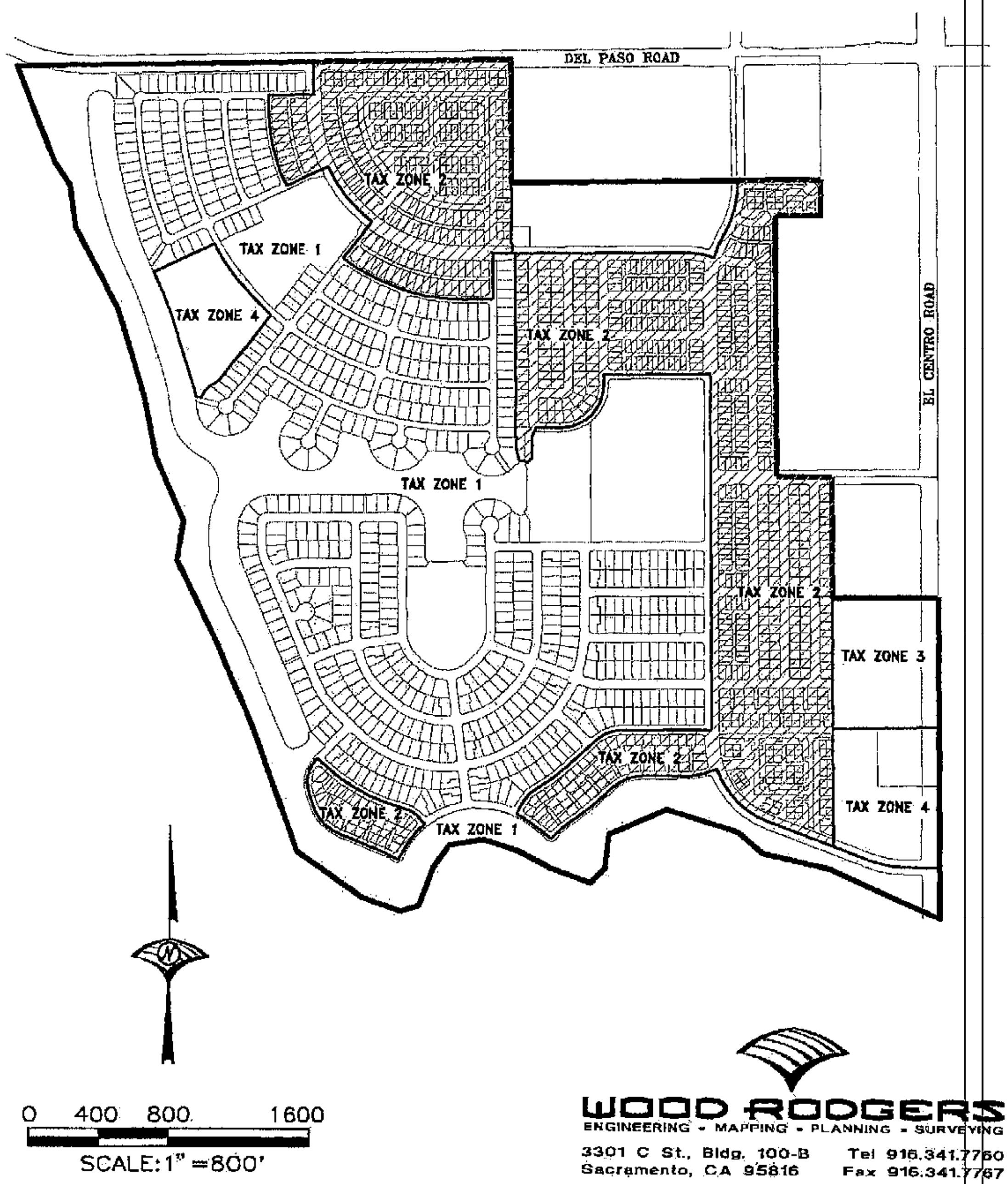
I. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rates, method of apportionment, classification of properties or any definition applicable to the CFD.

J. APPEALS

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the City appealing the levy of the Special Tax. The City shall then promptly review the appeal and, if necessary, meet with the applicant. If the City verifies that the Special Tax should be modified, a recommendation at that time will be made to the Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

ATTACHMENT 1
CITY OF SACRAMENTO NATOMAS CENTRAL CFD NO. 2006-2
IDENTIFICATION OF TAX ZONES



ATTACHMENT 2

Natomas Central Community Facilities District No. 2006-02

Expected Land Uses and Expected Maximum Special Tax Revenues

Zoning Designation	**Expected # of Residential Units/Acres**	**Expected Net Acreage**	**Maximum Special Tax per Residential Unit/Acre FY 2006-07(1)**	**Expected Maximum Special Tax Revenues(1)**
Tax Zone 1	694 Units	99.0 Acres	$1,140 per Lot	$ 791,160
Tax Zone 2	970 Units	76.1 Acres	$960 per Lot	$ 931,200
Tax Zone 3	95 Units	8.6 Acres	$840 per Lot	$ 79,800
Tax Zone 4	13 Acres	13.0 Acres	$8,000 per Acre	$ 104,000
Maximum Special Tax Revenues Based on Estimated Units at CFD Formation				**$ 1,906,160**
CFD Buffer (Assumes loss of 5 Percent of Units in Tax Zone 1)				**($39,558)**
Expected Maximum Special Tax Revenues, Fiscal Year 2006-07				**$ 1,866,602**

ATTACHMENT 3

Natomas Central Community Facilities District No. 2006-02
Sample Prepayment Calculation

Assumptions (2006 $)			
Maximum Tax on a Unit in Tax Zone 1		$	1,140
Expected Maximum Special Tax Revenues in CFD		$	1,866,602
Total Facilities Costs		$	25,000,000
Construction Proceeds from First Bond Issue		$	25,000,000
Total Remaining Facilities Costs		$	0
Redemption Premium			3.00%
Reserve Fund Requirement			10.00%
Outstanding Bonds		$	29,000,000
Sample Prepayment Calculation (Tax Zone 1 Unit)			
Steps from Section H of the RMA	*Source or Calculation Method*		
Step 1: Maximum Special Tax per Unit	[From above]	$	1,140
Step 2: Maximum Tax as a % of Total Expected Revenues	[Step 1 divided by Max Tax Revenues]		0.061074%
Step 3: **"Bond Redemption Amount"**	[Step 2 multiplied by Outstanding Bonds]	$	17,711
Step 4: Total Remaining Facilities Costs	[From above]	$	0
Step 5: **"Remaining Facilities Amount"**	[Step 2 multiplied by Step 4]	$	0
Step 6: **"Redemption Premium"**	[Step 3 multiplied by Redemption Premium %]	$	531
Step 7: Interest Required on Bond Redemption Amount	[Covered by Special Tax levied in the year of prepayment][1]	$	0[1]
Step 8: Interest City makes on Bond Redemption Amount and Redemption Premium	[None due to bonds being retired at next interest payment]	$	0
Step 9: **"Defeasance Requirement"**	[Step 7 minus Step 8]	$	0
Step 10: **"Administrative Fees and Expenses"**	[Assumes $500 per unit]	$	500
Step 11: **"Reserve Fund Credit"**	[Step 3 multiplied by Reserve Fund Requirement %]	$	(1,771)
Step 12: **"Prepayment Amount"**	[Step 3 plus Step 5, plus Step 6, plus Step 9, plus Step 10, minus Step 11]	$	16,972
Prepayment for One Unit in Tax Zone 1		$	16,972

(1) Assumes bonds can be redeemed at the first interest payment after the prepayment has been received.

APPENDIX B

APPRAISAL REPORT

Integra Realty Resources
Sacramento

Appraisal of Real Property

Natomas Central Community Facilities District No. 2006-02
Master-Planned Community
Natomas Central Dr. at El Centro Rd.
Sacramento, Sacramento County, California 95834

Prepared For:
City of Sacramento

Effective Date of the Appraisal:
September 5, 2016

IRR - Sacramento
File Number: 145-2016-0645

Natomas Central Community Facilities District No. 2006-02
Natomas Central Dr. at El Centro Rd.
Sacramento, California

Integra Realty Resources
Sacramento

1708 Q Street
Sacramento, CA 95811

T 916.949.7360
F 916.554.6493
www.irr.com

October 5, 2016

Mr. Brian Wong, Debt Manager
Office of the City Treasurer
City of Sacramento
915 "I" Street, HCH - 3rd Floor
Sacramento, California 95814

SUBJECT: Natomas Central Community Facilities District No. 2006-02
Natomas Central Dr. at El Centro Rd.
Sacramento, Sacramento County, California 95834

Dear Mr. Wong:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of Natomas Central Community Facilities District No. 2006-02 (the “CFD”). This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

The CFD has been established to create a land-secured funding mechanism for authorized facilities, which includes fees paid for those facilities. The bonds for CFD No. 2006-02 (the “Bonds”) will reimburse owners for fees already paid, as well as generate fee credits for future construction.

The boundaries of the CFD are coterminous with the boundaries of a project called Natomas Central, which has been marketed and branded as “Westshore” by the project’s master developer, K. Hovnanian Homes. The project has a suburban location in Sacramento, California, approximately six miles from the Sacramento Central Business District. The project and area have a protracted history due to (1) the economic recession since the project commenced in 2006 and (2) a *de facto* building moratorium in place from December 8, 2008 through June 15, 2015.

The subject properties of this report are all developable properties owned between K. Hovnanian Homes, Natomas Investors LLC, Lennar Homes, Western Pacific Housing (DR Horton), Shea Homes and Taylor Morrison Homes, as well as the completed homes which have transferred to individuals. The subject properties do not include properties within the CFD not subject to the Special Tax, which includes 376 existing, completed apartment units and public/quasi-public or miscellaneous land.

The subject properties are summarized as follows:

Summery of Subject Properties

Owner	Planned	Homes Closed 2007-2010	Homes Closed 2015-2016	Remaining Lots	General Condition
K. Hovnanian at Westhore LLC	1,064 (1)	339	126	599 (1)(2)	Unimproved to Finished
Natomas Investors LLC	262	0	0	262	Finished
Lennar Homes of California Inc	216	0	0	216 (2)	Finished
Western Pacific Housing	70	0	0	70	Finished
Shea Homes Limited Partnership	205	28	0	177	Finished
Taylor Morrison of CA LLC	137	78	47	12 (2)	Finished
	1,954	445	173	1,336	

(1) Includes 102 proposed SFR units from entitlement modifications in process
(2) Includes partially completed homes that have not yet transferred to individuals

The market values estimated herein are based on a hypothetical condition. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis." As of the date of value, the Bonds had not been sold. The market values estimated herein are based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the properties were encumbered by Special Taxes as described herein. The market value estimates account for the impact of the lien of the Special Tax securing the Bonds.

As a result of our analysis, it is our opinion the aggregate value of the subject properties as of September 5, 2016 and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not less than:

Value Conclusions

Ownership	Description	Market Value By Ownership		
K. Hovnanian at Westshore LLC	599 Lots	$23,480,000		(not-less-than bulk value)
Natomas Investors LLC (Farallon)	262 Lots	$11,070,000		(bulk value)
Lennar Homes of California Inc	216 Lots	$15,470,000		(not-less-than bulk value)
Western Pacific Housing Inc	70 Lots	$5,320,000		(bulk value)
Shea Homes Limited Partnership	177 Lots	$12,250,000		(bulk value)
Taylor Morrison of CA LLC	12 Lots	$1,080,000		(not-less-than bulk value)
Individual Homeowners (Closed 2015-2016)	173 Homes	$61,880,000	*	(not-less-than aggregate value)
Individual Homeowners (Closed 2007-2010, based on Assessed Values)	445 Homes	$131,590,000	*	(aggregate value)
	Total:	$262,140,000	*	(not-less-than aggregate value)

*Aggregate value. Not a market value in bulk.
Note: All values based on a hypothetical condition

The appraisal includes an aggregate of assessed values for those homes sold from 2007-2010. These homes have not been independently valued by the appraiser. The assessed values were included per the instructions of our client. Homes sold in 2015-2016 (most of which do not yet have assigned Assessed values) are valued herein based on the smallest base plan offered in each product line, without consideration for upgrades or lot premiums. Moreover, our analysis assigns no value to any vertical construction on lots that have not yet transferred to individual owners. Finally, note that a minority portion of the Bonds will provide for fee credits of which no additional value has been assigned. For these reasons, the aggregate value represents a not-less-than estimate.

The estimated values are subject to the following Extraordinary Assumptions and Hypothetical Conditions:

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. K. Hovnanian is the master developer who completed backbone infrastructure for the project. The master developer has fee credits that were considered in our anlaysis. Based on our interviews with the master developer, it appears other primary owners in the project (Natomas Investors LLC, Shea Limited Partnership, Lennar Homes of California, Western Pacific Housing and Taylor Morrison of CA) do not have fee credits (which would have been obtained from the master developer at the time the lots were acquired in 2006/2007). We did not verify this information directly with the other primary owners. Our analysis assumes these other primary owners do not have fee credits.
2. Our analysis relied on site development costs provided by K. Hovnanian. The reported costs were reasonable relative to our knowledge of costs at other projects. It is an extraordinary assumption that the actual site development costs will be similar to the costs represented herein.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, Bonds had not been sold. The market values estimated herein are based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2006-02 had just been sold and the properties were encumbered by Special Taxes as described herein. The market value estimates acccount for the impact of the lien of the Special Tax securing the Bonds.

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

Jarrod Hodgson
Certified General Real Estate Appraiser
CA Certificate # AG040480
Telephone: 916-949-7362
Email: jhodgson@irr.com

Scott Beebe, MAI, FRICS
Certified General Real Estate Appraiser
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Table of Contents

Summary of Salient Facts and Conclusions

Property	The subject properties are 1,336 lots and 618 completed homes within Community Facilities District No. 2006-02 (the "CFD").
Location	The CFD is located along the west side of El Centro Road at Natomas Central Drive, within the city of Sacramento, Sacramento County, California 95834.
Census Tract No.	0070.15
Assessor Parcel Numbers	Please refer to the Addenda for a complete list of Assessor parcel numbers by ownership.
Ownership	K. Hovnanian at Westshore LLC is the master developer and owns 599 lots. Natomas Investors LLC (also known as Farallon Capital Management LLC) is an investor-owner and owns 262 lots. Lennar Homes of California Inc owns 216 lots. Western Pacific Housing (DR Horton) owns 70 lots. Shea Homes Limited Partnership owns 177 lots. Taylor Morrison of CA LLC owns 12 lots. There are 618 built and closed homes. Please refer to the *Sales History* section for a description of properties by ownership.
Zoning	Single-family and multifamily, Planned Unit Development
Entitlements	The CFD contains 1,954 total proposed units, of which 1,852 units have all entitlement approvals in place with no proposed modifications. The remaining 102 lots (proposed) are comprised of two vacant parcels (Lots B and E) with entitlement modifications underway for single-family development, consistent with their highest and best use. These parcels are currently approved for multifamily development (condominiums and townhomes). Please refer to the *Property Analysis* section for detailed entitlement information.
Flood Zone	Zone A99 – Areas determined to be within 100-year floodplain. **Flood insurance required.**
Highest and Best Use	The legally permissible uses of the subject are limited to the land uses as currently approved (single-family and multifamily residential). The highest and best use of the subject is for near term single-family residential development (production

	homes). The proposed entitlement modifications are consistent with the highest and best use.
Exposure Time	6 months
Marketing Time	6 months
Property Rights Appraised	Fee Simple Estate
Effective Date of Value	September 5, 2016

Value Conclusions

Ownership	Description	Market Value By Ownership		
K. Hovnanian at Westshore LLC	599 Lots	$23,480,000		(not-less-than bulk value)
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*Aggregate value. Not a market value in bulk.
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Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. K. Hovnanian is the master developer who completed backbone infrastructure for the project. The master developer has fee credits that were considered in our anlaysis. Based on our interviews with the master developer, it appears other primary owners in the project (Natomas Investors LLC, Shea Limited Partnership, Lennar Homes of California, Western Pacific Housing and Taylor Morrison of CA) do not have fee credits (which would have been obtained from the master developer at the time the lots were acquired in 2006/2007). We did not verify this information directly with the other primary owners. Our analysis assumes these other primary owners do not have fee credits.
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Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, Bonds had not been sold. The market values estimated herein are based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2006-02 had just been sold and the properties were encumbered by Special Taxes as described herein. The market value estimates acccount for the impact of the lien of the Special Tax securing the Bonds.

General Information

Identification of Subject

Northwesterly view. Yellow boundary encompasses appraised property.

The boundaries of the CFD are coterminous with the boundaries of a project called Natomas Central, which has been marketed and branded as “Westshore” by the project’s master developer, K. Hovnanian Homes. The project has a suburban location in Sacramento, California, approximately six miles from the Sacramento Central Business District. The project and area have a protracted history due to (1) the economic recession since the project commenced in 2006 and (2) a *de facto* building moratorium in place from December 8, 2008 through June 15, 2015.

The subject properties of this report are all developable properties owned by K. Hovnanian Homes, Natomas Investors LLC, Lennar Homes, Western Pacific Housing (DR Horton), Taylor Morrison Homes and Shea Homes, and completed homes which have transferred to individuals. The subject properties do not include 376 existing, completed apartment units, or any public/quasi-public or miscellaneous land not subject to the lien of the Special Tax.

Summery of Subject Properties

Owner	Planned	Homes Closed 2007-2010	Homes Closed 2015-2016	Remaining Lots	General Condition
K. Hovnanian at Westhore LLC	1,064 (1)	339	126	599 (1)(2)	Unimproved to Finished
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	1,954	445	173	1,336	

(1) Includes 102 proposed SFR units from entitlement modifications in process
(2) Includes partially completed homes that have not yet transferred to individuals

Project History

The Natomas Central project was approved by the City of Sacramento on October 25, 2005 (Resolution 2005-778) as a Planned Unit Development for 2,331 residential units on 398± gross acres. All environmental, State and Federal permits for the property are in place. Entitlements have been modified over the years as owners have worked to offer product that meets the latest buyer preferences, and additional entitlement modifications are in process. The master developer of the project is K. Hovnanian, which commenced development in 2006. The first homes closed escrow in 2007. A de facto building moratorium began on December 8, 2008, whereby construction could only continue if building permit fees were paid and home foundations were completed by this date. Between 2007 and 2010, 445 homes were built and closed by three different builders. The de facto moratorium lasted through June 15, 2015, with the City issuing building permits the following day.

Flood Zone History

The building moratorium resulted from inadequate flood protection. Post Hurricane Katrina in 2005, Sacramento levees did not meet revised federal standards for 100-year flood protection. The Federal Emergency Management Agency (FEMA) issued revised flood maps that designated the area as a flood plain (Flood Zone AE), which became effective on December 8, 2008. All existing homes in the subject's area were required to obtain flood insurance, and no new construction could occur unless on foundations completed prior to the de facto moratorium, or unless the new construction was built 33-feet above flood elevation (which is impractical, hence a *de facto* moratorium).

Local agencies and the U.S. Army Corps of Engineers (USACE) have worked to strengthen area levees, and completion of improvements is several years away. The cost of construction continues to grow, and financing (via taxes and/or federal appropriations) is an ongoing challenge. Once complete, levees will provide 200-year flood protection.

By April 2015, approximately 50% of the levee project was complete. Crossing this percentage threshold, the area became eligible for a flood rezone to the A99 zone, which would allow new home construction to resume. The A99 zone is applied to areas of 100-year flood but which will ultimately be protected upon completion of an under-construction Federal flood protection system. With the end of the moratorium in sight, the City of Sacramento wanted to ensure prudent growth while levee construction continues, and adopted an ordinance that capped the number of new homes that could be built at 1,000 single-family and 500 multifamily units per calendar year. Unused permits “rollover” to the following calendar year.

On June 16, 2015, the City of Sacramento began issuing permits for new construction. While construction may occur in the A99 zone, residents must retain flood insurance and FHA financing is not available. FHA financing is a predominant affordable financing option for many new buyers, so financing costs in the subject’s area may trend slightly higher than elsewhere. Moreover, homeownership costs are higher due to flood insurance obligations. The area also has several layers of property taxes that pertain to levee improvements.

As of August 1, 2016, the City had issued 398 single-family permits and 48 multifamily permits for 2016. Due to rollover provisions and projected supply and demand, the City-imposed cap on building permits is not expected to limit or restrict the subject project into the foreseeable future.

Project To Date

At this time the subject properties are proposed for 1,954 total units, of which 445 units are completed homes built between 2007 and 2010, 173 units are completed homes that have closed escrow since building resumed in 2015, and 1,336 are lots (unimproved to finished) owned by builders and/or investors.

The project includes an “active adult” (or age-restricted, 55 and older) component, which comprises approximately 30% of the total units planned at built out. The clubhouse, pool and tennis courts were constructed before the de facto moratorium. The balance of the project is designed for first time new/move up buyers. Consistent with terminology utilized by the master developer, this report refers to all non-active adult components as “market rate.”

Since the de facto moratorium was lifted, the project has achieved brisk sales via numerous product lines offered between K. Hovnanian Homes and Taylor Morrison Homes. Lennar Homes and Western Pacific Housing (DR Horton) also have recently acquired lots but have not yet closed any homes. Shea Homes has not yet resumed construction. The region has strong demand for age-restricted projects and affordable homes. The subject project offers product that meets both of these demand preferences. Moreover, the subject’s excellent transportation linkages and close proximity to the Sacramento Central Business District enhance its overall appeal.

Home sales from project inception (approximately) through the date of value are summarized on the following page. To date, 285 units have sold, of which 173 have closed escrow. The remaining units are either under construction or about to begin construction.

Summary of Home Sales

Prject	Builder	Lot Size	Type	Home Sizing (SF)	Price Range	Date of First Contract	Total Sales Thru Date of Value	Overall Sales/ Month
Westshore*	Taylor Morrison	5,250	Traditional	2,018 - 2,865	$348,000 - $410,000	8/9/2015	59	5.4
Retreat	K. Hovnanian	2,280	Drive Thru Alley	1,763 - 1,892	$292,990 - $300,990	11/14/2015	34	3.4
Village	K. Hovnanian	3,000	Small Lot Traditional	1,954 - 2,100	$328,990 - $343,990	11/22/2015	44	4.6
Parkwalk	K. Hovnanian	3,375	Small Lot Traditional	2,265 - 2,478	$354,990 - $377,990	10/25/2015	56	5.3
Commons	K. Hovnanian	4,050	Small Lot Traditional	1,914 to 2,536	$334,990 - $380,990	10/25/2015	26	4.5
Unnamed Project***	DR Horton	3,096	Small Lot Traditional	N/Av	N/Av	*Not yet open*	-	-
Four Seasons - Summer (active adult)*	K. Hovnanian	3,600	Drive Thru Alley	1,405 - 1,510	$280,990 - $289,990	10/25/2015	7	1.2
Four Seasons - Spring (active adult)	K. Hovnanian	5,460	Traditional	2,048 - 2,191	$376,990 - $388,990	10/25/2015	32	3.0
Four Seasons - Autumn (active adult)*	K. Hovnanian	6,300	Traditional	2,536 - 2,721	$434,990 - $454,990	11/6/2015	10	2.2
Four Seasons - Winter (active adult)	K. Hovnanian	2,880	Alley and Cluster	1,302 - 1,790	$271,990 - $320,490	6/25/2015	16	1.1
Heritage Westshore - Coronado (active adult)**	Lennar	5,460	Traditional	1,743 - 2,206	$368,990 - $406,990	-	1	2.0
Heritage Westshore - Carmel (active adult)***	Lennar	3,600	Traditional	1,295 - 1,535	-	*Not yet open*	-	-
							285	

*Sold out. Absorption rate calculated based on approximate sell-out date.
**Based on September 4, 2016 "The Ryness Report"
***Not yet open for sales

Note that K. Hovnanian Homes has four projects under the “Four Seasons” project banner. Each is active adult and offers a slightly different product type (lot or home size), but each targets the same market segment. As a result, sales rates per project are lower.

Westshore by Taylor Morrison Homes among the first projects to open post-moratorium and offered its first few phases of homes for sale with aggressive pricing (below resale prices), which contributed to strong initial sales rates . Prices at this project have increased significantly since project opening ($50,000+). Moreover, several competing projects are expected to come online within the next few months that will compete with the subject, which will affect sales rates at the subject project moving forward. Such factors have been considered in our analysis.

Current Ownership and Sales History

Natomas Investors LLC, Shea Limited Partnership and Taylor Morrison of CA have owned lots within the subject project in excess of three years. Taylor Morrison of CA has sold out and has homes under construction on the 12 remaining lots that it owns. Natomas Investors LLC and Shea Limited Partnership are currently marketing their lots for sale in bulk.

In May 2015, Natomas Investors LLC enlisted Colliers International and offered its lots for sale in bulk. Since, three groups of lots have since been sold. Lennar Homes of California Inc acquired 217 active adult lots from Natomas Investors LLC on March 4, 2016 (Document No. 1603040869). Public records reflect a price of $17,152,500. The lots were finished at the time of sale. Reportedly, K. Hovnanian submitted an offer but was outbid. The price is significantly higher than the bulk value of this component estimated herein. We are unable to conclude whether the sale price was above market, or whether other factors affected the price paid (e.g. whether the purchase is part one of a larger transaction, whether the seller provided equity financing, etc.). Details of the transaction were not provided. Even so, the recorded transaction price is higher the value estimated herein for this component.

On August 25, 2016, K. Hovnanian at Westshore LLC acquired 54 lots (Village B) from Natomas Investors LLC for $2,943,000, or $54,500/lot (Document No. 1608250708). The lots were finished at the time of sale. This was an arm’s-length, all-cash-to-seller transaction. In addition, K. Hovnanian is under contract to acquire an additional 61 finished lots in Natomas Investors LLC for $3,324,500. The close of escrow date is not available. The market value estimated herein is these components (on a per lot basis) is $56,000/lot, which is generally similar (nominally different). All other lots owned by K. Hovnanian Westshore LLC have been owned by affiliated LLCs of K. Hovnanian in excess of three years.

Western Pacific Housing dba DR Horton acquired 70 finished lots in Village N from Natomas Investors LLC on September 6, 2016 for $5,000,000, or $71,429/lot (Document No. 1609060987). This appears to be an an arm's-length, all-cash-to-seller transaction, from what can be determined from public records. The sale was not verified with parties involved. For this component, in this report we estimated a market value of $76,000/lot, which is slightly higher than the recent sale price. It's possible market conditions have strengthened since the date of contract, which is unknown. It is our belief that Natomas Investors LLC is continuing to market its remaining 261 lots.

Shea Limited Partnership is currently marketing its 177 finished lots for sale. Reportedly Lennar Homes was under contract to purchase with a price in the $90,000 to $100,000/lot range, but backed out of the contract. K. Hovnanian Westshore LLC has submitted an offer but the property is not under contract.

Ownership of the subject properties as of the effective date of value (by Special Tax zone) is summarized in the table on the following page.

Properties Owned by K. Hovnanian at Westshore LLC				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Market Rate - Zone 2 MDR	Village F	1,748	Alley Court w/ Paseo Entry	4
Market Rate - Zone 2 MDR	Village F	2,142	Drive Thru Alley	51
Market Rate - Zone 2 MDR	Village Q	2,142	Alley Court w/ Paseo Entry	21
Market Rate - Zone 2 MDR	Village A	2,280	Drive Thru Alley	7
Market Rate - Zone 2 MDR	Village B	2,280	Drive Thru Alley	54
Market Rate - Zone 2 MDR	Village A	3,000	Small Lot Traditional	21
Market Rate - Zone 2 MDR	Lot A	3,000	Small Lot Traditional	71
Market Rate - Zone 2 MDR	Parcel A	3,375	Small Lot Traditional	96
				325
Active Adult - Zone 2 MDR	Village H/M	2,880	Alley and Cluster	131
Active Adult - Zone 2 MDR	Village C	3,600	Drive Thru Alley	0
				131
Active Adult - Zone 1 LDR	Village G/C	5,460	Traditional	23
Active Adult - Zone 1 LDR	Village G	5,775	Traditional	15
Active Adult - Zone 1 LDR	Village K	6,300	Traditional	3
				41
		Acres	Proposed SFR	Current SF/MF
Active Adult - Zone 4 (per acre)	Lot B	6.98	54	100
Zone 4 (per acre)	Lot E	6.25	46	116
		Subtotal	100	216
		Overall Total	597	713
			(Proposed)	(Existing)

The properties owned by K. Hovnanian comprise 597 total proposed residential units over various residential villages. Lots B and E are currently approved and entitled for multifamily development. K. Hovnanian has submitted applications to down-zone/reduce the density of these areas to allow for medium density single-family residential development, which should take 6 to 12 months to process with the City. Approval of the proposed entitlements is probable, but not certain.

Properties Owned by Natomas Investors LLC				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Market Rate - Zone 2 MDR	Village B/N/O	2,280	Drive Thru Alley	157
Market Rate - Zone 2 MDR	Village A/D	2,494	Alley Court w/ Paseo Entry	66
Market Rate - Zone 2 MDR	Village A	3,000	Small Lot Traditional	38
Active Adult - Zone 1 LDR	Village G	5,775	Traditional	1
			Overall Total	262

Properties Owned by Lennar Homes of California Inc				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Active Adult - Zone 2 MDR	Village C	3,600	Drive Thru Alley	82
Active Adult - Zone 1 LDR	Village G/C	5,460	Traditional	73
Active Adult - Zone 1 LDR	Village G	5,775	Traditional	61
			Overall Total	216

Properties Owned by Western Pacific Housing Inc				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Market Rate - Zone 2 MDR	Village N	3,096	Small Lot Traditional	70

Properties Owned by Shea Homes Limited Partnership				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Market Rate - Zone 1 LDR	Village E/J/P	5,775	Traditional	131
Market Rate - Zone 1 LDR	Village E/J	6,300	Traditional	46
			Overall Total	177

Properties Owned by Taylor Morrison Homes of CA				
Type & Tax Zone	Village	Lot Size	Type	No. Of Lots
Market Rate - Zone 1 LDR	Village E/I/P	5,250	Traditional	12

Facilities to be Financed by the District

Bonds issued by Community Facilities District No. 2006-02 will reimburse property owners for fees already paid for existing home construction, as well as generate fee credits for future construction.

Principal and interest on the Bonds will be paid by a Special Tax levied against the subject properties. This report is based on a hypothetical condition that the Bonds have been sold and the subject properties are encumbered by the Special Tax.

Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

Based on the research and analysis contained within this report, key factors affecting the subject properties are summarized as follows:

Strengths

- Backbone infrastructure is complete with significant in-tract development and home construction
- Project targets the "active adult" and first-time new/move up market segments, which have the strongest demand across the region
- Excellent transportation linkages and close proximity to the Sacramento Central Business District
- Located at the western edge of the city limits (no urban development will occur to the west)
- Established community appeal and project identity
- Evidence of market acceptance with strong project sales in recent months

Weaknesses

- Some product lines/lot size categories compete with one another
- Special Taxes increase homeownership cost
- Flood insurance increases homeownership cost
- Known location within a flood plain will deter some buyers
- FHA financing is not available, which increases financing costs (slightly) for some buyers

Opportunities

- Significant home price and sales increases from 2012, reflecting a market recovery
- Projected slow and steady price increases over the next 24 months
- Favorable location relative to competing projects in North Natomas
- Relative affordability of North Natomas to competing suburban markets (Rancho Cordova and Elk Grove)

Threats

- Macroeconomic factors
- Unforeseen delays/costs/risks before development is completed and home construction occurs
- Risk of 100 year flood

Client, Intended User and Use

The client and intended user of this appraisal report is the City of Sacramento, legal counsel and underwriter. This report is intended to assist with bond financing.

Appraisal Report Format

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016-17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an "appraisal assignment," as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions or conclusions be that of a disinterested third party.

Type and Definition of Value

The purpose of the appraisal is to estimate the market values of the subject properties, by ownership, and the aggregate value of the subject properties, as of the effective date of value, September 5, 2016. The appraisal is valid only as of the stated effective date or dates.

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

  (Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

The CFD has been established to create a land-secured funding mechanism to generate a construction fund from bonds (the "Bonds") for fee reimbursement.

As stated elsewhere in this report, the market values estimated herein are subject to a hypothetical condition. The market values accounts for the impact of the lien of the Special Taxes securing the Bonds.

Property Rights Appraised

The market value estimated herein is for the fee simple estate, defined as, "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." *(Source: The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010)*

The rights appraised are also subject to the extraordinary assumptions, hypothetical conditions, general assumptions and limiting conditions contained in this report, as well as any exceptions, encroachments, easements and rights-of-way recorded.

Dates of Inspection, Value and Report

An inspection of the subject properties was completed on September 18, 2016. The effective date of value is September 5, 2016. This appraisal report was completed and assembled on October 5, 2016.Note that we previously inspected the subject property in 2016 on February 23 and March 4. Certain of the photographs from prior inspections are utilized in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the properties, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. In the analysis of the subject property, we use the sales comparison and income capitalization approaches to develop opinions of market value. In the income capitalization approach, we utilize yield capitalization, which, for subdivision analysis, is commonly referred to as the subdivision development method.

The valuation begins with the analysis of the homes that have sold and closed in 2015 through 2016. These closings (most of which do not have Assessed improvement values) are valued in this report based on the smallest home size offered at each product line by using the sales comparison approach. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The sum value of homes that have sold to individual owners is an aggregate value.

The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales for lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we do conduct a “top down” land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility.

For the homes which were built and sold from 2007-2010, the appraisal includes an aggregate of current assessed values. These homes have not been independently valued by the appraiser.

In the valuation of the subject lots, we utilize the sales comparison and the subdivision development method. The sales comparison approach considers bulk lot sales, with adjustments applied accordingly relative to the subject. We also utilize the sales comparison approach to determine the value of the subject’s high-density/multifamily components as currently approved (these components have entitlement modifications in process). The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project.

Our analysis leads to estimates of lot value for each lot size category within the subject, which are organized by ownership. To determine the bulk value of each ownership, we incorporate the estimated lot values into discounted cash flow analyses that show the lots selling to builders over a projected absorption period, mirroring how a developer-buyer would view a bulk acquisition of the subject. The discounted cash flows account for costs of sale, property taxes, Special Taxes and any site development that remains. The sell off of the lots in bulk is estimated based on anticipated home demand relative to anticipated competitive supply.

Research and Analysis

In preparing this appraisal, the appraisers:

- Researched the legal and physical attributes of the subject properties including: a physical inspection of the properties was completed and serves as the basis for the site description contained in this report; an “all hands meeting” with representatives of the K. Hovnanian and the Finance Team occurred on the project site on February 16, 2016, where the project, schedule and required information for the appraisal were discussed; representatives of K. Hovnanian provided project maps, home sales and closing history, and construction and site development costs; the sales history was verified by consulting public records (Parcelquest); zoning and entitlement information was obtained from the City of Sacramento; the subject’s earthquake zone, flood zone and utilities were verified with applicable public agencies;

property tax information for the current tax year was obtained from the Sacramento County Tax Collector's Office.

- Analyzed and documented data relating to the neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles and interviews with various market participants.
- Determined the highest and best use of the subject properties as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use is for near term single-family residential development (production homes).
- Gathered information on comparable properties and confirmed comparable transactions. We also relied on comparable information (sales, costs, permits and fees) that we had retained in our appraisal files and which may have resulted from prior interviews with market participants. The type and extent of our research and analysis is detailed in individual sections of the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.
- Estimated reasonable exposure and marketing times associated with the market value estimates.

Inspection

Jarrod Hodgson and Scott Beebe, MAI, FRICS, conducted an on-site inspection of the properties on September 18, 2016.

Economic Analysis

Sacramento MSA Area Analysis

Sacramento, the capital of California, is located in north-central part of the state, roughly 85 miles northeast of San Francisco. The official Sacramento Metropolitan Statistical Area (MSA) includes the counties of Sacramento, Placer, El Dorado and Yolo. Unofficially, the “Greater Sacramento Area” also encompasses the adjacent Sutter and Yuba counties. Sacramento straddles two key regions of California, the Central Valley and Sierra Nevada mountains. Sacramento is the largest city in the metropolitan area, home to over 470,000, making it the sixth largest city in California and the 35th largest in the United States. Altogether the Sacramento region is composed of six counties, 22 cities and population of 2.3 million people.

Economic Overview

The Sacramento region is in its fourth year of economic recovery after enduring nearly 6 years of decline. For most of 2015 the region experienced mostly positive economic improvements. Although the region remains below the pre-recession levels there has been recovery in a most sectors. The regional job market has slowly been improving with the current unemployment rate of 5.5% (December 2015) representing an improvement from 6.3% a year ago and 7.7% two years ago. The decline in unemployment has occurred even though the labor force slightly increased. The region achieved net job gain of 16,200 over the past year and 37,500 over the past two years. During 2015 the region finally gained back the employment losses (approximately 90,000) from the great recession. While the declining unemployment rate signals some improving labor conditions, the rate is still above the low of 4.3% achieved in 2006 showing there is still room for improvement. Key points in the regional economy include the following:

- The regional unemployment rate is declining with net job gains of 16,200 recorded over the past 12 months. The MSA has about the same number of jobs than what was recorded during the peak in 2007.

- Prices for new homes have been rising rapidly for the past 36 months. During 2015 average appreciation for new homes rose approximately 8 percent preceded by an approximately 9 percent gain in 2014. The rate of increase has slowed and is not expected to exceed 5 percent per year over the next 12-18 months.

- The multi-family market is the leading property sector in terms of occupancy, rent growth and property appreciation. Retail is strong for Class A product, and industrial is improving in many areas. Urban office is holding steady and there still significant distressed conditions for most suburban office markets.

- The banking industry is showing year over year loan growth and delinquencies are down. Most local and regional banks are showing increasing profitability.

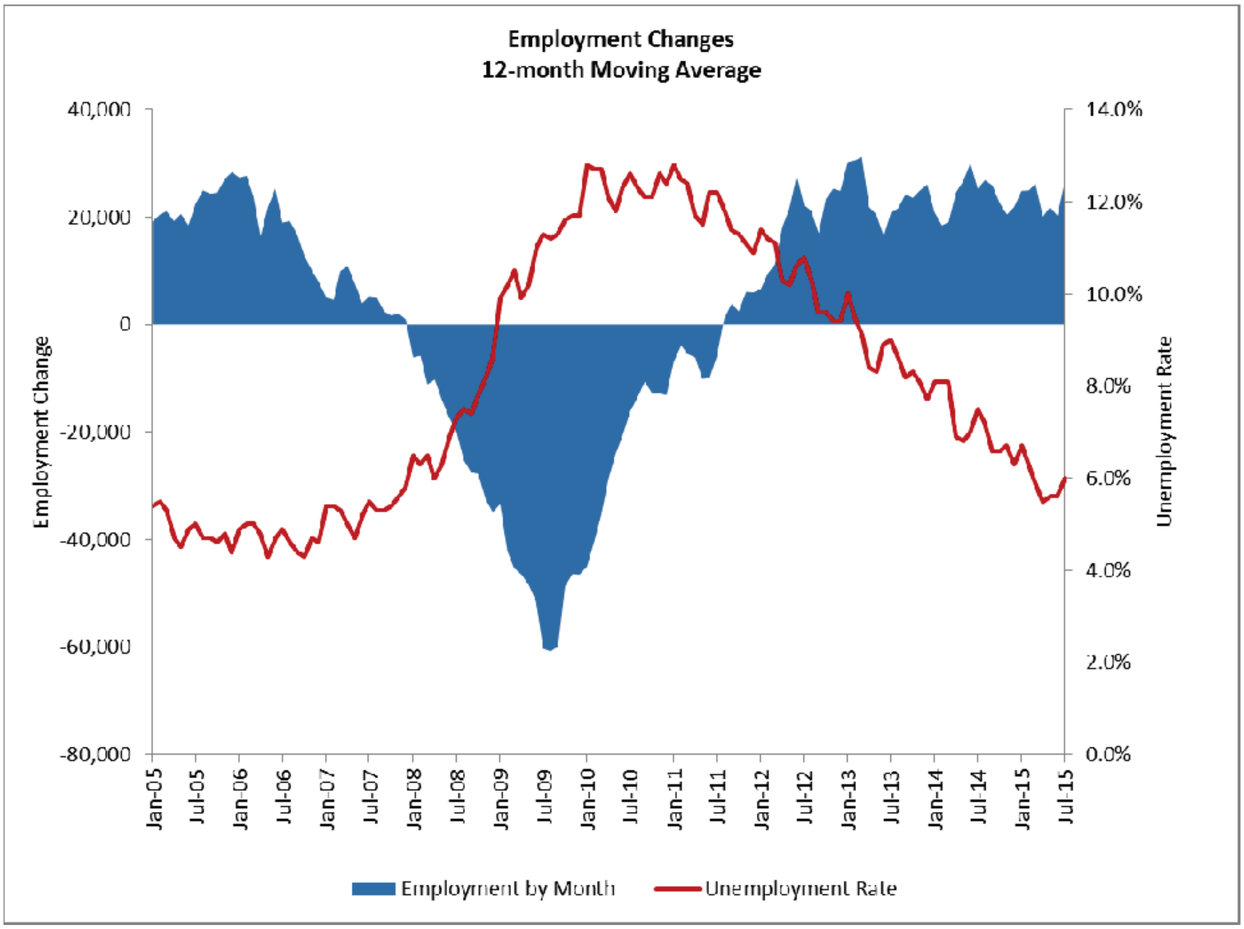
- Business confidence indexes from various groups show very high optimism for 2016.

- Construction of the Golden 1 Center arena on the Downtown Plaza site is currently ongoing. The arena is expected to cost approximately $519 million and is expected to be completed in October 2016. This project has and will continue to provide a major boost to the local economy.

- Recent population growth has been close to 1.0% annually. This is down from the early to mid- 2000's when the region was growing at close to 2.3% annually.

Employment

Total employment in Sacramento MSA was 935,000 as of December 2015. This represents an increase of 16,200 as recorded one year earlier. The current average annual employment for the MSA is now equal to the employment that peaked in 2007. The following chart provides a historical perspective of the Sacramento MSA employment gains/losses.



The chart above shows significant employment losses beginning in early 2008 and extending through January 2012. There have been year-over year employment gains for the region since April 2012. The regional job market has been slowly improving with the unemployment rate of 5.5% (December 2015) being an improvement from 6.3% a year ago. The decline in unemployment is attributed to a large gain in payrolls as the labor force increased by a minimal amount.

The recent employment growth in the region has come largely from improved hiring in the construction and retail and business services sectors with continued growth in education and health care. The industries affected most by the recession, construction, leisure, financial and manufacturing sectors, have bounced back and added jobs for the past two years with accelerated growth over the past 24 months. The following table provides an overview of the major industry sectors within the region.

Major Industry Sectors - Sacramento MSA - Dec. 2015

	% of Local	1 Year Change		2 Year Change		Expected Average %
Sector	Economy	Jobs	% Chg.	Jobs	% Chg.	Change Y/Y
Construction	4.9%	3,200	7.1%	5,000	11.5%	+3% to +5%
Manufacturing	3.6%	500	1.4%	1,300	3.8%	+2% to +3%
Trade, Trans. & Utilities	15.4%	1,600	1.1%	4,700	3.2%	+2% to +3%
Retail	10.7%	3,900	3.8%	6,900	6.9%	+2% to +4%
Information	1.3%	-500	-3.6%	-900	-6.4%	flat to +1%
Financial Activities	5.0%	600	1.2%	1,000	2.0%	+1% to +2%
Prof. & Business Services	12.3%	1,000	0.8%	6,000	5.1%	+2% to +4%
Education & Healthcare	13.8%	700	0.5%	5,100	3.8%	+1% to +3%
Leisure & Hospitality	10.3%	11,400	12.5%	12,100	13.4%	+5% to +7%
Government	23.1%	1,500	0.7%	6,200	2.8%	+1% to +3%

Source: California Employment Development Department - Labor Market Information Division

Between December 2013 and December 2015, the total number of jobs located in the region increased by 37,500 or 5.0 percent. Over the past 12 months the increase was 16,200 or 2.5%. Trends over the past 12 months have been:

- Construction increased by 3,200 jobs.
- Gains in retail trade (up 3,900 jobs) offset a loss in wholesale trade (down 500 jobs).
- Leisure and hospitality increased by 11,400 jobs.

As indicated above most industry sectors have rebounded in job growth over the past year. As Sacramento has been heavily reliant on government and housing/construction sectors there is optimism that stable growth will continue to occur in these two areas. .

One of the major positive influences on the Sacramento MSA has been its affordability in comparison to the nearby Bay Area, especially with respect to housing. This factor acted as a catalyst, luring both residents and corporations to the area. In fact, much of the robust expansion enjoyed in past years is due to the relocation of residents and corporations from the Bay area and other areas of California. As housing prices skyrocketed in the Sacramento region, the area became less attractive to Bay Area transplants. In the long-term, Sacramento's cost advantages relative to the Bay Area should become a factor again, with significant potential to spur another round of strong population growth and economic expansion.

Given Sacramento's role as the capital city of California, government employment, well known for contributing to general stability, accounts nearly 26% of total MSA non-farm employment, a very large share by national norms. Going forward, the region's economy is expected to continue to slowly transition from one primarily dominated by government employment to one increasingly influenced by private sector industries; however, given that Sacramento is the hub of California state government, government will always play a significant role in the region's economic base.

Major Employers

The region's largest employers are summarized as follows:

Largest Private Sector Employers - Sacramento MSA

Rank	Company	Local FTE	Business Type
1	Sutter Health	11,277	Health Care
2	Kaiser Permanente	10,380	Health Care
3	Dignity Health	7,011	Health Care
4	Intel Corp.	6,200	Tech./Mfg.
5	Raley's Inc.	5,487	Retail - Grocery
6	Wells Fargo & Co.	2,973	Financial Services
7	Apple, Inc.	2,500	Tech./Mfg.
8	Squaw Valley Resort	2,500	Ski Resort
9	Pacific Gas and Electric Co.	2,468	Utility
10	Health Net of California	2,424	Health Insurance
11	United Parcel Service	2,301	Shipping
12	Cache Creek Casino Resort	2,180	Casino Resort
13	Blue Shield of California	2,100	Health Insurance
14	Union Pacific Railroad Co.	2,100	Transportation
15	Hewlett-Packard Co.	2,000	Tech./Mfg.
16	VSP Global	2,000	Optical Care
17	Thunder Valley Casino Resort	1,875	Casino Resort
18	Costco	1,854	Wholesale
19	Verizon Wireless	1,716	Wireless Phone Service
20	Aerojet Rocketdyne Holdings	1,700	Aerospace/Defense
21	Walgreens	1,553	Retail - Drugstore
22	Red Hawk Casino	1,250	Casino Resort
23	Eskaton	1,220	Senior Living/Care
24	Marshall Medical Center	1,154	Health Care
25	Delta Dental of California	1,071	Health Insurance

Source: Sacramento Business Journal 7/10/15

In the regional private sector, education and health services and professional services account for more than half of the region's economic base. High-tech manufacturing holds added promise for the future as existing companies continue to grow and new companies chose to locate to the region.

California represents the sixth largest economy in the world and Sacramento represents the hub of California state government. Due in large part to the presence of the state government, Sacramento had historically weathered economic downturns much better than other national and California markets; however, this was not the case during the most recent downturn. Despite ongoing budget woes, regional state government employment within the region has remained relatively stable during this tumultuous economic cycle.

Population

The Sacramento MSA has an estimated January 2016 population of 2,277,602, which represents an average annual 1.0% increase over the 2010 census of 2,149,127. Placer County has the highest historical growth rate.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2016 Est.	2021 Est.	2010 - 2016	2016 - 2021
El Dorado County	181,058	185,441	191,043	0.4%	0.6%
Placer County	348,432	379,649	404,106	1.4%	1.3%
Sacramento County	1,418,788	1,501,764	1,575,831	1.0%	1.0%
Yolo County	200,849	210,748	220,136	0.8%	0.9%
Sacramento MSA	2,149,127	2,277,602	2,391,116	1.0%	1.0%
California	37,253,956	39,356,473	41,248,721	0.9%	0.9%

Source: The Nielsen Company

Looking forward, Sacramento MSA's population is projected to increase at a 1.0% annual rate from 2016-2021, equivalent to the addition of an average of approximately 23,000 residents per year. Over the past five years (2010-2016) the population has increased 1.0% annually. Lower population growth trend is common throughout many areas of California.

Household Income

The Sacramento MSA has a similar median household income as compared to the statewide average. Median household income is the highest in Placer and El Dorado Counties. Sacramento County has the lowest household income in the MSA.

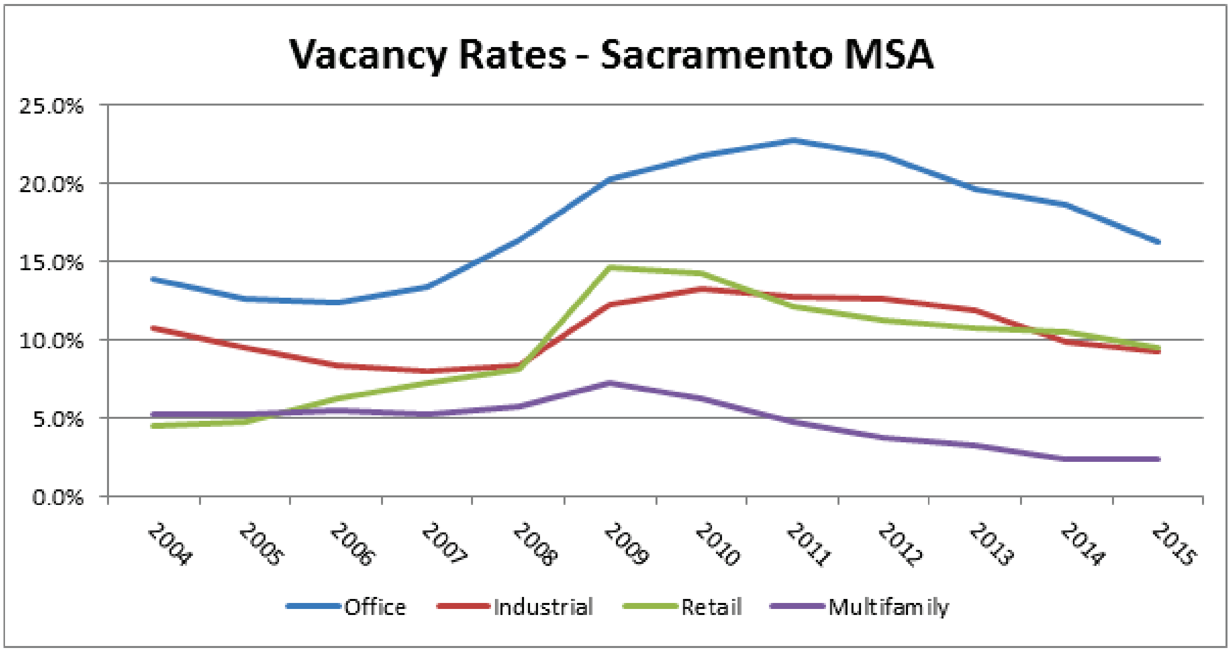
Median Household Income - 2016

	Median
California	$63,566
Sacramento MSA	$60,270
Sacramento County	$56,286
Placer County	$77,182
El Dorado County	$64,687
Yolo County	$55,466
Comparison of Sacramento MSA to California	- 5.5%

Source: The Nielsen Company

Commercial Real Estate

The commercial real estate market for the Sacramento MSA is still fragile from the effects of the recession. The major indicators reveal that this sector has bottomed out, but recovery is still slow for some property types and those having less than the best locations. The highest performing property type is the better quality apartment properties. Retail is strong for Class A product and strong locations, and industrial is improving in many areas. Urban office for Class A and B classes is holding steady. For most of the suburban locations office properties of all classes remains weak.



Construction activity for all property types has been at historically low levels over the past five years. This was preceded by substantial overbuilding that occurred during the early to mid- 2000's. Going forward new construction will be limited to some apartments, high identity retail and build-to-suit construction. New speculative office or industrial construction is not expected for many years. Real estate investment fundamentals have generally been improving across all major property classes in the region. Declining interest rates and strong demand for quality real estate assets have been causing a compression of capitalization rates. Below is an overall view of the investment conditions for major property classes for the Sacramento region.

Real Estate Investment Conditions - Sacramento MSA		
Property Type	Investor Demand Trends	Avg. Class A Cap Rates Sacramento MSA
CBD Office	↖	6.75%
Suburban Office	↔	7.25%
Community Retail	↖	6.75%
Neighborhood Retail	↖	6.75%
Industrial-Warehouse	↖	7.00%
Industrial-Flex/R&D	↔	8.25%
Urban Apartments	↖	4.75%
Suburban Apartments	↖	5.00%

Source: Viewpoint 2016, published by Integra Realty Resources

Residential Real Estate

The Sacramento MSA was one of the first major metropolitan areas in California to feel the effect of the housing crisis. Home prices increased to levels that far exceeded levels that regional income levels could support. As a result, the region was particularly hard-hit by the residential downturn. During 2008 through 2011 massive number of foreclosures occurred across the region, with distressed home sales accounting for more than 60% of the existing regional home sales annually between 2008 and 2012.

In 2013, the Sacramento MSA entered a recovery period that brought sharp price increases as the market moved toward stability. From 2014 and 2015, the market has been expanding at a slow and steady rate. Please refer to the *Residential Market Analysis* for a detailed description of the residential sector.

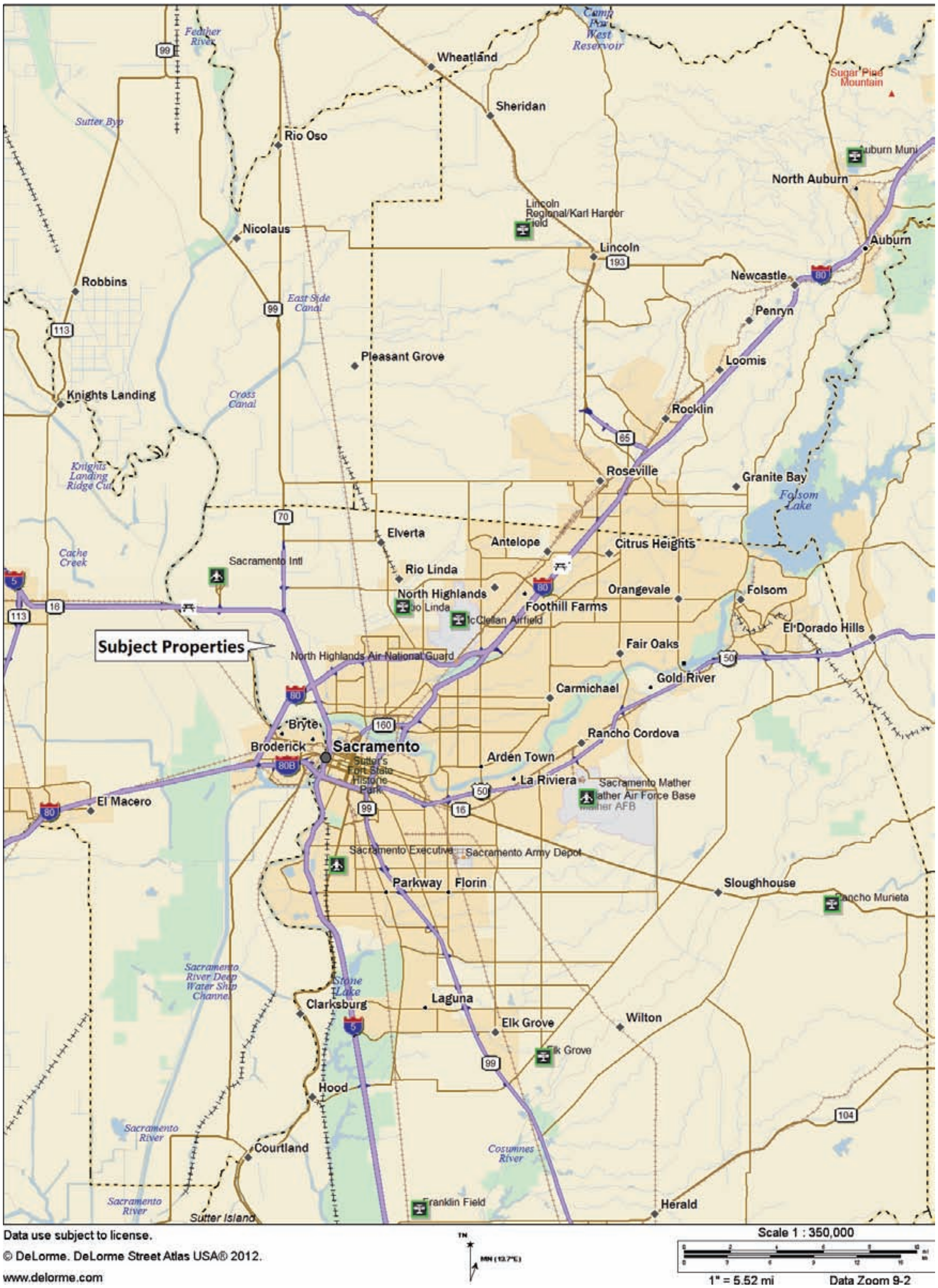
Conclusion

The economic outlook for Sacramento is positive as the recovery continues to progress at a moderate pace. Although the region remains below pre-recession levels the general outlook among business leaders and residents is optimistic since coming out of the recession.

The region has experienced several severe economic cycles over the past 20 years. The growth periods were attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA’s. In addition, the area has an abundant amount of land that could contribute to future land speculation.

The recovery from the recent great recession period has lasted several years. There is still a severe oversupply of commercial real estate, unemployment is declining and there is equal number of jobs as compared to the mid 2000's. Despite the current economic conditions, the current outlook for the region is encouraging due to strong fundamentals. 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 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.

Area Map


Subject Properties
Wheatland
Sheridan
Rio Oso
Nicolaus
Robbins
Knights Landing
Pleasant Grove
Lincoln
Newcastle
Penryn
Auburn
North Auburn
Loomis
Rocklin
Roseville
Granite Bay
Folsom Lake
Elverta
Antelope
Citrus Heights
Rio Linda
North Highlands
Orangevale
Folsom
Foothill Farms
El Dorado Hills
Fair Oaks
Gold River
Carmichael
Sacramento Intl
Bryte
Broderick
Sacramento
Rancho Cordova
Arden Town
La Riviera
El Macero
Parkway
Florin
Sloughhouse
Laguna
Clarksburg
Elk Grove
Wilton
Hood
Courtland
Herald
Data use subject to license.
© DeLorme. DeLorme Street Atlas USA® 2012.
www.delorme.com
Scale 1 : 350,000
1" = 5.52 mi
Data Zoom 9-2

Surrounding Area Analysis

Location

The subject properties are located in the "Natomas" submarket of Sacramento. While technically part of a project identified as Natomas Central, market participants and homeowners generally collectively refer to the subject's area as "North Natomas," which represents the suburban area of the city of Sacramento located north of Interstate 80, west of Northgate Boulevard/Levee Road, and bounded by the city limits of Sacramento to the north and the Sacramento River to the west.

Access and Linkages

North Natomas has excellent transportation linkages. Interstate 5 and Interstate 80 are two regional highways that crisscross the neighborhood, providing statewide access in all directions. Via Interstate 5, the Sacramento Central Business District/downtown Capitol are six miles from the subject. The neighborhood offers weekday morning and afternoon shuttle services to downtown. Public bus systems extend to the southern portion of the neighborhood. Light rail is proposed to be extended north through the neighborhood in the coming years, connecting downtown Sacramento with the Sacramento International Airport. The airport is located less than three miles from the subject property. The subject's proximity to the airport and downtown Sacramento make it desirable for business and State workers that require travel.

Note that the subject is located within a noise easement area of the Sacramento International Airport. Planes entering and leaving the airport utilize a north-south axis. Depending on wind patterns, frequently planes will depart the airport to the south and bend eastward over the subject and surrounding neighborhood. Plane noise is bothersome to some homeowners and will deter some buyers. The proximity of the airport to the neighborhood has no measurable impact on home values.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics						
2016 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Sacramento County	Sacramento MSA	California
Population 2010	9,084	67,279	143,630	1,418,788	2,149,127	37,253,956
Population 2016	11,176	80,359	160,401	1,501,764	2,277,602	39,356,473
Population 2021	12,683	89,930	173,403	1,575,831	2,391,116	41,248,721
Compound % Change 2010-2016	3.5%	3.0%	1.9%	1.0%	1.0%	0.9%
Compound % Change 2016-2021	2.6%	2.3%	1.6%	1.0%	1.0%	0.9%
Households 2010	3,515	25,094	50,006	513,945	787,667	12,577,498
Households 2016	3,876	27,390	53,599	539,182	831,909	13,272,794
Households 2021	4,321	30,161	57,577	565,326	873,954	13,926,693
Compound % Change 2010-2016	1.6%	1.5%	1.2%	0.8%	0.9%	0.9%
Compound % Change 2016-2021	2.2%	1.9%	1.4%	1.0%	1.0%	1.0%
Median Household Income 2016	$63,946	$69,440	$56,118	$56,286	$60,270	$63,566
Average Household Size	2.9	2.9	3.0	2.7	2.7	2.9
College Graduate %	38%	39%	28%	28%	31%	31%
Median Age	34	34	33	36	37	36
Owner Occupied %	52%	55%	51%	58%	61%	56%
Renter Occupied %	48%	45%	49%	42%	39%	44%
Median Owner Occupied Housing Value	$309,836	$274,296	$236,088	$273,956	$321,066	$432,066
Median Year Structure Built	2005	2003	1994	1979	1982	1976
Avg. Travel Time to Work in Min.	28	29	28	28	28	30

Source: The Nielsen Company

Shown above, the current population within a 1-mile radius of the subject is 11,176, and the average household size is 2.9. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the Sacramento MSA overall, the population within a 1-mile radius is projected to grow at a faster rate.

Median household income is $63,946 for the 1-mile radius area, which is higher than the household income for the Sacramento MSA. However, the median owner-occupied home value is lower, reflecting the relative affordability of the neighborhood.

Ability to Pay

Based on current sales information, home prices for medium density single-family homes in the subject project generally range from $300,000 to $400,000, or around $350,000 based on the midpoint. At this price level, and using household income figures for the area within a one mile radius of the subject, we estimate that the required household income for this price is $48,727 , and at this level, 60.9% of total households can afford to purchase the average home price. The median household income within a one mile radius of the subject is $63,946. The loan rates and maximum qualifying income (45%) below are based on recent quotes from American Pacific Mortgage, Prime Lending and Summit Funding.

Ability to Pay Analysis		
Avg. Home Price		$350,000
Less: Down Payment	20%	($70,000)
Total Loan Amounts		$280,000
First Loan	$280,000	
Interest Rate (First)	4.325%	
Term (Years)	30	
Monthly Mortgage Payment		$1,390
Taxes & Insurance as % of Price	1.50%	$438
Total Monthly Housing Payment		$1,827
Monthly Housing Payment as % of Income	45%	$4,061
Required Annual Household Income		$48,727

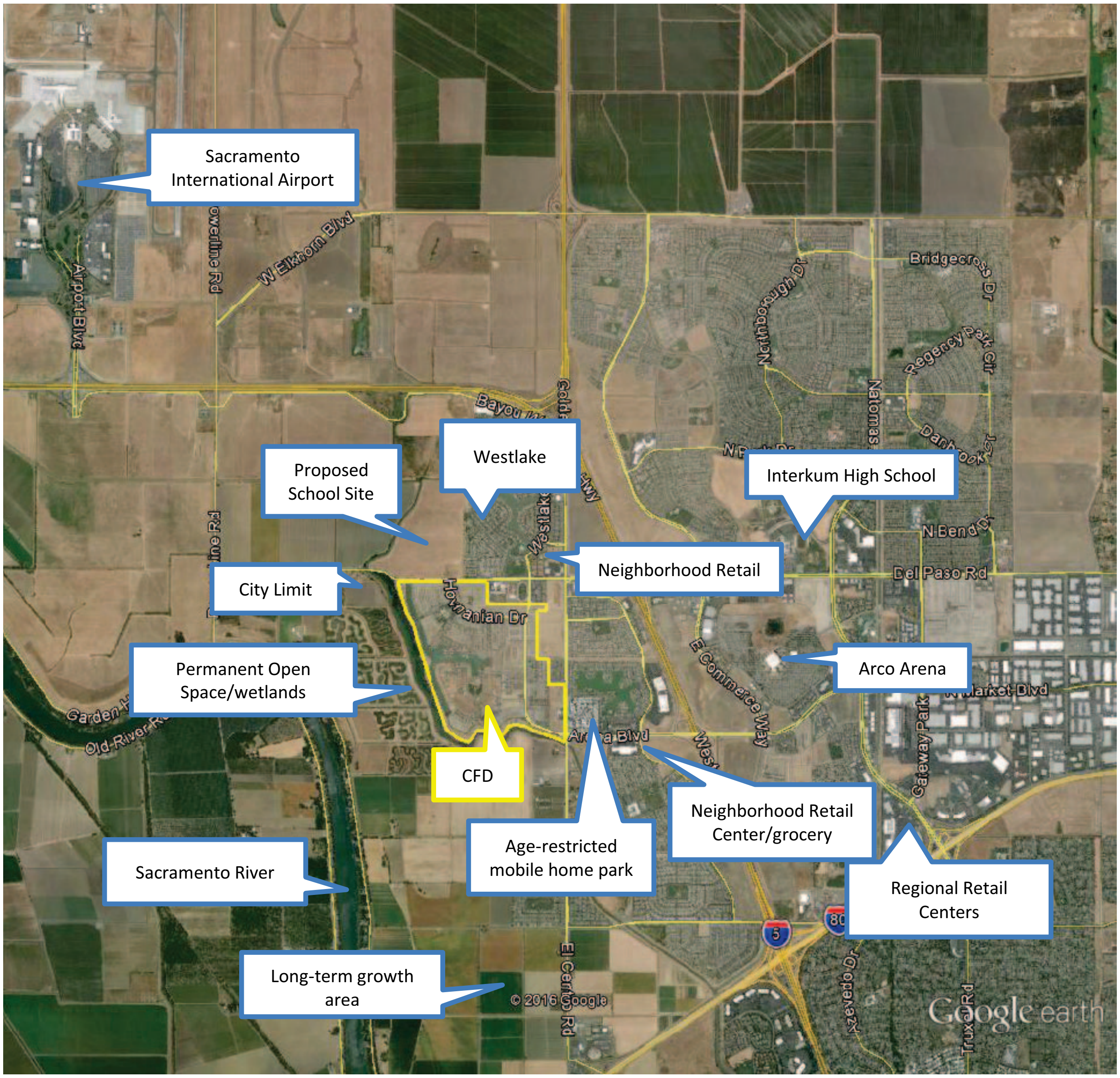
Household Income Categories		
Range	% of Total	% Afford Subject
< $15,000	16.3%	-
$15,000 - $24,999	9.7%	-
$25,000 - $34,999	5.0%	-
$35,000 - $49,999	8.2%	-
$50,000 - $74,999	19.4%	19.4%
$75,000 - $99,999	12.5%	12.5%
$100,000 - $124,999	10.2%	10.2%
$125,000 - $149,000	6.1%	6.1%
$150,000+	12.7%	12.7%
	100.0%	60.9%

Source: 2016 Claritas

Surrounding Land Uses

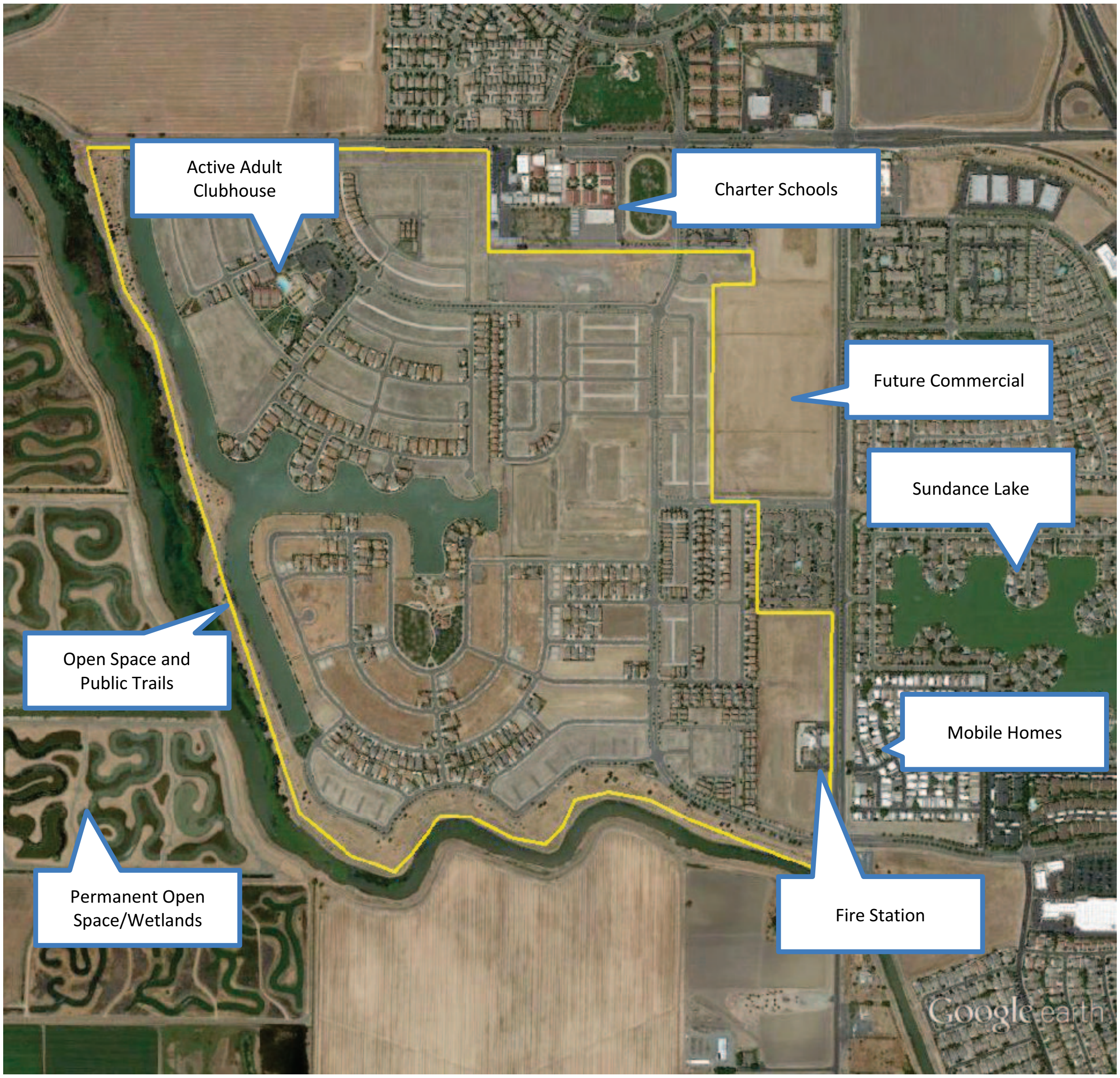
The subject neighborhood is continuing to develop. Surrounding land uses are shown below.

Broader Surrounding Land Uses



The subject project is located on the western fringe of the city of Sacramento, bordering the city limits. The land to the west is set aside for man-made wetland swales and will be retained as permanent open space. North of the subject is the Westlake community, which has a gated and non-gated section. The project is mostly built out and offers a range of housing types. The gated portion has homes situated on a man-made lake. Some of these homes are the largest and highest valued in this suburban market. Many Sacramento business executives, politicians and professional athletes (Sacramento Kings) live in Westlake. The non-gated portion of Westlake has medium density cluster and alley homes, as well as condominiums. The south side of Westlake (just north of the subject) has a community park.

Immediate Vicinity



Just east of the subject is a mobile home park for individuals of 55 years and older. The project is bordered by a concrete block wall and is well-maintained. The mobile home park has no perceivable negative impact on surrounding homes. The park is bordered to the east by the Sundance Lake community, which was developed by Grupe in 2000. Sundance Lake is a non-gated, HOA governed community.

Supporting retail uses are nearby. Approximately ¼ mile east of the subject on Arena Boulevard is a neighborhood retail center anchored by Bel Air Supermarkets. Also, just northeast of the subject is a neighborhood center anchored by Walgreens. Major retail uses are located outside of the immediate vicinity but within the broader neighborhood.

A significant land use located approximately one mile east of the subject is Arco Arena, which is the current location of the Sacramento Kings. Beginning in Fall 2016, the Sacramento Kings will relocate to a new facility in downtown Sacramento. The fate of the existing arena remains up in the air. Local newspapers have cited reports by local politicians to attract a major hospital or tech-user, with the hope of bringing jobs to the area. The site has excellent transportation linkages and has nearby housing available for employees. In 2015, Kaiser Permanente announced their intent to construct a new medical facility in the Railyards area abutting downtown Sacramento, which would seem to make it less likely that another major hospital would open at the current Arco Arena location.

Community Amenities and Schools

North Natomas offers a number of parks and community amenities. The 47-acre North Natomas Regional Park is located one mile northeast of the subject and numerous ball fields, trails, lake and dog park areas. It also hosts a farmer's market. The nearest 18-hole golf course is Teal Bend, located five miles northwest of the subject, just west of the Sacramento Airport.

The subject project is located within the Natomas Unified School District. The specific public non-charter schools assigned to the subject project are summarized below.

Schools

Grade Level	Public School	Grade Level	Distance from Subject	Students (approx.)	API Score (State Goal of 800)*
Elementary	H. Allen Hight	K-5	< 1.0 Mile	700	766
Middle	Natomas Gateways	6-8	< 1.0 Mile	900	725
High School	Inderkum HS	9-12	< 1.0 Mile	1,600	753

*Ranges from 200 to 1,000, with a state goal of 800 for all schools

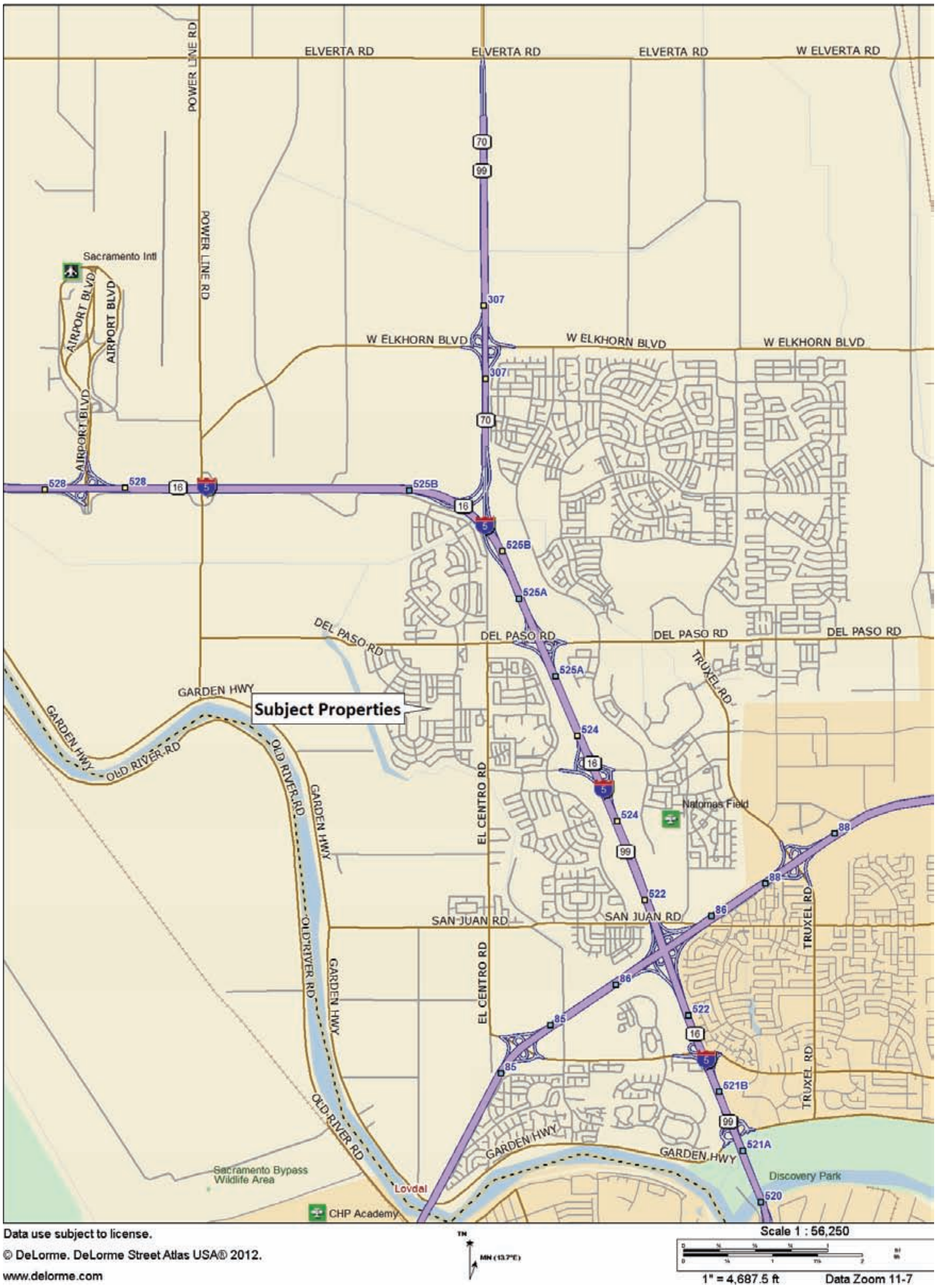
Relative to other suburban areas in Sacramento County such as Rancho Cordova or Elk Grove, non-charter public schools in North Natomas are generally inferior with lower academic scores. However, the schools are generally newer and scores are improving. The subject's assigned schools are generally similar to other schools in North Natomas. Immediately north of the subject are three charter schools (Westlake Elementary Charter, NP3 Middle School and NP3 High School). Each of these schools has higher academic scores and are strongly sought by Natomas residents with families. However, waitlists are extensive. The Natomas Unified School District is working to add new facilities to the area. An elementary school site is proposted just north of the subject, but plans to open the school were suspended during the past recession. With the residential sector recovering, the moratorium lifted and the population projected to increase, new schools will open to meet the increased demand.

Conclusion

North Natomas is one of the primary growth areas of the Sacramento MSA and the main suburban growth area for the city of Sacramento. Significant growth occurred from 2003 through 2008, but that growth was curtailed by the recession and building moratorium. With new projects opening in mid-2015, new projects have opened with affordable prices relative to the balance of the Sacramento MSA. The neighborhood offers a balanced mix of land uses, with supporting commercial services located nearby. The subject has a favorable location relative to other planned projects, with Interstate 5 functioning as a physical barrier between the immediate vicinity and large scale commercial development to the east. Community appeal is well established by Westlake to the north and

Sundance Lake to the east. Into the foreseeable future we expect land and home prices will trend upward at a slow and steady rate.

Surrounding Area Map



Residential Market Analysis

The condition of the single-family residential real estate market has a bearing on the economic viability of the subject project. In this section, we exam the single-family market in terms of inventory, demand and sales performance.

National Housing Market Comments

S&P/Case-Schiller: The S&P/Case-Schiller Index tracks housing prices for 20 U.S. metro areas going back to 1890, and is based on existing—not new—construction. The August 30, 2016 press release from the S&P Dow Jones showed that in June 2016, S&P/Case-Shiller home prices continued to rise.

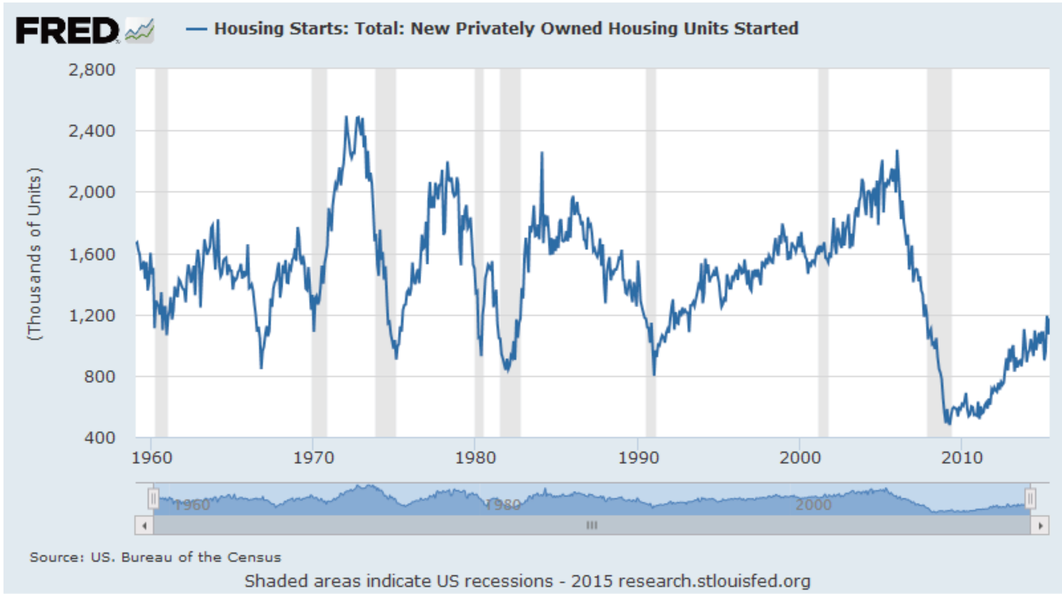
The S&P/Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions, recorded a 5.1% annual gain in June 2016, the same as the prior month. The 10-City Composite increased 4.3% year over year, down compared to 4.4% for the prior month. The 20-City Composite gained 5.1% year-over-year, down from 5.2% the prior month.

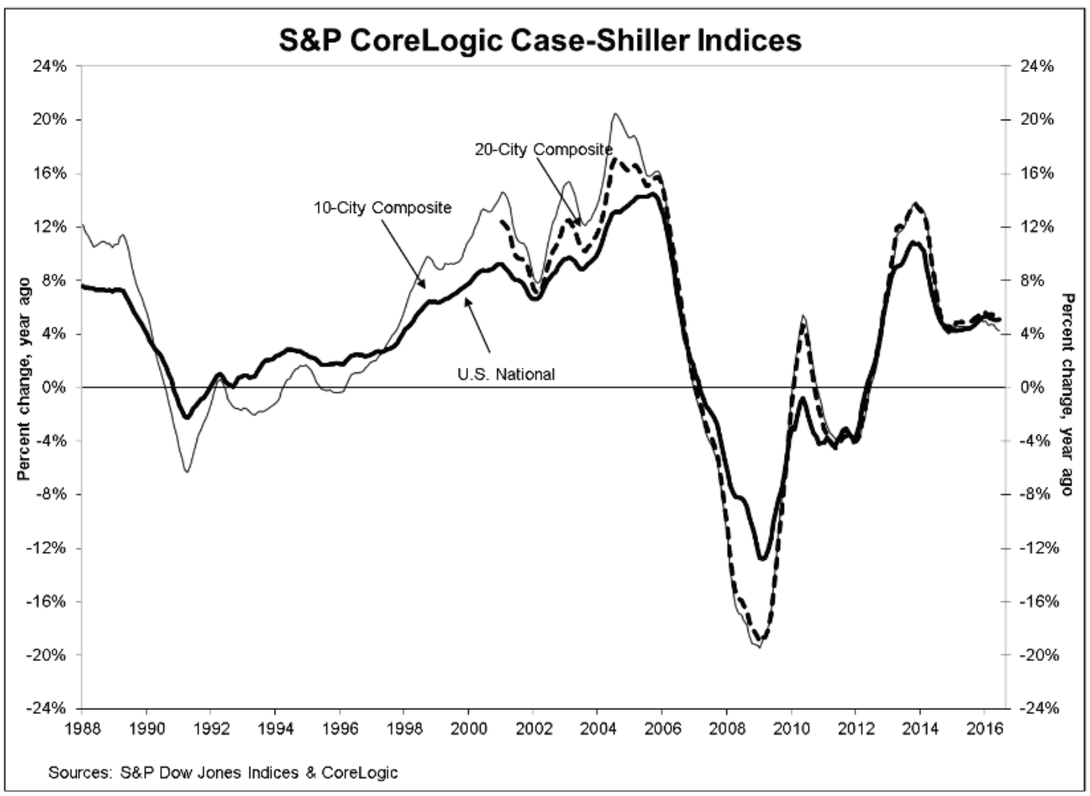
Portland, Seattle and Denver reported the highest year-over-year gains (12.6%, 11.0% and 9.2%, respectively).

From the release:

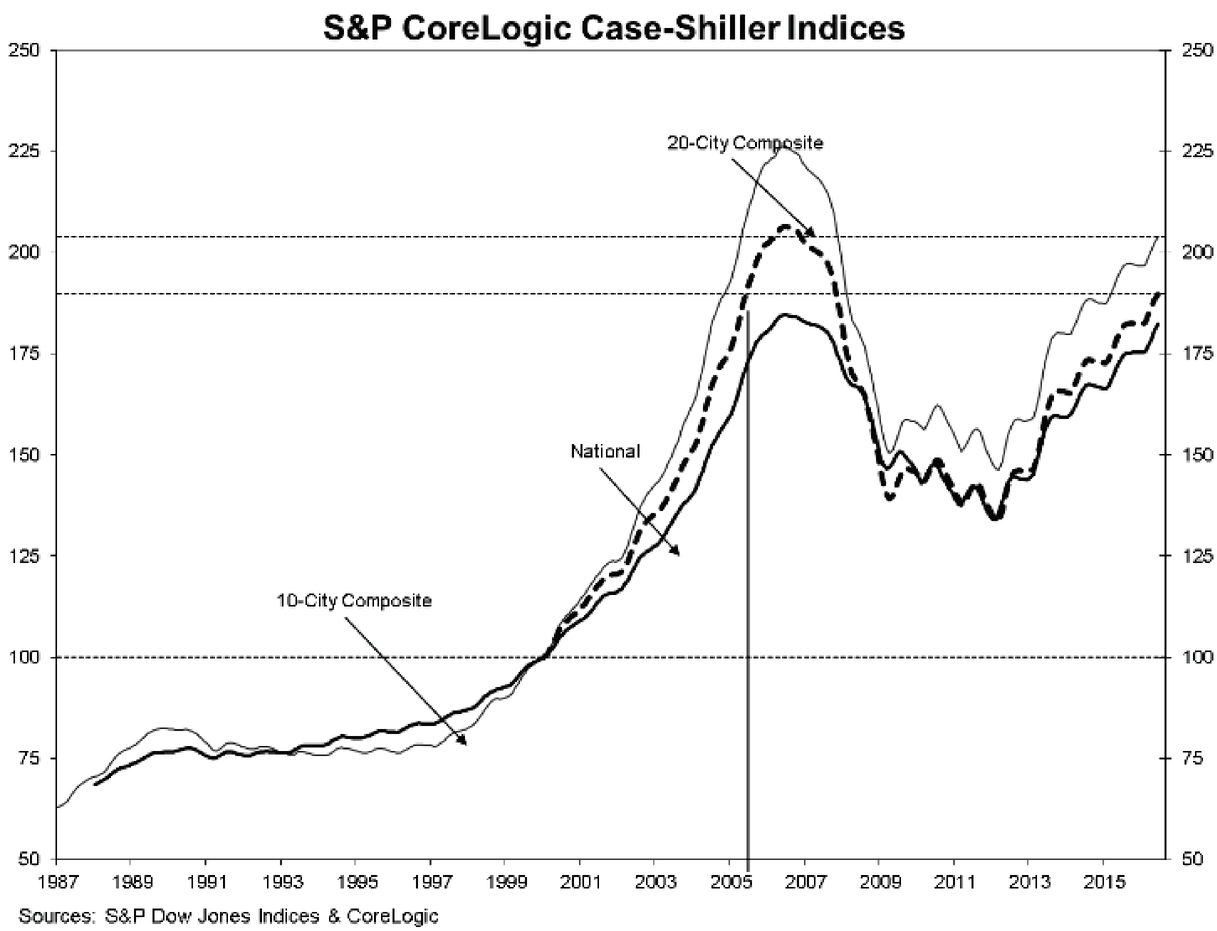
"Home prices continued to rise across the country led by the west and the south," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "In the strongest region, the Pacific Northwest, prices are rising at more than 10%; in the slower Northeast, prices are climbing a bit faster than inflation. Nationally, home prices have risen at a consistent 4.8% annual pace over the last two years without showing any signs of slowing.

"Overall, residential real estate and housing is in good shape. Sales of existing homes are at running at about 5.5 million units annually with inventory levels under five months, indicating a fairly tight market. Sales of new single family homes were at a 654,000 seasonally adjusted annual rate in July, the highest rate since November 2007. Housing starts in July topped an annual rate of 1.2 million units. While the real estate sector and consumer spending are contributing to economic growth, business capital spending continues to show weakness."


FRED
Housing Starts: Total: New Privately Owned Housing Units Started
(Thousands of Units)
2,800
2,400
2,000
1,600
1,200
800
400
1960
1970
1980
1990
2000
2010
Source: US. Bureau of the Census
Shaded areas indicate US recessions - 2015 research.stlouisfed.org


S&P CoreLogic Case-Shiller Indices
20-City Composite
10-City Composite
U.S. National
Percent change, year ago
24%
20%
16%
12%
8%
4%
0%
-4%
-8%
-12%
-16%
-20%
-24%
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Sources: S&P Dow Jones Indices & CoreLogic

The following chart shows the index levels for the U.S. National, 10-City and 20-City Composite Indices. As of June 2016, average home prices for the MSAs within the 10-City and 20-City Composites are back to their winter 2007 levels.



	2006 Peak		2012 Trough			Current		
Index	Level	Date	Level	Date	From Peak (%)	Level	From Trough (%)	From Peak (%)
National	184.62	Jul-06	134.01	Feb-12	-27.4%	182.42	36.1%	-1.2%
20-City	206.52	Jul-06	134.07	Mar-12	-35.1%	189.87	41.6%	-8.1%
10-City	226.29	Jun-06	146.45	Mar-12	-35.3%	203.89	39.2%	-9.9%

Metropolitan Area	June 2016 Level	June/May Change (%)	May/April Change (%)	1-Year Change (%)
Atlanta	132.02	0.8%	1.2%	5.8%
Boston	190.41	0.6%	1.4%	4.7%
Charlotte	141.13	0.8%	0.8%	5.1%
Chicago	136.22	1.1%	1.6%	3.3%
Cleveland	112.07	1.2%	1.3%	2.5%
Dallas	165.20	0.9%	1.3%	8.9%
Denver	185.77	1.1%	1.1%	9.2%
Detroit	107.90	1.3%	1.3%	5.1%
Las Vegas	151.26	0.7%	1.2%	5.7%
Los Angeles	249.67	0.6%	0.7%	5.3%
Miami	214.51	0.7%	0.9%	6.9%
Minneapolis	153.49	1.1%	1.5%	5.1%
New York	183.09	0.9%	0.5%	2.0%
Phoenix	160.69	0.7%	0.6%	5.1%
Portland	205.09	1.6%	1.6%	12.6%
San Diego	225.75	0.3%	0.9%	6.4%
San Francisco	228.44	0.4%	0.1%	6.4%
Seattle	202.58	1.4%	1.4%	11.0%
Tampa	183.28	0.5%	0.8%	7.9%
Washington	216.75	0.8%	1.0%	2.0%
Composite-10	203.89	0.8%	0.8%	4.3%
Composite-20	189.87	0.8%	0.9%	5.1%
U.S. National	182.42	1.0%	1.1%	5.1%

Sources: S&P Dow Jones Indices and CoreLogic
Data through June 2016

The National Association of Homebuilders (NAHB): The NAHB conducts a monthly survey of homebuilders asking them to rate the current conditions within the single family home market and their near-term future expectations (i.e., 6-month forecast). Indexes over 50 indicate positive responses. The August 2016 NAHB/Wells Fargo Housing Market Index (HMI) increased to 60 in August 2016 from 58 the prior month. The recent marks are evidence of healthy conditions within the single-family home market. The more recent index results continue the trend of gradual improvement in underlying homebuilder sentiment nationwide.

Regional Analysis

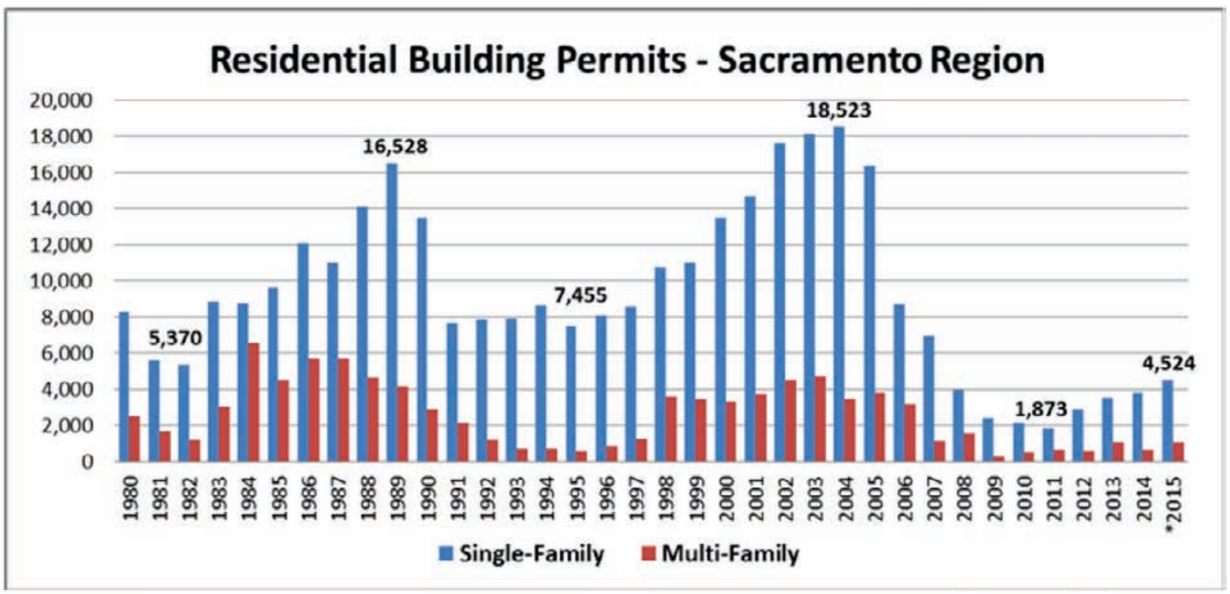
Note: Data sources document Sacramento statistics differently. Certain data herein is based on the four county Sacramento area, consisting of Sacramento, Yolo, El Dorado and Placer Counties, while other data is based on the six county Sacramento area, including Sutter and Yuba Counties.

The housing market is continuing to recover from the crash, but not nearly as swiftly as before (in 2013, home prices were shooting up in excess of 20% annually in the region). In short, current conditions are reflective of a more normalized residential market in a climate of moderate economic growth. Because resale home prices (avg. near $310,000 regionally) remain below peak prices (around $400,000) we expect a healthy residential home market will continue into the foreseeable future and that appreciation rates will return to more modest or “normalized” levels, consistent with recent trends.

Market Participant Forecasts and Interviews

IRR – Sacramento speaks with market participants on a weekly basis. Included in our regular interviews are discussions with key *land only* brokerage professionals in the Sacramento area, such as those employed by Land Advisors, CB Richard Ellis, Brown Stevens Elmore Sparre and Cornish and Carey, as well as developers and builders. In large part, these professionals prefer not to be quoted or directly sourced, so that they may protect their business relationships.

In general the consensus is that 2016 will be a good year for homebuilding in Sacramento. While permit levels increased slightly in 2015 relative to the prior year, in large part prices and sales were perceived as lackluster for the market as a whole. As will be shown, in 2015 prices and sales rates jumped the first half of 2015, but were mostly flat the second half of the year. Single-family permits for the year came in around 4,500 units, which is up significantly from the recessionary period, but well below the four-county Sacramento region historical benchmark of 9,000 units (based on 1980 through 2015). Some participants have suggested that the regional total won't eclipse the historical benchmark before the expansionary cycle ends.



However, there is good news: Participants and investors expect the cycle to continue through *at least* 2018 (some say 2019). Meanwhile, home price appreciation in the San Francisco region has peaked, and for the next two to three years, Sacramento should capture more overflow buyer from the Bay Area. For 2016, single-family permits are expected to range from 5,000 to 6,000 units, with prices increasing around 5% or more (with lesser increases in subsequent years).

The mantra for land acquisition agents across the region seems to be "expect growth, but be careful about biting off too much in case of a lull or price pullback." The builders that can afford to take the most risk—public builders like Meritage and Taylor Morrison—do so in search of rapid sales rates and volume, while private builders continue to be more selective and guarded about opening projects with stiff competition and growing questions about home affordability. Most move up projects in the Sacramento MSA are targeting 3 sales per month, and medium density, more affordable projects are targeting 4 or more sales per month. These rates are the new norm and are a stark contrast to the absorption rates achieved in 2003 through 2005.

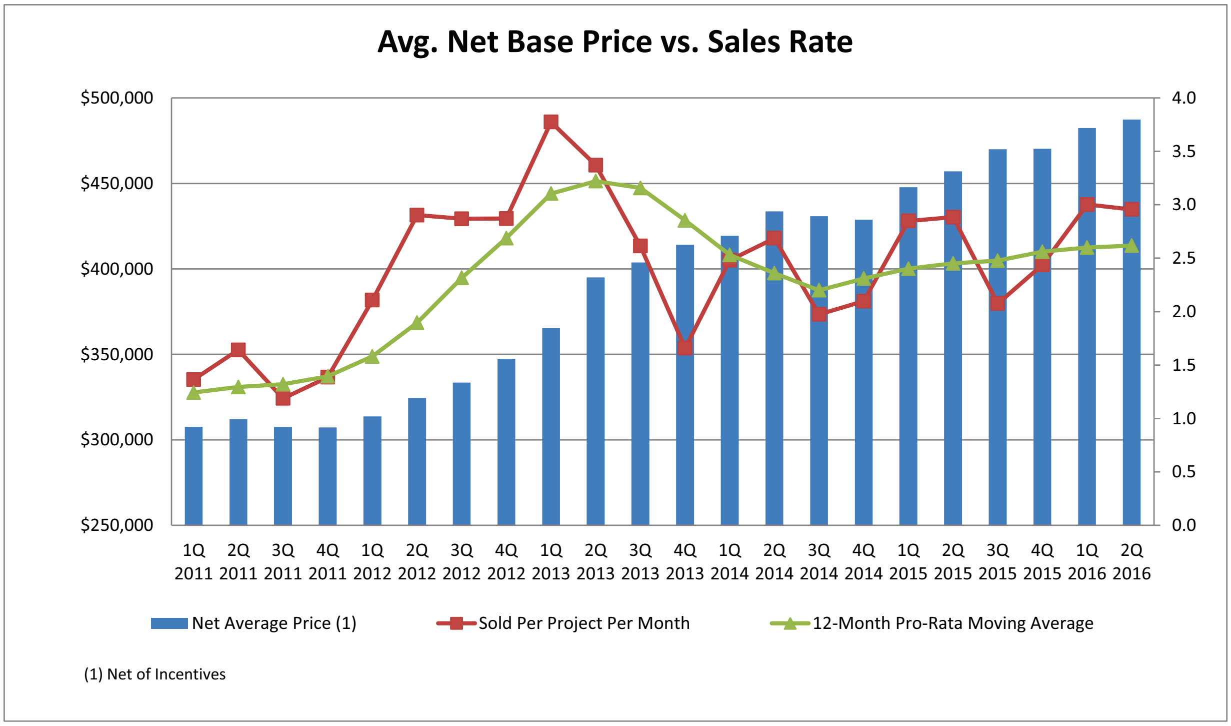
Current Pricing and Sales Rates

The following table and graph summarizes historical data for the six county Sacramento region (Yuba, Sutter, Sacramento, Yolo, El Dorado and Placer), published by the Gregory Group. The data represents detached projects only.

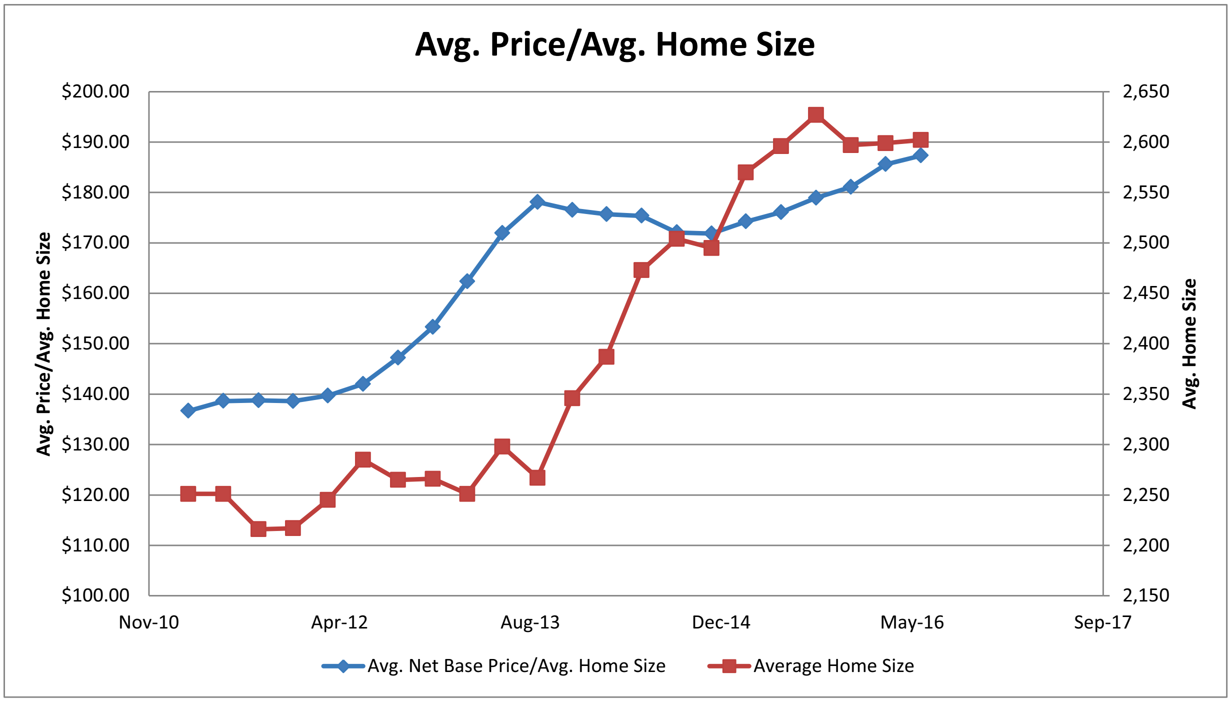
Six County Sacramento Region

Quarter	Number of Projects	Average Home Size	Average Price	Net Average Price (1)	Average Incentive	% Change Net Average Price	Quarter Sold	Unsold Inventory (2)	Unoffered Inventory (3)	Sold Per Project Per Quarter	Sold Per Project Per Month	12-Month Pro-Rata Moving Average
1Q 2011	91	2,251	$314,746	$307,625	$7,121	-8.8%	372	775	4847	4.1	1.4	1.2
2Q 2011	89	2,251	$318,589	$312,023	$6,566	1.4%	438	639	5134	4.9	1.6	1.3
3Q 2011	103	2,216	$314,280	$307,470	$6,810	-1.5%	367	629	5456	3.6	1.2	1.3
4Q 2011	103	2,217	$314,450	$307,259	$7,191	-0.1%	428	590	4981	4.2	1.4	1.4
1Q 2012	99	2,245	$320,923	$313,616	$7,307	2.1%	626	532	4522	6.3	2.1	1.6
2Q 2012	86	2,285	$331,957	$324,484	$7,473	3.5%	749	382	3460	8.7	2.9	1.9
3Q 2012	81	2,265	$340,210	$333,412	$6,798	2.8%	697	403	2912	8.6	2.9	2.3
4Q 2012	75	2,266	$353,108	$347,393	$5,715	4.2%	646	431	2510	8.6	2.9	2.7
1Q 2013	68	2,251	$370,254	$365,385	$4,869	5.2%	770	306	2474	11.3	3.8	3.1
2Q 2013	71	2,298	$399,264	$395,044	$4,220	8.1%	718	313	2419	10.1	3.4	3.2
3Q 2013	75	2,267	$408,748	$403,726	$5,022	2.2%	588	409	2480	7.8	2.6	3.2
4Q 2013	77	2,346	$420,704	$414,108	$6,596	2.6%	383	601	2511	5.0	1.7	2.9
1Q 2014	88	2,387	$425,680	$419,371	$6,309	1.3%	655	504	3447	7.4	2.5	2.5
2Q 2014	99	2,473	$439,804	$433,653	$6,151	3.4%	798	790	4245	8.1	2.7	2.4
3Q 2014	102	2,504	$436,959	$430,826	$6,133	-0.7%	604	994	4596	5.9	2.0	2.2
4Q 2014	102	2,495	$434,917	$428,750	$6,167	-0.5%	642	973	4945	6.3	2.1	2.3
1Q 2015	121	2,570	$453,440	$447,797	$5,643	4.4%	1034	814	5371	8.5	2.8	2.4
2Q 2015	126	2,596	$463,231	$457,059	$6,172	2.1%	1090	1048	5499	8.7	2.9	2.5
3Q 2015	129	2,627	$476,090	$470,019	$6,071	2.8%	803	1185	5232	6.2	2.1	2.5
4Q 2015	134	2,597	$476,872	$470,277	$6,595	0.1%	980	1189	5372	7.3	2.4	2.6
1Q 2016	144	2,599	$488,454	$482,362	$6,092	2.6%	1297	1160	5162	9.0	3.0	2.6
2Q 2016	145	2,602	$493,332	$487,385	$5,947	1.0%	1286	1157	4788	8.9	3.0	2.6

(1) Net of incentives
(2) Unsold inventory for units offered for sale
(3) Inventory for units planned but not yet offered at active projects
Source: The Gregory Group

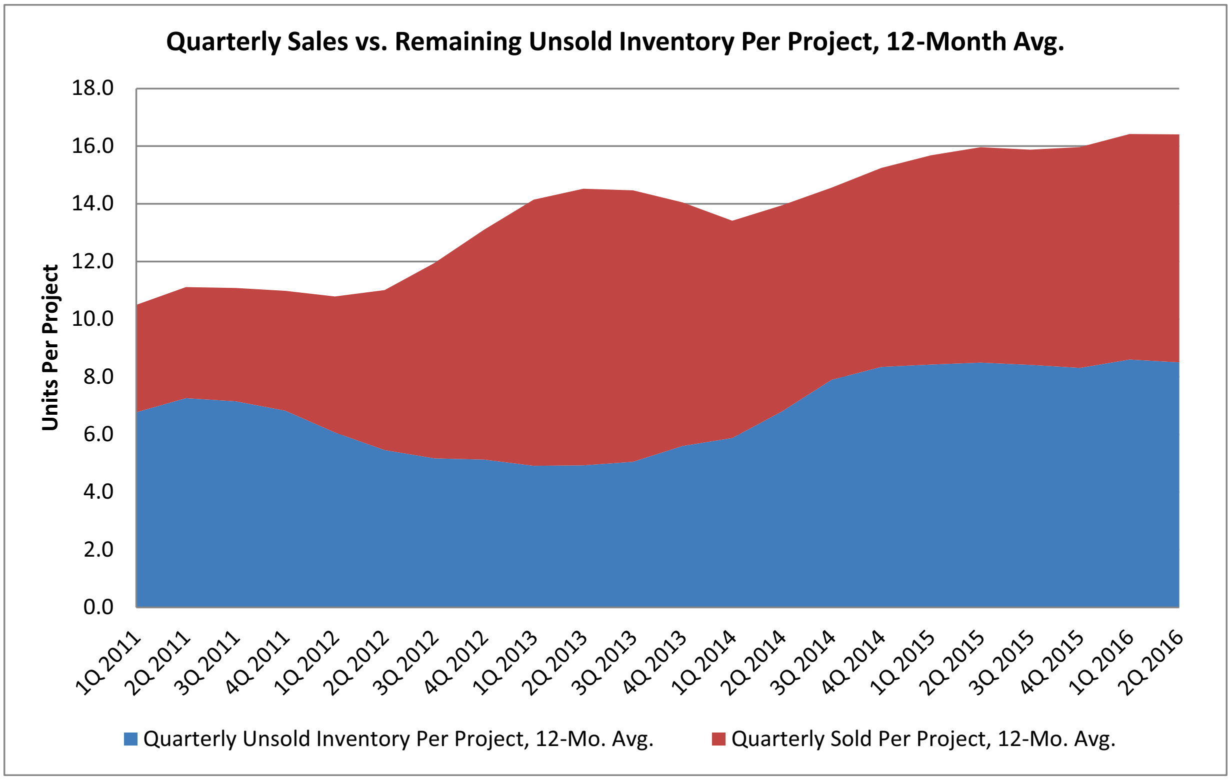


The net average new home price bottomed in the 4th Quarter 2011 at $307,259. The net average price increased significantly through 2012 and early 2013 before price increases began to slow. In the 2nd Quarter 2016, the net average price ($487,385) increased 1.0% from the prior quarter and was up 6.6% from one year prior. Home prices are rising, in part, due to larger homes being offered for sale. Shown below, in 2013 and 2014, on a per square foot basis, prices steadied, but as of late, prices have increased.



During the 2nd Quarter 2016, projects averaged around 3.0 sales per month for the quarter and around 2.6 sales per month over the last 12 months The 12-month moving average has increased slightly over the last 12 months.

On the following page, we chart the 4-Quarter (or 12-month) averages for quarterly sales and quarterly offered/unsold inventory. Through 2011, even though there were fewer projects, unsold inventory per project continued to rise and outpaced sales per project. This trend reversed through 2013. In 2014, builders released more units each quarter. Meanwhile, sales generally remained steady, meaning unsold inventory began to represent a larger portion of the units released for sale each quarter. Over the last three quarters, sales and unsold inventory have been steady. For every 16 homes released per quarter per project, there will be approximately eight unsold at the end of the quarter.



Outlook and Conclusions - Regional

For 2016, the near term outlook is for residential expansion coming by way of increased total sales and higher prices. This is in contrast to 2015, where the outlook was "expect more of the same."

We expect steady to mild improvement in residential prices as some Bay Area workers migrate or relocate to Sacramento for more affordable homes. While total sales volume may rise, we expect more projects to come online, so sales per project should not be radically different from the prior year. Most move up projects (first time) will aim for 3 sales per month, while medium density and more affordable projects will aim for 4 or more sales per month.

Due to the lack of finished lot inventory in the most desirable markets, site development will continue in expanding suburban areas as large national builders jockey for position and market share. Private builders will continue to trend toward niche move up projects with less direct competition. Infill sites (or limited supply markets) where there is less new home competition are better positioned to withstand short term market stalls over this expansionary cycle. Over the mid to long term, as long as the economy does not take a significant downward turn due to factors that are not obvious today, the market should continue to trend upward at a slow and steady rate at least through 2018.

Submarket Trends – North Natomas

Note: While the subject project is identified as "Natomas Central," market participants associate the subject as part of the "North Natomas" submarket.

North Natomas is a suburban submarket in Sacramento that offers a mix of housing types and choices. Most projects in this area are designed for first-time new/move up buyers. Relative to prices of similar homes in Rancho Cordova, Folsom and Roseville, North Natomas is one of the most affordable suburban markets in the Sacramento MSA.

Market Segments Described

The terms “entry-level” and “move up” are utilized by market participants in different ways. Often when referring to a first time move up project, a participant refers to the project as “entry-level,” which is a bit of a misnomer because the true entry-level market is for lower income households.

In this report, the “entry-level/affordable” market segment pertains to those buyers with household incomes generally below the median income level. Many of these buyers seek affordable resale homes, or may purchase a new home at a project specifically designed for price-sensitive buyers. Such projects emphasize keeping prices affordable and feature only a basic amenity level, such as formica countertops, vinyl flooring, lap siding and composition shingle roofs. Ceiling height is typically eight or nine feet.

The “first-time new/move up” market segment means buyers have households incomes near the median income level. This is the predominant market segment for new home projects, and is sometimes called entry-level by market participants. Many of these buyers have owned a prior home, such as a starter resale home but are buying a new home for the first time. Base amenities typically include stucco exteriors with façade, tile roofs, kitchen granite countertops and tile floors in the kitchen and bathrooms. Ceiling heights are typically nine or ten feet.

The “second or third-time” move up market segment primarily includes households with above median income levels. New homes in this project may vary from high-end production homes to semi-custom.

Buyer Profile

The subject project is a master-planned community with a range of lot types. Much of the subject is medium density single-family and is designed for first-time new buyers. The wide ranges of types will cater to single professionals and young families. The project does have some larger lots as well, for move up buyers (working families to move down/active adult). The active adult component of the subject offers both medium density and traditional lot categories.

Demand Projection

According to Claritas, Sacramento County is expected to increase from 539,182 households in 2016 to 565,326 households in 2021, which equates to total five year growth of 26,144 households, or 5,229 households per year. From 2003 to 2015, single-family building permits represented 76% of total permits in Sacramento County. Using 76%, demographic data indicates single-family demand for 3,974 units per year, on average. This figure is also reasonable to recent and forecasted building permit levels for Sacramento County.

The Natomas area of Sacramento (including North and South Natomas) had been a primary growth area of Sacramento County until the moratorium commenced in 2008. On the following page, we show total Sacramento County single-family building permits pulled relative to reported detached single-family new home sales. On average, for the years leading up to the building moratorium, the Natomas submarket represented approximately 19.3% of all Sacramento County single-family permits. The primary growth areas for Sacramento County pre-moratorium remain the same today as before the moratorium (Natomas, Rancho Cordova and Elk Grove). We expect Natomas will capture a similar percentage of total permits as more projects come online, now that the moratorium is lifted.

Sacramento County SFR Permits and Natomas New SFR Sales

Year	Sacramento County SFR Building Permits	Natomas New SFR Sales	Percent of County Total
2003	10,556	2,650	25.1%
2004	10,198	1,491	14.6%
2005	8,025	871	10.9%
2006	4,369	751	17.2%
2007	3,409	978	28.7%
2008	1,953	676	34.6%
2009	936	230	24.6%
2010	824	37	4.5%
2011	737	1	0.1%
2012	1,231	0	0.0%
2013	1,762	0	0.0%
2014	1,685	0	0.0%
2015	2,259	121	5.4%
2003-2008 Totals	38,510	7,417	19.3%
2003-2008 Avg.	6,418	1,236	19.3%
Year 1 Projection	2,750	481	17.5%
Year 2 Projection	3,250	731	22.5%
Year 3 Projection	3,750	1,031	27.5%
Demographic Data Projection (Avg./Yr for 2016-2021)	3,974		

Source: Claritas, SOCDS, The Gregory Group

Shown above, we estimate projected housing demand for North Natomas for the next three years (pertaining to the sell-out of the subject lots in bulk). The estimated housing demand is the product of the forecasted total permits and percentage of County total figures. County single-family building permit levels are expected to continue to climb at a slow and steady rate; meanwhile, more projects in Natomas will open on existing inventory (much of it finished) that has sat dormant for several years, so the percentage of total County permits should grow. For the foreseeable future, we estimate Natomas will capture 481 single-family permits in Year 1, 731 single-family permits in Year 2 and 1,031 single-family permits in Year 3. Note that the City has a 1,000 permit cap on building permits in the Natomas submarket (with unused permits from prior years allowed to be rolled over to subsequent years).

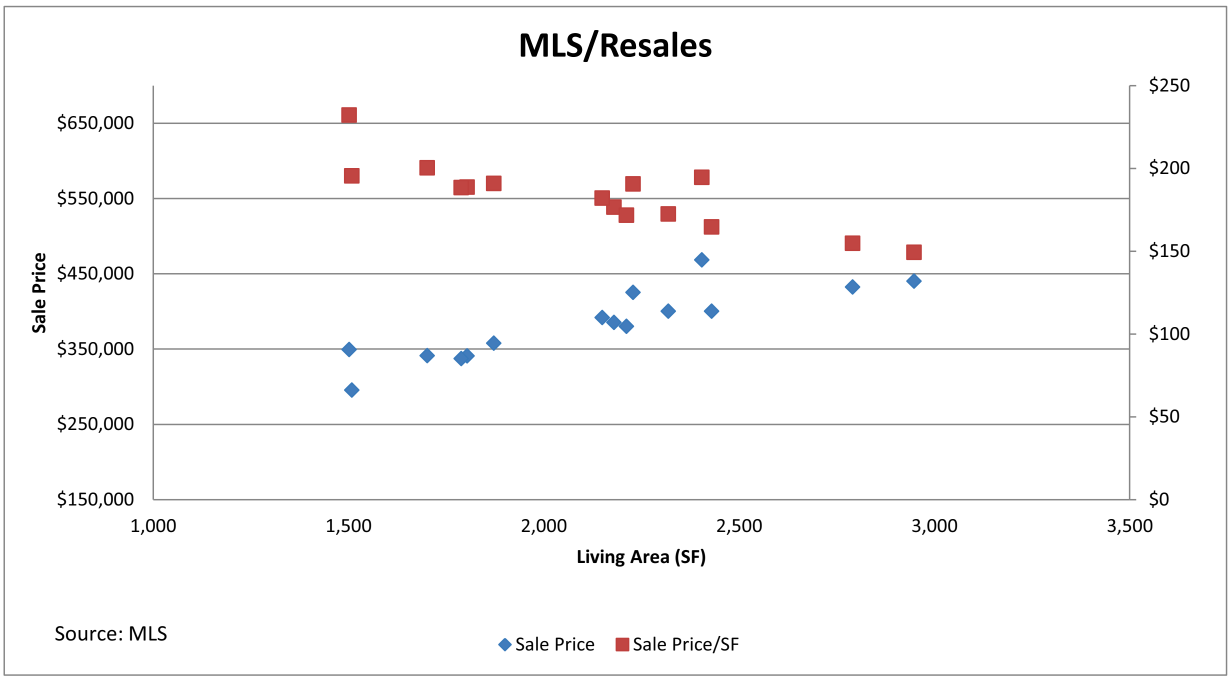
Later in this section, after discussing absorption rates at active projects, we will reconcile the demand projection with projected supply. The analysis will be the basis for the lot absorption for the sell-off of the subject lots in bulk in the valuation section of this report.

Resale Market

We analyze resales within the 95834 neighborhood. Our analysis focuses on homes built since 2000 and on lots of at least 4,500 SF (for analysis purposes). Resales between July 1, 2016 and September 5, 2016 are tabulated below and charted on the following page.

Resales - 7-1-16 thru 9-5-16

Road	Close Date	Living Area (SF)	List	Sale Price	Sale Price/SF	Lot Size	Year Built	Days on Market	Comment
3229 Marshsong Ct, Sacramento, CA 95834-2515	7/19/2016	2,405	$500,000	$468,000	$195	9,104	2001	36	Lakefront
3051 Delta Tule Way, Sacramento, CA 95834-1092	7/7/2016	2,430	$395,000	$400,000	$165	4,726	2004	9	
2931 Great Egret Way, Sacramento, CA 95834-1095	7/11/2016	2,180	$385,000	$385,000	$177	4,870	2004	4	
2933 Frigate Bird Dr, Sacramento, CA 95834-2603	7/22/2016	2,319	$389,999	$400,000	$172	5,358	2003	5	
3605 Viader Way, Sacramento, CA 95834-1066	7/14/2016	2,791	$425,000	$432,000	$155	6,682	2001	8	
3432 Zalema Way, Sacramento, CA 95834-9620	7/21/2016	1,509	$289,900	$295,000	$195	5,223	2002	3	
2963 Muskrat Way, Sacramento, CA 95834-2616	8/19/2016	2,212	$387,000	$380,000	$172	5,367	2004	25	
71 Tuliptree Cir, Sacramento, CA 95834-3821	8/31/2016	2,948	$412,500	$440,025	$149	9,387	2001	15	
69 Cakebread Cir, Sacramento, CA 95834	8/10/2016	1,872	$352,000	$357,500	$191	5,776	2000	11	
4041 Ionian Sea Ln, Sacramento, CA 95834-7526	7/18/2016	2,229	$409,000	$425,000	$191	5,959	2009	4	Active Adult, Natomas Central
3460 Loggerhead Way, Sacramento, CA 95834-2605	8/15/2016	1,702	$341,000	$341,000	$200	4,896	2004	26	
10 Windcatcher Ct, Sacramento, CA 95834-2505	8/5/2016	2,150	$385,000	$391,500	$182	4,948	2000	7	
4436 Libyan Sea Ln, Sacramento, CA 95834-7517	8/30/2016	1,502	$348,900	$348,900	$232	5,458	2008	15	Active Adult, Natomas Central
370 Alcantar Cir, Sacramento, CA 95834-2702	8/29/2016	1,804	$335,000	$340,500	$189	5,776	2002	6	
4171 Windsong St, Sacramento, CA 95834	8/31/2016	1,789	$345,888	$337,000	$188	4,948	2000	18	
		2,123	$380,079	$382,762	$184	5,899	2003	13	
		(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	



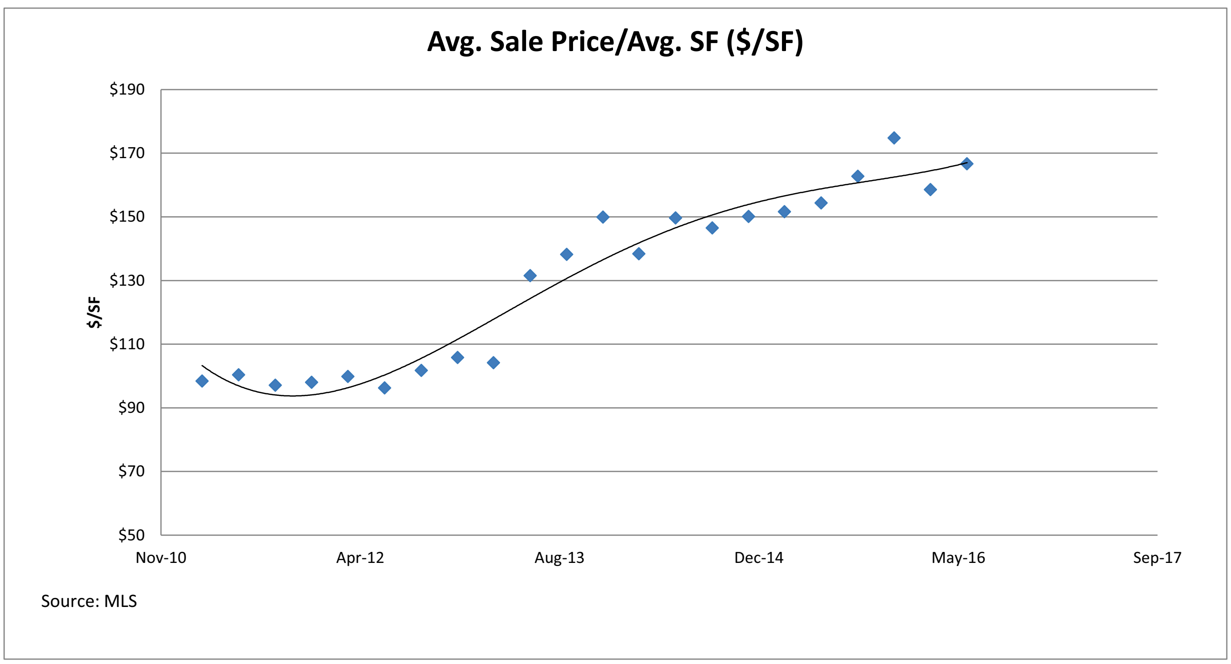
In general, the resale data shows a mostly direct relationship between home size and price. The main exceptions pertain to those homes with atypical premiums (i.e. lakefront).

Using the same search parameters, on the following page we chart the latest resale price trends for the 95834 zip code.

Resale Market Trends

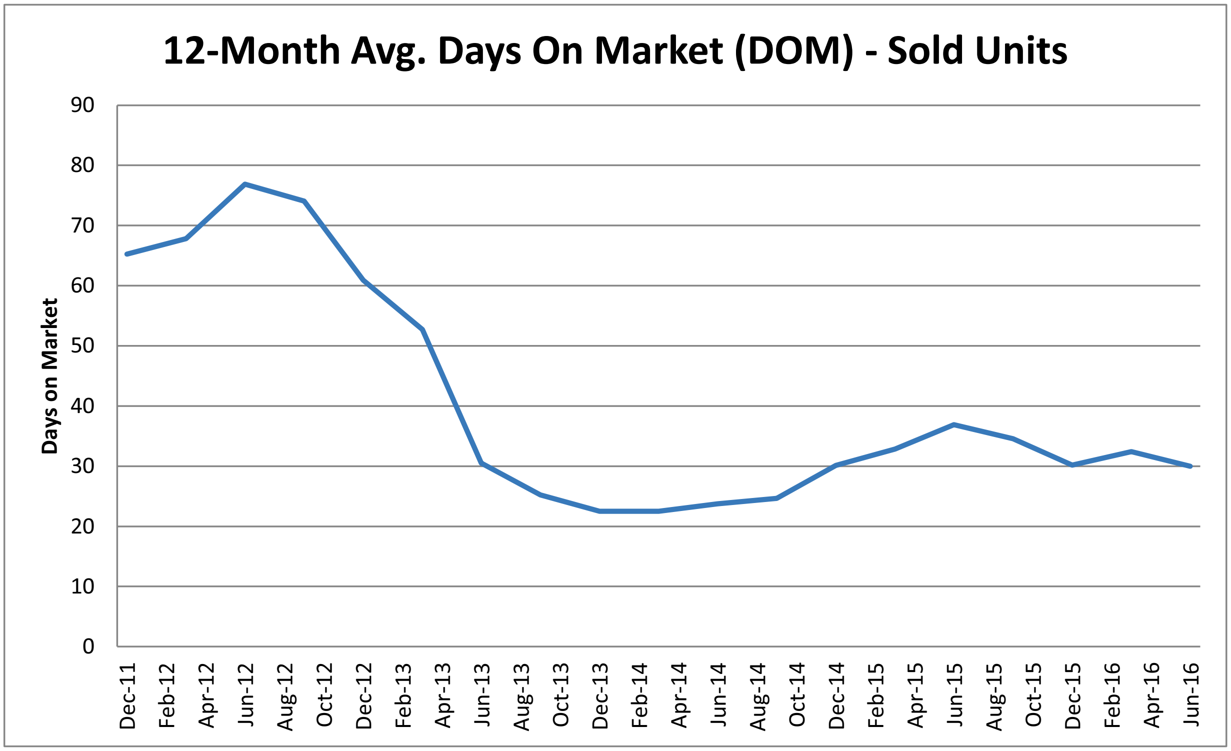
Period Ending	Total Sales	Size	List Price	$/SF	Sale Price	$/SF	DOM	12-Month DOM Avg.	% Change (1) Qtr to Qtr	YOY
		Average								
Mar-11	29	2,359	$233,273	$99	$232,048	$98	55	-	-	-
Jun-11	38	2,216	$223,667	$101	$222,418	$100	56	-	2.0%	-
Sep-11	41	2,382	$232,825	$98	$231,270	$97	52	-	-3.3%	-
Dec-11	40	2,379	$232,023	$98	$233,185	$98	95	65	1.0%	-
Mar-12	56	2,484	$247,657	$100	$247,917	$100	68	68	1.8%	1.5%
Jun-12	56	2,538	$246,329	$97	$244,136	$96	91	77	-3.6%	-4.2%
Sep-12	45	2,479	$249,712	$101	$252,220	$102	42	74	5.8%	4.8%
Dec-12	44	2,562	$268,852	$105	$271,047	$106	33	61	4.0%	7.9%
Mar-13	25	2,674	$276,426	$103	$278,540	$104	21	53	-1.5%	4.4%
Jun-13	37	2,138	$271,003	$127	$281,125	$131	20	31	26.2%	36.7%
Sep-13	36	2,261	$305,303	$135	$312,415	$138	24	25	5.1%	35.8%
Dec-13	30	1,951	$289,174	$148	$292,420	$150	25	22	8.5%	41.7%
Mar-14	15	2,276	$314,206	$138	$314,883	$138	20	22	-7.7%	32.8%
Jun-14	34	2,238	$332,925	$149	$334,891	$150	24	24	8.2%	13.8%
Sep-14	35	2,461	$363,583	$148	$360,464	$146	27	25	-2.1%	6.0%
Dec-14	25	2,281	$343,528	$151	$342,340	$150	49	30	2.5%	0.1%
Mar-15	32	2,242	$339,894	$152	$339,872	$152	36	33	1.0%	9.6%
Jun-15	34	2,293	$355,653	$155	$353,922	$154	39	37	1.8%	3.1%
Sep-15	36	2,098	$343,653	$164	$341,383	$163	19	35	5.4%	11.1%
Dec-15	27	2,561	$462,622	$181	$447,585	$175	27	30	7.4%	16.4%
Mar-16	28	2,485	$398,735	$160	$394,042	$159	47	32	-9.3%	4.6%
Jun-16	35	2,362	$395,287	$167	$393,625	$167	30	30	5.1%	8.0%

(1) Percent change in average sale price per SF



The resale data shows prices have trended upward since 2012. Prices increased sharply in 2013, leveled off somewhat in 2014, and then continued to trend upward thereafter. From the 2nd Quarter 2015 to the 2nd Quarter 2016, the average price/average square foot increased approximately 8%. The increases over the last few months are slightly greater than that of the Sacramento MSA overall, as the North Natomas submarket is “catching up” to the broader market. Over the next 12 to 24 months, 5% price increases are expected for North Natomas.

The days on the market fluctuates due to seasonality, so we have estimated and plotted the 12-month moving average for days on the market. Even though prices have increased, the average days remains low at around 30 days for sold units.



Active New Home Projects

There are several active projects in North Natomas, all of which opened after the moratorium lifted in June 2015. Many of these projects are located within the subject project, with these projects being some of the first to open post-moratorium (capturing the lion’s share of initial home sales). Many more projects are expected to open over the next 12 months, which will affect anticipated absorption rates moving forward. Because the lives of new projects in North Natomas have been short thus far, we have included projects from the nearby West Sacramento submarket, as well as summary sales information for Rancho Cordova and Elk Grove.

As shown, during the 2nd Quarter 2016, projects in North Natomas and West Sacramento averaged 3.1 sales per month. Projects with pricing $400,000 and lower achieved stronger absorption rates, in general. In Rancho Cordova, projects have averaged 2.7 sales per month over the last 12 months, and in Elk Grove, projects have averaged 3.6 sales per month over the last 12 months.

Detached New Home Projects																
Project	Builder	Location	Open Date	Lot Size	Plan Size	Base Price	Total Planned	Total Sold	Inventory	2Q 16 Sold	1Q 16 Sold	4Q 15 Sold	3Q 15 Sold	Total	Mnthly Avg.	Avg. Price/Avg. Size
North Natomas and West Sacramento (Market Rate)																
Village	K. Hovnanian Homes	Natomas	12/5/2015	3,120	1,954 - 2,100	$357,990 - $360,990	45	43	2	23	7	13	-	43	4.8	$177
Commons (Sold Out)	K. Hovnanian Homes	Natomas	11/14/2015	5,000	1,914 - 2,536	$339,490 - $376,597	26	26	0	1	13	12	-	26	2.9	$151
Retreat	K. Hovnanian Homes	Natomas	11/14/2015	2,200	1,763 - 1,892	$301,990 - $312,990	34	27	7	0	21	6	-	27	3.0	$168
Westshore (Sold Out)	Taylor Morrison Homes	Natomas	8/9/2015	5,250	2,018 - 2,865	$348,000 - $410,000	59	59	0	1	11	24	23	59	4.9	$156
Montauk	KB Home	Natomas	11/1/2015	3,150	2,137 - 2,620	$346,888 - $375,000	222	32	190	1	22	9	-	32	3.6	$151
Westbury	KB Home	Natomas	2/1/2016	3,150	1,720 - 2,238	$310,000 - $348,000	120	37	83	22	-	-	-	22	7.3	$167
Serenity Cove @ Newport	Discovery Builders	West Sacramento	1/29/2011	6,000	2,393 - 3,264	$429,900 - $464,900	120	118	2	2	9	7	8	26	2.2	$175
Candela 10 (Sold Out)	The New Home Company	Natomas	9/13/2015	1,750	1,553 - 1,809	$282,990 - $310,900	10	10	0	-	2	5	3	10	1.1	$176
Parkwalk	K. Hovnanian Homes	Natomas	9/1/2015	3,600	2,265 - 2,478	$373,990 - $392,990	118	44	74	19	16	5	4	44	3.7	$160
Brownstones	Beazer Homes	Natomas	10/31/2015	1,904	1,309 - 1,585	$301,990 - $324,990	81	25	56	14	10	1	-	25	2.8	$206
River Landing (Sold Out)	Evolution Homes	West Sacramento	8/15/2013	4,000	1,548 - 2,699	$395,000 - $464,000	71	71	0	-	2	1	3	6	0.7	$200
									405							
									Total Quarterly Sales	83	113	83	41	320		
									No. of Competing Projects	9	10	10	5	34		
									Pro-Rata Qtrly Sales	9.2	11.3	8.3	8.2	9.4		
									Pro-Rata Monthly Sales	3.1	3.8	2.8	2.7	**3.1**		
Active Adult Communities Across the Region																
Four Seasons (3 product types)	K. Hovnanian Homes	Natomas	11/14/2015	Various	1,298 - 2,172	$269,990 - $409,990	182	28	154	8	11	-	-	19	3.2	$190
Eskaton	Silverado	Roseville	1/25/2016	4,000	1,163 - 1,645	$310,000 - $395,000	282	282	0	13	2	12	24	51	4.3	$166
Heritage (3 product types)	Lennar	El Dorado Hills	10/1/2015	Various	1,230 - 2,993	$379,990 - $301,990	359	85	274	34	28	16	7	85	7.1	$238
									610							
									Total Quarterly Sales	55	41	28	31	155		
									No. of Competing Projects	3	3	2	2	10		
									Pro-Rata Qtrly Sales	18.3	13.7	14.0	15.5	15.5		
									Pro-Rata Monthly Sales	6.1	4.6	4.7	5.2	**5.2**		
Other Suburban Areas (Totals Only)																
						Rancho Cordova				86	111	70	44	311		
									No. of Competing Projects	9	10	10	10	39		
									Pro-Rata Qtrly Sales	9.6	11.1	7.0	4.4	8.0		
									Pro-Rata Monthly Sales	3.2	3.7	2.3	1.5	**2.7**		
						Elk Grove				247	251	194	180	872		
									No. of Competing Projects	20	20	20	20	80		
									Pro-Rata Qtrly Sales	12.4	12.6	9.7	9.0	10.9		
									Pro-Rata Monthly Sales	4.1	4.2	3.2	3.0	**3.6**		

Sources: The Gregory Group

Subject Project Absorption Based on Report Sales

On the prior page we presented quarterly absorption data from an independent consulting firm (The Gregory Group). Below, we present absorption data for product lines within the subject project based on actual sales dates from K. Hovnanian and Taylor Morrison Homes, and the weekly sales report from Ryness. The data below reflects total sales through the date of value. The shown absorption rates are calculated from the date the first sale at each project was reported (which approximately represents when each project opened, given the strong demand).

Summary of Home Sales

Prject	Builder	Lot Size	Type	Home Sizing (SF)	Price Range	Date of First Contract	Total Sales Thru Date of Value	Overall Sales/ Month
Westshore*	Taylor Morrison	5,250	Traditional	2,018 - 2,865	$348,000 - $410,000	8/9/2015	59	5.4
Retreat	K. Hovnanian	2,280	Drive Thru Alley	1,763 - 1,892	$292,990 - $300,990	11/14/2015	34	3.4
Village	K. Hovnanian	3,000	Small Lot Traditional	1,954 - 2,100	$328,990 - $343,990	11/22/2015	44	4.6
Parkwalk	K. Hovnanian	3,375	Small Lot Traditional	2,265 - 2,478	$354,990 - $377,990	10/25/2015	56	5.3
Commons	K. Hovnanian	4,050	Small Lot Traditional	1,914 to 2,536	$334,990 - $380,990	10/25/2015	26	4.5
Unnamed Project***	DR Horton	3,096	Small Lot Traditional	N/Av	N/Av	*Not yet open*	-	-
Four Seasons - Summer (active adult)*	K. Hovnanian	3,600	Drive Thru Alley	1,405 - 1,510	$280,990 - $289,990	10/25/2015	7	1.2
Four Seasons - Spring (active adult)	K. Hovnanian	5,460	Traditional	2,048 - 2,191	$376,990 - $388,990	10/25/2015	32	3.0
Four Seasons - Autumn (active adult)*	K. Hovnanian	6,300	Traditional	2,536 - 2,721	$434,990 - $454,990	11/6/2015	10	2.2
Four Seasons - Winter (active adult)	K. Hovnanian	2,880	Alley and Cluster	1,302 - 1,790	$271,990 - $320,490	6/25/2015	16	1.1
Heritage Westshore - Coronado (active adult)**	Lennar	5,460	Traditional	1,743 - 2,206	$368,990 - $406,990	-	1	2.0
Heritage Westshore - Carmel (active adult)***	Lennar	3,600	Traditional	1,295 - 1,535	-	*Not yet open*	-	-
							285	

*Sold out. Absorption rate calculated based on approximate sell-out date.
**Based on September 4, 2016 "The Ryness Report"
***Not yet open for sales

The data above shows sales to date have been very strong. Market rate (non-active adult) projects have generally captured three to five sales per month since being open. Sales rates at the three active adult projects (there will soon be a fourth) are lower than the other projects, but each of these projects is targeting the same market segment under the same project banner (Four Seasons).

Finally, one additional variable is expected to affect absorption rates moving forward: into the foreseeable future, the available supply consists mostly medium density lots. There is a limited inventory of lots with traditional (low density) sizing. Even though homes on low density lots have higher prices, there is pent up demand for homes on large lots in North Natomas and the market is under supplied with this product. With few projects having such lots available, we expect projects that offer low density lots will achieve stronger absorption into the foreseeable future.

Individual Project Absorption Relative to Projected Supply and Demand

In estimating absorption for the subject, we have considered the following:

- Regional absorption for detached projects in the six county Sacramento region has averaged 2.6 sales/month over the last 12 months and has been steady in recent quarters (based on The Gregory Group)
- The data for market rate new homes in North Natomas (including West Sacramento) reflects average sales at 3.1 homes per month (with sub $400,000 projects having stronger absorption) and 5.2 sales per month for active adult projects (based on regional data)
- Absorption based on actual sales through the date of value show initial sales rates of three to five sales per month
- In the very near term, we expect more new home projects will open in North Natomas, and the subject's sales rates per project will diminish. These projects are detailed in the next section of this report.

Overall, we expect medium density new home projects within the subject project will trend toward three sales per month, with active adult projects and low density projects trending toward four sales per month. The estimated absorption rates account for the partial competition between the projects and other competitive supply coming online. We expect significant competition for the medium density segment in the near term. Even though these projects are more affordable and appeal to a broad range of buyers, the significant competition will reduce the sales rates per project. In contrast, there are very few projects in Natomas with low density lots, and there is pent up demand for this type near downtown Sacramento. We expect (the small number) of projects with low density lots to achieve stronger absorption. Also, consistent with trends, age-restricted projects are expected to continue to do well (4 sales per month) as the number of baby-boomer households retiring continues to grow at a rapid rate. The estimated active adult absorption rate accounts for the fact that a second active adult product line (by Lennar) within the subject project is expected to open in the near term.

Supply

As a result of the recession and moratorium, Natomas has a number of approved lots (including many finished lots) at projects that were suspended. Some of these lots have changed ownership, transferred to investors that plan to sell to builders in the near term. Based on current home price levels relative to the broader residential cycle, we expect many of these projects will come online within the next 12 months and compete with the subject.

<u>Westlake</u> – Status: Approved with finished lots. Approximately 0.75 miles northeast of the subject, these 160 finished lots are owned by Landsource, a separate but formerly related entity of Lennar. The lots are medium density and designed with an alley configuration, just west of Interstate 5. The location coupled with the density make it unlikely the project will be developed until near the peak of the residential cycle, when its relative affordability will be used to attract buyers. The project is unlikely to come online within the next 24 months.

<u>Natomas Meadows</u> – Status: Approved with a mix of finished and partially finished lots. This 110-acre project is approved for around 900 homes, including multifamily. The primary component of the project is 637 single-family lots and 120 townhome lots. Eight single-family homes were built and sold

before the moratorium. Due to financial duress, the original property developer, Pardee Homes, sold the property to Granite Bay Development in 2008. Granite Bay Development has recently either sold or agreed to sell components of the project to Lennar, Woodside Homes and DR Horton. Lennar and Woodside Homes have homes under construction. The project is located just north of a Target-anchored shopping center and near an industrial business park.

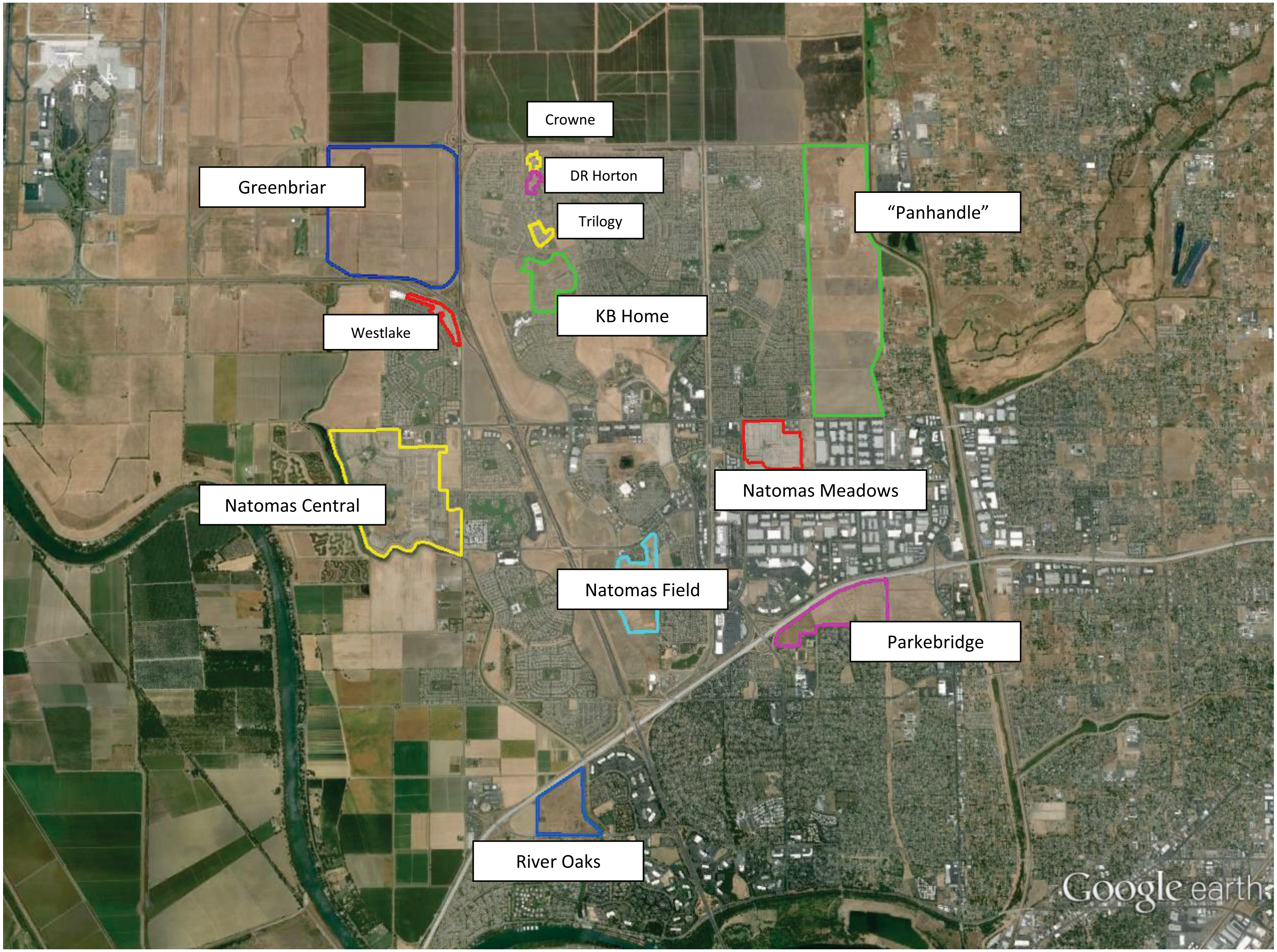
Various Groups of Finished Lots – Status: Approved with finished and partially finished condition. Approximately 1 mile northeast of the subject, KB Home has 342 lots (finished to partially finished) where it is currently marketing homes for sale. The lots are medium density and will compete with much of the subject project. North of this property are lots by Trilogy (medium density cluster), which were acquired during the recession for investment. Nearby, DR Horton (39 lots) and Crowne Communities (21 lots) have acquired finished lots for near term development.

River Oaks – Status: Approved. This 80-acre site is located in South Natomas. The project is approved for 640 medium density residential units. Beazer Homes has owned these lots since 2005, when project entitlements were originally approved. The project is expected to break ground within 12 months.

Parkebridge – Status: Approved. This 113-acre site is located in South Natomas. The project is approved for 389 single-family units and 142 condominium units. Entitlements were obtained by Griffin Industries, which relinquished ownership via foreclosure during the recession. The property was sold in West Coast Housing Partners. The project is expected to break ground within 12 months.

Panhandle – Status: Proposed. The “Panhandle” refers to an annexation area located on the east fringe of North Natomas. If annexed and approved, approximately 1,600 homes of various densities are planned. There are numerous owners and no homebuilders currently committed. It is unlikely any development in this area would begin within the next 36 months.

Greenbriar – Status: Approved. This project is located adjacent to Interstate 5 and Highway 99, near the Sacramento airport. A major planned business is located to the west. The 577-acre project was approved in 2008 and is envisioned as a pedestrian friendly, transit-oriented development. The current plan will provide 113 low density, 2,180 medium density and 667 high density residential units, as well as 339,000 SF of commercial space. The property is owned by a prominent land investment group (Integral Communities). Based on current inventory and path of growth, it is unlikely that site development would begin within the next 36 months.


Crowne
Greenbriar
DR Horton
Trilogy
"Panhandle"
KB Home
Westlake
Natomas Central
Natomas Meadows
Natomas Field
Parkebridge
River Oaks
Google earth

Lot Absorption Analysis

Given supply and competition coupled with market capture rates previously forecasted, on the following page we project total sales for the subject project. Previously we estimated total single-family sales of 481, 731 and 1,031 homes over the next three years. The forecasted absorption is reasonable relative to this projection.

Due to anticipated competition, we expect the subject's sales rates will lessen in the coming months, yet still remain on par with the rest of the region, at around three per month for low and medium density product types.

Demand has been strongest for active adult projects. K. Hovnanian has four product lines within one active adult project banner (Four Seasons). Into the foreseeable future, we expect these projects will collectively achieve 48 sales per year. While there is potential for higher sales rates for this product type, Lennar owns 217 active adult lots within the subject project as well and plans to offer two product lines. We expect this competing project will also achieve four sales per month, or 48 sales per year, between its two product lines.

Moreover, while K. Hovnanian presently has three market rate (non-active-adult projects). In addition, DR Horton also recently acquired lots and will be opening a project soon, and additional projects could open as Natomas Investors and Shea are currently marketing their lots for sale. Thus, it is reasonable that K. Hovnanian would capture fewer sales. We estimate market rate sales of 108 sales per year (over three projects) for lots owned by K. Hovnanian into the foreseeable future, accounting for other new projects by other builders within the subject project. It is thus implied that a probable buyer of the market rate lots owned by K. Hovnanian would have three, not four, product lines.

Within the subject project and at the estimated absorption, we estimate 1,221 lots will be absorbed/built/sold with homes over the next four years, and the remaining 113 lots will be absorbed/built/sold over years five through seven.

Natomas Lot Absorption - Primary Projects

Project/Area	Owner Or Likely Builder	Total Lots (Reflects Proposed)	Finished or Partially Finished	Raw Unimproved	Type	Project Sales Rate/Year	Product Lines	Expansion				Recession			
								Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Natomas Central/Westhore	K. Hov	371	371	-	MDR	36	3	108	108	108	47				
Natomas Central/Westhore	K. Hov	0	0	-	LDR	48	1	0	0						
		371	371				Subtotal:	**108**	**108**	**108**	**47**				
Natomas Central/Westhore (active adult)	K. Hov	226	226	-	LDR & MDR	48	1	**48**	**48**	**48**	**48**	**34**			
Natomas Central/Westhore	Natomas Investors	261	261	-	MDR	36	2	**0**	**72**	**72**	**72**	**45**			
Natomas Central	DR Horton	70	70	-	MDR	36	1	**36**	**34**	**0**	**0**	**0**	**0**	**0**	
Natomas Central/Westhore (active adult)	Lennar	217	217	-	Various	48	1	**48**	**48**	**48**	**48**	**25**			
Natomas Central/Westhore	Shea	177	177	-	LDR	48	1	**24**	**48**	**48**	**48**	**9**			
Natomas Central/Westhore	Taylor Morrison	12	12		LDR	48	1	**12**							
Westlake	Landsource/Lennar	160	160	-	MDR	36	1			36	36	36	36	16	
Natomas Meadows	Lennar	309	309	-	MDR	36	1	18	36	36	36	36	36	36	36
Natomas Meadows	Woodside	157	157	-	MDR	36	1	18	36	36	36	31			
Natomas Meadows	DR Horton	163	163	-	MDR	36	1	18	36	36	36	36	1		
				-											
Brownstones at Natomas Field	Beazer Homes	76	76	-	MDR	36	1	36	36	4					
Montauk	KB Home	342	342	-	LDR & MDR	36/48	2	84	84	84	84	6			
North Natomas	Crowne Development	21	21		LDR	48	1	21							
North Natomas	DR Horton	39	39	-	LDR	48	1		39						
North Natomas	Trilogy	100	100	-	MDR	36	1		36	36	28				
River Oaks (South Natomas)	Beazer Homes	640	-	640	MDR	36	2		72	72	72	72	72	72	72
Parkebridge (South Natomas)	West Coast Housing Partners	388	69	-	LDR & MDR	36/48	2 to 3		84	120	120	64			
Greenbriar	Integral Communities	2,497		2,497	Various	36/36/48	3	-	-	120	120	120	120	120	120
Panhandle Annexation Area	Various	1,600	-	1,600	Various	36/36/48	3	-	-	120	120	120	120	120	120
New Projects	N/Av		-	-	N/Av	36/36/48	?	-	-	_	-	?	?	?	?
	Totals	7,826	2,770	4,737			**Sales/Year**	**471**	**817**	**1,024**	**951**	**634**	**385**	**364**	**348**
		Total Lots	Finished or Partially Finished	Raw Unimproved			**Previously Forecasted Sales/Year**	**481**	**731**	**1,031**					

Outlook and Conclusions

For the Sacramento market overall, 2013 and 2014 were "recovery" and 2015 was a bit of a stall. As of late 2016, the widely held view is 2016 will prove to be a growth year for prices and permits, with the expansionary cycle continuing at least through 2018. The subject consists of hundreds of lots that are expected to supply the Natomas market for the next seven years. The bulk of the project should be built and sold before the next recession occurs, based on the latest forecasts by market participants.

Overall, the subject's characteristics and timing are favorable for first-time new/move up development in a relatively affordable submarket. Totals sales in this submarket are expected to increase as more projects come online, and the submarket will grow to capture a greater share of Sacramento County sales overall. As prices rise and more projects open, sales rates per project should diminish.

So long as the economy does not take a significant downward turn due to factors that are not obvious today, we expect home prices will trend upward around 5% per year into the foreseeable future.

Property Analysis

Land Description and Analysis

Location

The CFD is located along the west side of El Centro Road at Natomas Central Drive, within the city of Sacramento, Sacramento County, California 95834.

Land Area

The CFD contains approximately 398 gross acres, which includes approximately 14.2 acres of existing/built multifamily development that is not part of the subject properties of this report.

Parcel Numbers and Ownership

A complete list of parcel numbers by ownership is presented in the Addenda of this report.

Note that Village H/M and Village F contains 131 lots and 55 lots, respectively, based on recently re-recorded tract maps. However, new Assessor parcel numbers have not yet been assigned (these villages previously had recorded tract maps and parcel numbers for 146 and 42 lots, respectively, for those lots owned by K. Hovnanian).

Shape and Dimensions

The overall site is irregular yet functional in shape. Individual lots are mostly rectangular. Site utility based on shape and dimensions is average.

Infrastructure and Offsite Improvements

Primary backbone infrastructure and offsites improvements are in place. Natomas Central Drive and Hovnanian Drive are primary collectors providing onsite access to interior streets. Del Paso Road and El Centro Road have been widened and completed with the necessary traffic controls/signals.

In-tract Improvements

In-tract improvements are primarily in place except for where noted in the *Site Development Costs* section.

Site Development Costs

Remaining intract improvements for subject properties owned by K. Hovnanian Homes are summarized on the following page. Lennar Homes, Western Pacific Housing (DR Horton), Taylor Morrison Homes, Shea Homes and Natomas Investors LLC do not have any remaining intract improvement costs.

Summary of Site Development Costs - Master Developer (K. Hovnanian)				
Item	Village	Cost Remaining	Total	Per Lot
Commons	Village E/J/P	$59,326	26	$2,282
Four Seasons - Summer	Village C	$44,872	7	$6,410
Four Seasons - Autumn	Village K	$127,672	10	$12,767
Four Seasons - Winter	Villages H/M	$3,527,379	131	$26,927
Four Seasons - Spring	Village G/C	$135,312	51	$2,653
Retreat	Village A	$51,877	34	$1,526
Paseo	Villages F/Q	$2,654,097	76	$34,922
Village	Village A	$109,545	45	$2,434
Parkwalk	Parcel A	$183,901	118	$1,558
Village Phase 2*	Lot A	$3,383,801	71	$47,659
Master (Project-wide)	All	$0		
Total		$10,277,782	569	

*Developer costs presented by product line

Because it is unclear what specific entitlements will be approved for Lots E and B (currently proposed for 149 lots, collectively), costs for these areas have been excluded from above. Lots E and B will be valued as unimproved based on current entitlement approvals.

Utilities

All typical public utilities are available to the subject lots including water, sewer, gas, electricity and phone service. Utilities are provided by:

Utilities	
Service	Provider
Water	City of Sacramento
Sewer	Sacramento Regional Sanitation District
Electricity	Sacramento Municipal Utilities District
Natural Gas	PG&E
Local Phone	Various

Topography

The site is generally level and at street grade.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that there are not any unusual drainage issues that would affect the development of the subject.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of existing homes, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

Easements, Encroachments and Restrictions

The subject project is located within a noise easement area of the Sacramento International Airport. While the nearby airport may deter some buyers, the airport and easement have not translated into any measurable impact on value. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Zoning and Other Land Use Regulations

Zoning Summary	
Zoning Jurisdiction	City of Sacramento
Zoning Designation	R-1 PUD, R-1A PUD, R-2B PUD, R-3 PUD
Description	Single-family and multifamily, Planned Unit Development
Legally Conforming?	Yes
Zoning Change Likely?	See Remarks
Permitted Uses	Single-family and multifamily development

The subject project has various residential zones within a Planned Unit Development (City Resolution No. 2005-778). The R-1 designation is a single-family residential zone with a minimum interior lot size of 5,200 square feet. The R-1A zone is also single-family but has provisions for half-plex units with minimum interior sizes of 2,900 square feet. The R-2 zone is a single-family zone intended to serve as a buffer zone between traditional R-1 housing and more intense land uses. The minimum interior size is 5,200 square feet but setbacks and other requirements may vary from R-1. R-2B is a multi-unit zone that allows for single-family and multifamily development. The minimum interior lot size for single-family development is 2,000 square feet and the maximum density is 21 units per acre. R-3 is also a multi-unit zone with a minimum single-family lot size of 2,000 and a maximum density of 30 units per net acre.

Lot A is 8.58 acres approved for 71 single-family lots (50' x 60'). This property was recently down-zoned from 95 lots.

Lots B and E have existing approvals which are proposed by K. Hovnanian for modification. Lot B is 6.98 acres within the active adult part of the community and is currently approved for 100 two- and three-story condominium units adjacent to the man-made lake. K. Hovnanian has submitted an application for 56 lots of 52' x 58'. A General Plan Amendment and Rezone are required for this proposed use.

Lot E is 6.25 acres currently approved for 116 attached townhomes. K. Hovnanian submitted an application for 46 single-family lots (50' x 60'). A General Plan Amendment and Rezone are required for this proposed use.

Entitlement applications will take several months to process, with risks of delay or changes/modifications. This report values these components based on their existing approvals, with consideration for their speculative potential for rezone.

Affordable Housing/Restricted Units

The subject project is not required to construct onsite affordable housing.

Deed Restrictions

All lots and/or homes within the designated active adult area must be sold to households with individuals of at least 55 years in age.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	06067C-0045J
Date	June 16, 2015
Zone	A99
Description	Within 100-year floodplain
Insurance Required?	Yes

Zone A99 is defined by FEMA as a Special flood hazard areas subject to inundation by 100-year flood which will be protected by a federal flood protection system when construction has reached specified statutory progress toward completion. No base flood elevations or depths are shown. Mandatory flood insurance purchase requirements apply.

HOA Dues

All lots within the subject project have an HOA fee of $35 per month, or $420 per year, which pays for lake, trail and landscape maintenance.

Lots within the active adult component have an additional HOA fee of $177 per month, or $2,124 per year, which pays for clubhouse and recreational facilities (tennis court, pool, gym, etc.). This HOA fee becomes effective in phases as homes are built and certificates of occupancy are issued.

Conclusion of Site Analysis

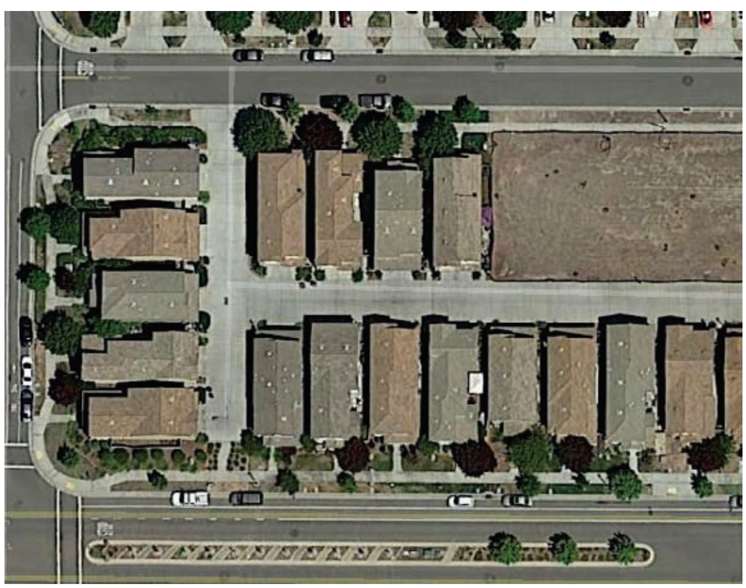
Overall, the physical characteristics of the site and the individual lots are well suited for residential development as proposed.

Subdivision Characteristics

Natomas Central is designed as a pedestrian-oriented project with an active adult (age-restricted component). Natomas Central Drive and K. Hovnanian Drive are the primary collector roads with divided traffic and landscaped medians. The project is developed around a man-make lake. A pedestrian trail and bike bath extend along the western boundary of the lake and project. Interior streets vary in width and type based on product type. This project offers a range of housing types, which are generally classified as alley and/or cluster and traditional. Same exhibits for selected types within the subject project are provided below.

Sample Exhibit – Alley Court with Paseo Entry Configuration

Sample Exhibit – Drive Thru Alley Configuration



Sample Exhibit – Traditional Configuration w/ Lake Frontage

Lot Premiums

Homes on lots with lake frontage will achieve a premium of around 10% of the home price, on average. The majority of the lots with lake frontage were built with homes between 2007 and 2010. The remaining premiums associated with the small number of remaining vacant lake front lots are minor relative to the number of vacant lots remaining overall.

Conclusion of Proposed Subdivision

The proposed site improvements are consistent with zoning and are compatible with site characteristics.

Improvement Description

There are numerous projects currently underway within the subject, most of which are by K. Hovnanian Homes. K. Hovnanian Homes has had four projects that are open to all buyer types, and one active adult project with four separate product offerings. The Commons project by K. Hovnanian is closed out. Its new Paseo project in Village F is under construction but has not yet started sales. Taylor Morrison Homes is building one product line that is open to all buyers. Lennar Homes has two active adult projects under construction. Western Pacific Housing (DR Horton) recently acquired lots in the project but has not yet started construction. These projects are summarized below.

Summary of Projects

Prject	Builder	Lot Size	Type	Home Sizing (SF)	Price Range
Westshore	Taylor Morrison	5,250	Traditional	2,018 - 2,865	$348,000 - $410,000
Retreat	K. Hovnanian	2,280	Drive Thru Alley	1,763 - 1,892	$292,990 - $300,990
Village	K. Hovnanian	3,000	Small Lot Traditional	1,954 - 2,100	$328,990 - $343,990
Parkwalk	K. Hovnanian	3,375	Small Lot Traditional	2,265 - 2,478	$354,990 - $377,990
Commons	K. Hovnanian	4,050	Small Lot Traditional	1,914 to 2,536	$334,990 - $380,990
Unnamed Project	DR Horton	3,096	Small Lot Traditional	N/Av	N/Av
Four Seasons - Summer (active adult)	K. Hovnanian	3,600	Drive Thru Alley	1,405 - 1,510	$280,990 - $289,990
Four Seasons - Spring (active adult)	K. Hovnanian	5,460	Traditional	2,048 - 2,191	$376,990 - $388,990
Four Seasons - Autumn (active adult)	K. Hovnanian	6,300	Traditional	2,536 - 2,721	$434,990 - $454,990
Four Seasons - Winter (active adult)	K. Hovnanian	2,880	Alley and Cluster	1,302 - 1,790	$271,990 - $320,490
Heritage Westshore - Coronado (active adult)	Lennar	5,460	Traditional	1,743 - 2,206	$368,990 - $406,990
Heritage Westshore - Carmel (active adult)	Lennar	3,600	Traditional	1,295 - 1,535	*Not yet open*

The subject project contains 445 homes that were built and sold originally between 2007 and 2010. The Assessed values of these homes will be utilized as the basis of their value. The subject property also contains 173 homes that were constructed and closed in 2015 and 2016. Assessed values for these homes are not yet available. The values for these homes are estimated herein based on a valuation of the smallest base plan offered at each project, which is then extended to the total number of recent closings that have occurred in each project.

The homes constructed between 2007 and 2010 are generally similar in quality to the homes that are currently being offered for sale. The homes are one or two stories with stucco exteriors and concrete tile roofs. Nine foot ceilings are typical for single story plans. Standard amenities include granite countertops in the kitchen and marble counters in secondary bathrooms, tile flooring at entry and kitchen, walk in closest in master bedroom and sliding door closets in secondary bedrooms, 10’x10’ secondary bedrooms, two-tone paint schemes, 3-1/4” baseboards and 2-1/4” door casings, and concealed-hinge maple or beech cabinetry in kitchen and laundry areas. Specific homes design varies by lot type category (such as alley or traditional). Some of the original homes built between 2007 and 2010 had detached garages that shared a common wall with adjacent lots; this product type will no longer be offered for new construction. The developer, K. Hovnanian, has modified approvals so construction reflects the latest buyer demand standards.

Home Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Indirect items are the soft costs and fees incurred in developing the project during the construction cycle.

Direct Costs

K. Hovnanian Homes provided the following direct costs for its product lines:

Home Construction Costs			
Plan	Avg. Sze	Avg. Direct Cost	Avg. Direct Cost/SF
Winter at Westshore	1,497	$112,924	$75.43
Summer at Westshore	1,465	$113,091	$77.20
Spring at Westshore	2,120	$153,859	$72.58
Autumn at Westshore	2,629	$176,461	$67.12
Retreat	1,833	$134,711	$73.49
Village	2,034	$144,778	$71.18
Commons	2,097	$140,104	$66.81
Paseo	1,974	$121,558	$61.58
Parkwalk	2,373	$159,404	$67.17

Note: All direct costs adjusted to include "On Lot" costs (e.g. flatwork, prep, SWPP, etc.)

As support for the direct costs above, we present the following direct cost comparables.

Direct Construction Cost Comparables									
	Comp Data						Subject		
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Budgeted		
City/Area	Santa Rosa	Rohnert Park	Mt. House	Lathrop	Lodi	Clovis	Sacramento		
Segment	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)	Move Up (1st Time)	Move Up (2nd Time)	Move Up (1st Time)	Move Up (1st Time)		
Builder Type	Private	Private	Private	Private	Private	Private	Public		
Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached		
Plan Size (SF)	2015	2015	2015	2015	2015	2015	2016	IRR Projection	
< 1,250									
1,250 - 1,500	$95.00						$75.43 - $77.20		
1,500 - 1,750	$95.00								
1,750 - 2,000		$81.79 - $80.61	$76.55		$84 - $88		$61.58 - $73.49	$72.00	1,800 SF Avg. Detached
2,000 - 2,250		$78.55	$76.52	$68.77	$84 - $88	$67.71	$66.81 - $72.58	$70.00	2,000 SF Avg. Detached
2,250 - 2,500		$76.93	$74.90	$64.81	$84 - $88	$66.22	$67.17	$69.00	2,300 Avg. SF Detached
2,500 - 2,750				$64.24	$84 - $88	$69.86	$67.12		
2,750 - 3,000					$84 - $88	$69.99			
3,000 - 3,250					$84 - $88				
3,250 - 3,500									
> 3,500						$60.74			

Note that larger floor plans generally have lower direct costs per square foot. The direct costs provided are supported by the comparable data and are the best indicators for the subject type and quality. We have estimated average direct costs for selected average-home sizes for 1,800, 2,200 and 2,300 SF. These costs will be utilized to reflect market costs later in this report.

Indirect Costs

Standard items include general and administrative expenses, sales and marketing closing/legal costs. In this report, we estimate each of these indirect costs separately. Other indirect costs may include architectural and engineering, insurance/bonds, common costs, warranty, field overhead, project coordinator fees, contingency and model maintenance. These other indirect costs are collectively considered and generally range from 3% to 7% of total revenue.

Below, we consider comparable data to estimate indirect costs for the subject.

Indirect Construction Cost Comparables						
	Comp Data					
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	
City/Area	Lathrop	Morgan Hill	Fresno	Lathrop	Mountain House	
No. of Lots	46	76	58	48	51	
Plan Range (SF)	1,800 to 2,600	1,500 to 2,700	1,500 to 2,400	2,000 to 2,500 SF	2,000 to 2,300 SF	
Avg. Home Size (SF)	2,205	2,000	1,857	2,300	2,200	
Avg Home Price	$425,000	$800,000	$215,000	$375,000	$455,000	
Year	2014	2015	2015	2015	2015	IRR Projection
Average Direct Cost/SF	$68.22	$83.00	$55.19	$66.00	$76.00	Variable
General/Administrative (1)	3.00%	3.00%	4.50%	4.50%	4.00%	3.00%
Sales and Marketing (1)	6.00%	4.50%	3.98%	5.00%	5.79%	5.00%
Legal, Title, Closing (1)	0.50%	-	0.70%	0.10%	0.10%	0.25%
Indirect Costs (1)	5.78%	4.70%	4.04%	4.20%	3.65%	5.00%
	15.28%	12.20%	13.22%	13.80%	13.54%	13.25%
	(incl. mstr mrktng)			(incl. mstr mrktng)	(incl. mstr mrktng)	

(1) % of Total Revenue

We've estimated individual indirect costs based on comparable data and have concluded a total direct cost estimate of 13.25%. Note the indirect costs above do not include interest/costs of funds, property taxes or developer incentive/profit. These additional items will be accounted for separately in our analysis.

Permits and Fees

K. Hovnanian provided the following permits and fees for its product lines.

Item	Type	Total Fees	Total Credits (1)	Net Fees	Lots From Budget (2)	Total Fees Before Credits (Per Lot)	Total Fees Net of Credits (Per Lot)	Difference
Summer	Active Adult	$257,637	$81,660	$175,976	7	$36,805	$25,139	
Autumn	Active Adult	$405,026	$127,839	$277,187	10	$40,503	$27,719	
Spring	Active Adult	$1,886,392	$671,419	$1,214,973	51	$36,988	$23,823	
Winter	Active Adult	$4,864,793	$1,070,920	$3,793,873	187	$26,015	$20,288	
					Weighted Avg.:	$29,074	$21,420	$7,654
Commons*	Market Rate	$541,385	$128,445	$412,939	26	$20,822	$15,882	
Retreat	Market Rate	$1,811,405	$358,911	$1,452,495	42	$43,129	$34,583	
Paseo	Market Rate	$5,465,980	$932,183	$4,533,797	139	$39,324	$32,617	
Village	Market Rate	$5,277,208	$697,203	$4,580,005	119	$44,346	$38,487	
Parkwalk	Market Rate	$5,801,372	$1,573,970	$4,227,402	118	$49,164	$35,825	
					Weighted Avg.:	$43,914	$35,392	$8,522

Summary of Permits and Fees - Master Developer (K. Hovnanian)

(1) Public safey, park and water credits. Credits not distributed evenly over product lines
(2) Does not reflect currently proposed lot count
*Originally planned as half-plex, converted to detached single-family

Shown above, fee amounts vary based on lot type and home sizing. Also, the master developer has significant credits that reduce its building permit fees. Lots owned by Natomas Investors LLC, Lennar Homes, Western Pacific Housing (DR Horton), Shea Homes and Taylor Morrison Homes do not have fee credits (a benefit of around $8,000/lot to K. Hovnanian Homes). Also, because active adult lots have significantly lower school fees, fees for active adult lots are approximately $10,000/lot lower. Finally, note there is one subject component (Commons) that has fees that are around $17,000/lot lower because of a legal settlement with the City that requires the City to credit a specified portion of the fees.

We have estimated typical fee amounts for selected average home sizes based on market rate fees from K. Hovnanian Homes. Later in this report we will apply fee adjustments for type and ownership.

Village	Range of Avg. Home Sizes	Range of Avg. Fees	IRR Projection	
Retreat, Paseo, Village, Parkwalk	1,833 - 2,373	$32,617 - $38,487	$32,000	Market Rate 1,800 SF Avg.
			$35,000	Market Rate 2,000 SF Avg.
			$38,000	Market Rate 2,300 SF Avg.
Fee Adjustments for Later In Our Analysis				
Commons	Typical	Around $17,000/lot lower		
Active Adult	Typical	Around $10,000/lot lower		
Lots owned by Natomas Investors, DR Horton, Shea and Taylor Morrison	Typical	Around $8,000/lot higher (no credits)		

Conclusion of Improvements Description

The subject homes are competitive with other new home projects. The sizes of the homes are appropriate relative to lot sizing and the targeted market segment. The base home plans contain finish-out and standard features generally consistent with other new home projects in the region.

Real Estate Taxes

Real estate taxes for the subject property are assessed and collected by the County of Sacramento. The property is subject to the property tax rules of the state of California, which control the activities and policies of local assessment jurisdictions. These laws were significantly modified on June 7, 1978, when the state's voters passed Proposition 13, amending Article XIII of the State Constitution.

Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals. Instead, real property is subject to reassessment (i.e., revaluation at full or partial current market value) only when changes in ownership or new construction take place. Otherwise, increases in assessed value are limited to no more than 2% per year. In addition, tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure.

The subject properties are located in an area with an ad valorem tax rate of 1.2227%, plus direct levies. Below we present sample tax bills for (1) a completed home and (2) a vacant finished lot. The tax bills are based on the 2015/2016 tax year. Taxes for the upcoming year are not yet available.

Taxes and Assessments -

	Assessed Value			Taxes and Assessments			
					Ad Valorem		
Tax ID	Land	Improvements	Total	Tax Rate	Taxes	Direct Assessments	Total
2,299 SF Home Built in 2010 (225-2440-023)	$53,698	$238,660	$292,358	1.222700%	$3,575	$1,916	$5,490
Vacant 3,600 SF Lot (225-2340-017)	$24,000	$0	$24,000	1.222700%	$293	$1,323	$1,617

Special Taxes for CFD No. 2006-02 are being collected, albeit bonds for this CFD are not yet sold.

Direct Assessment Detail

Tax ID	SAFCA Capital Asmt	N. Natomas Ngbr Lndscp CFD 9902K	SACTO Core Library Serv. Tax	CFD No. 2006-02	N. Natomas Landscape CFD 3	N. Natomas Drainage CFD	Recl. Dist. #1000 M&O	SAFCA Basin Local Asmt Dist.	Ngbr. Park Maint. CFD 2002-02	N. Natomas TMA CFD 9901	SAFCA O&M Assmt 1	Sacramento Library	Citywide L&L	Total
2,299 SF Home Built in 2010 (225-2440-023)	$90	$10	$12	$1,362	$77	$70	$25	$60	$63	$26	$12	$32	$77	$1,916
Vacant 3,600 SF Lot (225-2340-017)	$2	$10		$1,041	$77	$70	$25	$2	$63	$26	$8	$1		$1,323

Shown above, net of CFD No. 2006-02, completed homes have direct levies of $554 per year ($1,916 less $1,362), and vacant finished lots have direct levies of $282 per year ($1,323 - $1,041). Direct levy amounts increase when home construction is completed.

Below we summarize the four Special Tax zones within the subject.

Special Taxes

Tax Zone	Maximum Special Tax (1)	Adjusted for 2016/2017 Tax Year	Description
Zone 1	$1,140	$1,390	Low Density
Zone 2	$960	$1,170	Medium Density
Zone 3	$840	$1,024	High Density SFR
Zone 4	$8,000 per acre	Lot E Equivalent: $605/unit Lot B Equivalent: $633/unit	Multifamily

(1) 2007 RMA

Project Photos

Project signage on Del Paso Boulevard
(Photo Taken on February 23, 2016)

Home under construction with lake frontage
(Photo Taken on September 18, 2016)

Looking west across man-made lake
(Photo Taken on September 18, 2016)

Park area within Four Seasons
(Photo Taken on September 18, 2016)

Pedestrian trail/bike path at western edge of the project
(Photo Taken on September 18, 2016)

Public park with horseshoe pit and shuffleboard
(Photo Taken on September 18, 2016)

Project Photos (Continued)

Exterior of clubhouse within Four Seasons
(Photo Taken on February 23, 2016)

Interior of clubhouse within Four Seasons
(Photo Taken on February 23, 2016)

Pool area within Four Seasons
(Photo Taken on February 23, 2016)

Interior of clubhouse within Four Seasons
(Photo Taken on February 23, 2016)

Interior of clubhouse within Four Seasons
(Photo Taken on February 23, 2016)

Rear patio of clubhouse within Four Seasons
(Photo Taken on February 23, 2016)

Subject Photos

Homes under construction by Taylor Morrison Homes
(Photo Taken on September 18, 2016)

Village Models by K. Hovnanian Homes
(Photo Taken on September 18, 2016)

Alley drive at The Retreat by K. Hovnanian Homes
(Photo Taken on)

Parkwalk Models by K. Hovnanian Homes
(Photo Taken on September 18, 2016)

The Retreat Model by K. Hovnanian Homes
(Photo Taken on September 18, 2016)

Four Seasons Model (Summer) by K. Hovnanian Homes
(Photo Taken on September 18, 2016)

Subject Photos (Continued)

Four Seasons Models (Winter) by K. Hovnanian Homes
(Photo Taken on September 18, 2016)

Finished alley drive within Village B (K. Hovnanian)
(Photo Taken on September 18, 2016)

Finished lots within Village E (Shea Homes)
(Photo Taken on September 18, 2016)

Partially finished lots within Village H/M (K. Hovnanian)
(Photo Taken on September 18, 2016)

Looking south across Lot B (K. Hovnanian)
(Photo Taken on September 18, 2016)

Looking south along Hovnanian Drive
(Photo Taken on September 18, 2016)

Subject Photos (Continued)

Four Seasons sales trailer (Lennar Homes
(Photo Taken on September 18, 2016)

Models under construction by Lennar
(Photo Taken on September 18, 2016)

Homes under construction within Village G (Lennar)
(Photo Taken on September 18, 2016)

Models under construction within Village F (K. Hovnanian)
(Photo Taken on September 18, 2016)

Homes under construction in Village G/C (K. Hovnanian)
(Photo Taken on September 18, 2016)

Lots owned by DR Horton
(Photo Taken on September 18, 2016)

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As Vacant

Legally Permissible

The site is zoned for single-family and multifamily development as previously described, and is part of a Planned Unit Development with specific lot and design requirements. Single-family and multifamily development as currently approved are the legally permissible uses.

K. Hovnanian Homes has submitted applications to alter the multifamily components (Lots E and B) for medium density single-family residential development, with a General Plan Amendment and Rezone needed for the latter. While there is risk and cost associated with these applications, if approved, the new entitlements would add value to the property, since there is limited demand for the construction of high-density single-family and multifamily projects at the present time. It is probable that the existing approvals will be modified in some way to better reflect current demand, albeit it is unclear exactly what the new approvals will be, specifically.

As noted, the subject project is currently located within Flood Zone A99. Flood insurance is required for any improvements within this zone.

Project Photos

Physically Possible

Besides the project's location within Flood Zone A99, where 100-year flood protection is not currently provided, the physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for single-family and multifamily development.

Financially Feasible

New single-family home construction on the site would have a value commensurate cost and a reasonable level of entrepreneurial profit, which is supported by sales where builders have completed site development and commenced home construction. Further, financial feasibility of new single-family construction is supported by the land residual analysis presented in the valuation section of this report, where the underlying estimated land value (after deductions for all costs) is positive. Therefore, single-family residential development is financially feasible.

At this time there are few multifamily projects breaking ground across the Sacramento MSA. Exceptions include those projects planned for for-rent apartments (such as apartments for students near Sacramento State) or low-income housing. The subject's multifamily elements are designed as a "for sale" product such as condominiums. At this time, single-family prices in this submarket remain affordable and there is limited demand for condominiums. While multifamily as currently approved would be marginally financially feasible, there would be limited developer profit.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential development. Moreover, in light of the likelihood that entitlements for single-family development within the existing multifamily zones will ultimately be approved (with uncertainty regarding ultimate density), it is maximally productive to seek these approvals. The value added will offset the time and cost of obtaining the approvals.

In light of the fact the subject properties consist of multiple lot size categories and ownerships, it would be prudent for existing owners to work together, allowing for product lines to complement one another and to ensure there is not too much competition/supply within the same project.

Conclusion and Most Probable Buyer

For lots owned by K. Hovnanian Homes, Lennar Homes, Natomas Investors LLC and Shea Homes, which own multiple villages and a large number of lots, the probable buyer of each in bulk is a developer that would resell individual villages and/or smaller groups of lots to production builders. It is rare for a production builder to acquire more than 175 lots in a single transaction under present market conditions. For the current residential cycle, builders have expressed a strong desire to negotiate phased acquisitions, to reduce exposure, hedge against market pullback and maximize internal rate of return.

For lots owned by Western Pacific Housing (DR Horton) and Taylor Morrison Homes, these groups of lots would likely sell to other production builders in single transactions or takedowns..

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

In the analysis of the subject property, we use the sales comparison and income capitalization approaches to develop opinions of market value. In the income capitalization approach, we utilize yield capitalization, which, for subdivision analysis, is commonly referred to as the subdivision development method.

The valuation begins with the analysis of the homes that have sold and closed in 2015 through 2016. These closings (which do not yet have Assessed values) are valued in this report based on the smallest home size offered at each product line by using the sales comparison approach. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The sum value of homes that have sold to individual owners is an aggregate value.

The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales for lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we to conduct a “top down” land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility.

In the valuation of the subject lots, we utilize the sales comparison and the subdivision development method. The sales comparison approach considers bulk lot sales, with adjustments applied accordingly relative to the subject. We also utilize the sales comparison approach to determine the value of the subject’s high-density/multifamily components as currently approved (these components have entitlement modifications in process). The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project.

Our analysis leads to estimates of lot value for each lot size category within the subject, which are organized by ownership. To determine the bulk value of each ownership, we incorporate the estimated lot values into discounted cash flow analyses that show the lots selling to builders over a projected absorption period, mirroring how a developer-buyer would view a bulk acquisition of the subject. The discounted cash flows account for costs of sale, property taxes, Special Taxes and any site development that remains. The sell off of the lots in bulk is estimated based on anticipated home demand relative to anticipated competitive supply.

Definition of Finished Lot

The subdivision development method and sales comparison approach will be implemented on a finished lot basis, with remaining site development costs taken into account later in this report.

In this report, the term “finished lot” means all site development is completed, final map has recorded, and all development fees due at final map have been paid. A finished lot does not include fees due at building permit, since these items are associated with home construction. The definition of finished lot utilized in this report is shared by market participants in the Northern California region.

Home Valuation

Sales Comparison Approach

In order to estimate the retail values of the subject base home plans, we utilize the sales comparison approach to estimate the base plan value for the smallest home offered at each product line. The base plan value will be extended to the total number of homes that have closed within the respective product line, to represent an aggregate not-less-than value for the 173 homes that have sold/closed to individual buyers in 2015 and 2016 (which do not yet have Assessed values).

As such, our analysis is based on information provided by the builder, including standard features, floor plans and architectural renderings. The smallest plans are summarized as follows:

Base Home Plan Summary

Product Line	Living Area (SF)	Stories	Number of Bedrooms	Number of Bathrooms	Garage Size		Lot Size
Four Seasons - Summer	1,405	1	2	2	2	Full	3,600
Retreat	1,763	2	3	2.5	2	Full	2,280
Commons	1,914	2	3	3	2	Full	4,050
Village	1,954	2	3	2.5	2	Full w/ Storage	3,000
Westshore	2,018	1	3	2	2	Full	5,250
Four seasons - Spring	2,048	1	2	2	2	Full w/ Storage	5,460
Parkwalk	2,265	2	4	3	2	Full	3,375
Four Seasons - Autumn	2,536	1	2	2.5	2	Full w/ Storage	6,300

Lennar Homes is also marketing homes for sale size sizes of 1,743 to 2,206 square feet, but as of the date of value, no homes have closed escrow. This report assigns no contributory value to partially completed construction.

There are numerous sales within the subject project that were analyzed to determine the base plan values. The total sales price is the most common unit of comparison for the valuation of single-family residences. The total price is the basis of our analysis.

Adjustment Factors

The sales were compared to the subject and adjusted to account for material differences that affect value. We've considered property rights conveyed, financing terms, conditions of sale, market conditions, location and physical features. Adjustments for upgrades, lot premiums and concessions were made based on reported figures, with minor estimates applied where information was inferred. The adjustments applied are reflected in the adjusted grids that follow.

ADJUSTMENT GRID
FOUR SEASONS - SUMMER

Item		Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3	
Project		FOUR SEASONS - SUMMER	FOUR SEASONS - SUMMER		FOUR SEASONS - SUMMER		FOUR SEASONS - SUMMER	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	4101 HOVNANIAN DRR		4160 EUBOEA ISLAND LN		4130 EUBOEA ISLAND LN	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$299,990		$282,000		$298,585
Price/Living Area				$213.52		$200.71		$197.74
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0
CASH EQUIVALENT PRICE				$299,990		$282,000		$298,585
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	5/16 COE	$0	3/16 COE	$0	3/16 COE	$0
			4/16 CONTRACT 2.5%	$7,500	1/16 CONTRACT 4.0%	$11,280	2/16 CONTRACT 3.5%	$10,450
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		3,600	3,600 $10 psf	$0	3,600 $10 psf	$0	3,600 $10 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Type (Attached/Detached)		ALLEY	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2 / 2	-- / 2 / 2	$0	-- / 2 / 2	$0	-- / 2 / 2	$0
Living Area		1,405 SF	1,405 $95 psf	$0	1,405 $95 psf	$0	1,510 $95 psf	($9,975)
Stories	$10,000	1 STY	1 STY	$0	1 STY	$0	1 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($12,000)	YES	($10,990)	YES	($1,595)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($4,500)		$290		($1,120)
Gross Adjustments			6.50%	$19,500	7.90%	$22,270	7.37%	$22,020
Indicated Base Value				$295,490		$282,290		$297,465

Minimum Adjusted Price	$282,290
Maximum Adjusted Price	$297,465
Median Adjusted Price	$295,490
Average Indicated Adjusted Price	$291,748
Concluded Value	**$290,000**
Value Per Square Foot	**$206.41**

ADJUSTMENT GRID
RETREAT

Item		Subject Property	Comparable No. 4			Comparable No. 5			Comparable No. 6		
Project		RETREAT	RETREAT			RETREAT			RETREAT		
Builder		K. HOVNANIAN	K. HOVNANIAN			K. HOVNANIAN			K. HOVNANIAN		
Master Plan		WESTSHORE	WESTSHORE			WESTSHORE			WESTSHORE		
New or Resale		NEW	NEW			NEW			NEW		
Address		BASE ASKING PRICE	4117 ADRIATIC SEA			4125 ADRIATIC SEA			LOT 0084		
Location		NORTH NATOMAS	NORTH NATOMAS			NORTH NATOMAS			NORTH NATOMAS		
Proximity to Subject		N/A	SAME			SAME			SAME		
Price					$288,070			$301,333			$344,573
Price/Living Area					$163.40			$170.92			$195.45
Data Source			BUILDER			BUILDER			BUILDER		
ADJUSTMENTS											
Concessions			EST.		($5,000)	EST.		($5,000)	EST.		($5,000)
CASH EQUIVALENT PRICE					$283,070			$296,333			$339,573
Sale Conditions		MARKET	MARKET		$0	MARKET		$0	MARKET		$0
Market Conditions	0.50%	CURRENT	6/16 COE		$0	7/16 COE		$0	PENDING		$0
			1/16 CONTRACT	4.0%	$11,323	1/16 CONTRACT	4.0%	$11,853	8/16 CONTRACT		
Project Location		NORTH NATOMAS	NORTH NATOMAS		$0	NORTH NATOMAS		$0	NORTH NATOMAS		$0
Direct Levies		$1,900	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
HOA/month		-	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Community Appeal/Project Identity		GOOD	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Density, (if attached)		N/A	N/A		$0	N/A		$0	N/A		$0
Lot Size SF		2,280	2,280	$10 psf	$0	2,280	$10 psf	$0	2,280	$10 psf	$0
View		NONE	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Site Influence		INTERIOR	SUPERIOR		($500)	SUPERIOR		($1,000)	SUPERIOR		($5,000)
Type (Attached/Detached)		ALLEY	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Design, Appeal & Features		GOOD	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Year Built		2016	2016			2016			2016		
Effective Age	0.50%	0	0	0.0%	$0	0	0.0%	$0	0	0.0%	$0
Condition		NEW/GOOD	NEW		$0	NEW		$0	NEW		$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth			Total / Bdrm / Bth			Total / Bdrm / Bth		
Bath	$10,000	-- / 3 / 2.5	-- / 3 / 2.5		$0	-- / 3 / 2.5		$0	-- / 3 / 2.5		$0
Living Area		1,763 SF	1,763	$95 psf	$0	1,763	$95 psf	$0	1,763	$95 psf	$0
Stories	$10,000	2 STY	2 STY		$0	2 STY		$0	2 STY		$0
Functional Utility		GOOD	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED		$0	CENTRAL ZONED		$0	CENTRAL ZONED		$0
Garage	$10,000	2 FULL	2 FULL		$0	2 FULL		$0	2 FULL		$0
Garage Type		ATTACHED	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Landscaping		FRONT YARD	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Pool/Spa		NONE	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Patios/Decks		FRONT YARD	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Fencing		YES	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)		$0	0 FIREPLACE(S)		$0	0 FIREPLACE(S)		$0
Appliances		DW, R/O, DISPOSAL	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Upgrades/Options		N/A	NOMINAL		$0	YES		($4,843)	YES		($20,583)
Solar		NONE	NONE		$0	NONE		$0	NONE		$0
Other		N/A	SIMILAR		$0	SIMILAR		$0	SIMILAR		$0
Net Adjustments					$10,823			$6,010			($25,583)
Gross Adjustments			5.84%		$16,823	7.53%		$22,696	8.88%		$30,583
Indicated Base Value					$293,893			$302,343			$313,990

Minimum Adjusted Price	$293,893
Maximum Adjusted Price	$313,990
Median Adjusted Price	$302,343
Average Indicated Adjusted Price	$303,409
Concluded Value	**$300,000**
Value Per Square Foot	**$170.16**

ADJUSTMENT GRID
COMMONS

Item		Subject Property	Comparable No. 7		Comparable No. 8		Comparable No. 9	
Project		COMMONS	COMMONS		COMMONS		COMMONS	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	175 OLIVADI WAY		3805 SARDINIA ISLAND		4170 BOMILI ST	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$347,440		$353,085		$397,740
Price/Living Area				$181.53		$184.47		$207.81
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0	YES - APPROX.	($5,000)
CASH EQUIVALENT PRICE				$347,440		$353,085		$392,740
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	5/16 COE	$0	7/16 COE	$0	PENDING	$0
			3/16 CONTRACT 3.0%	$10,423	1/16 CONTRACT 4.0%	$14,123	2/16 CONTRACT	$0
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		4,050	4,050 $5 psf	$0	4,050 $5 psf	$0	4,050 $5 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($14,000)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total Bdrm Bth	Total Bdrm Bth		Total Bdrm Bth		Total Bdrm Bth	
Bath	$10,000	-- 3 3	-- 3 3	$0	-- 3 3	$0	-- 3 3	$0
Living Area		1,914 SF	1,914 $95 psf	$0	1,914 $95 psf	$0	1,914 $95 psf	$0
Stories	$10,000	2 STY	2 STY	$0	2 STY	$0	2 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($2,450)	YES	($22,595)	YES - APPROX.	($15,000)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				$7,973		($8,472)		($29,000)
Gross Adjustments			3.71%	$12,873	10.40%	$36,718	8.55%	$34,000
Indicated Base Value				$355,413		$344,613		$363,740

Minimum Adjusted Price	$344,613
Maximum Adjusted Price	$363,740
Median Adjusted Price	$355,413
Average Indicated Adjusted Price	$354,589
Concluded Value	**$355,000**
Value Per Square Foot	**$185.48**

ADJUSTMENT GRID
VILLAGE

Item		Subject Property	Comparable No. 10		Comparable No. 11		Comparable No. 12	
Project		VILLAGE	VILLAGE		VILLAGE		VILLAGE	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	4100 ADRIATIC SEA WAY		4107 MALTA ISLAND ST		4117 DARDANELLES	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$340,404		$339,950		$336,541
Price/Living Area				$174.21		$173.98		$172.23
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0	YES - APPROX.	($7,000)
CASH EQUIVALENT PRICE				$340,404		$339,950		$329,541
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	6/16 COE	$0	7/16 COE	$0	7/16 COE	$0
			3/16 CONTRACT 3.0%	$10,212	1/16 CONTRACT 4.0%	$13,598	2/16 CONTRACT 3.5%	$11,534
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		3,000	3,000 $8 psf	$0	3,000 $8 psf	$0	3,000 $8 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SUPERIOR	($3,000)	SUPERIOR	($500)	SUPERIOR	($500)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 3 / 2.5	-- / 3 / 2.5	$0	-- / 3 / 2.5	$0	-- / 3 / 2.5	$0
Living Area		1,954 SF	1,954 $95 psf	$0	1,954 $95 psf	$0	1,954 $95 psf	$0
Stories	$10,000	2 STY	2 STY	$0	2 STY	$0	2 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL W/ STORAGE	2 FULL S/ STORAGE	$0	2 FULL W/ STORAGE	$0	2 FULL W/ STORAGE	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($24,414)	YES	($4,460)	YES - APPROX.	($6,000)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($17,202)		$8,638		$5,034
Gross Adjustments			11.05%	$37,626	5.46%	$18,558	7.44%	$25,034
Indicated Base Value				$323,202		$348,588		$334,575

Minimum Adjusted Price	$323,202
Maximum Adjusted Price	$348,588
Median Adjusted Price	$334,575
Average Indicated Adjusted Price	$335,455
Concluded Value	**$340,000**
Value Per Square Foot	**$174.00**

ADJUSTMENT GRID
WESTSHORE

Item		Subject Property	Comparable No. 10		Comparable No. 11		Comparable No. 13	
Project		WESTSHORE	VILLAGE		VILLAGE		VILLAGE	
Builder		TAYLOR MORRISON	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	4100 ADRIATIC SEA WAY		4107 MALTA ISLAND ST		4225 MALTA ISLAND	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$340,404		$339,950		$347,210
Price/Living Area				$174.21		$173.98		$165.34
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0
CASH EQUIVALENT PRICE				$340,404		$339,950		$347,210
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	6/16 COE	$0	7/16 COE	$0	5/16 COE	$0
			3/16 CONTRACT 3.0%	$10,212	1/16 CONTRACT 4.0%	$13,598	12/15 CONTRACT	$0
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		5,250	3,000 $8 psf	$18,000	3,000 $8 psf	$18,000	3,000 $5 psf	$11,250
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SUPERIOR	($3,000)	SUPERIOR	($500)	SUPERIOR	($5,000)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 3 / 2	-- / 3 / 2.5	($5,000)	-- / 3 / 2.5	($5,000)	-- / 3 / 2.5	($5,000)
Living Area		2,018 SF	1,954 $95 psf	$6,080	1,954 $95 psf	$6,080	2,100 $95 psf	($7,790)
Stories	$10,000	1 STY	2 STY	$10,000	2 STY	$10,000	2 STY	$10,000
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL S/ STORAGE	($2,500)	2 FULL W/ STORAGE	($2,500)	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($24,414)	YES	($4,460)	YES	($8,754)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				$9,378		$35,218		($5,294)
Gross Adjustments			23.27%	$79,206	17.69%	$60,138	13.77%	$47,794
Indicated Base Value				$349,782		$375,168		$341,916

Minimum Adjusted Price	$341,916
Maximum Adjusted Price	$375,168
Median Adjusted Price	$349,782
Average Indicated Adjusted Price	$355,622
Concluded Value	**$355,000**
Value Per Square Foot	**$175.92**

ADJUSTMENT GRID
FOUR SEASONS - SPRING

Item		Subject Property	Comparable No. 14		Comparable No. 15		Comparable No. 16	
Project		FOUR SEASONS - SPRING	FOUR SEASONS - SPRING		FOUR SEASONS - SPRING		VILLAGE	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	4374 LIBYAN SEA		3935 DON RIVER LN		4386 LIBYAN SEA	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$396,173		$399,441		$390,302
Price/Living Area				$193.44		$195.04		$184.02
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	YES - APPROX.	($8,000)	REFLECTED IN TOTAL PRICE	$0
CASH EQUIVALENT PRICE				$396,173		$391,441		$390,302
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	8/16 COE	$0	7/16 COE	$0	7/16 COE	$0
			7/16 CONTRACT	$0	2/16 CONTRACT 3.5%	$13,700	2/16 CONTRACT 3.5%	$13,661
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		5,460	5,460 $5 psf	$0	5,460 $5 psf	$0	5,460 $5 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SUPERIOR	($6,000)	SUPERIOR	($2,500)	SUPERIOR	($1,000)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2 / 2	-- / 2 / 2	$0	-- / 2 / 2	$0	-- / 2 / 2	$0
Living Area		2,048 SF	2,048 $95 psf	$0	2,048 $95 psf	$0	2,121 $95 psf	($6,935)
Stories	$10,000	1 STY	1 STY	$0	1 STY	$0	1 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL W/ STORAGE	2 FULL W/ STORAGE	$0	2 FULL W/ STORAGE	$0	2 FULL W/ STORAGE	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($12,183)	YES - APPROX.	($26,000)	YES	($3,312)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($18,183)		($14,800)		$2,414
Gross Adjustments			4.59%	$18,183	12.57%	$50,200	6.38%	$24,908
Indicated Base Value				$377,990		$376,641		$392,716

Minimum Adjusted Price	$376,641
Maximum Adjusted Price	$392,716
Median Adjusted Price	$377,990
Average Indicated Adjusted Price	$382,449
Concluded Value	**$380,000**
Value Per Square Foot	**$185.55**

ADJUSTMENT GRID
PARKWAK

Item		Subject Property	Comparable No. 17		Comparable No. 18		Comparable No. 19	
Project		PARKWAK	PARKWALK		PARKWALK		PARKWALK	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	3700 LAKE KATIE WY		3701 KOS ISLAND AVE		LOT 9	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$393,975		$381,000		$412,254
Price/Living Area				$173.94		$168.21		$182.01
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	REFLECTED IN TOTAL PRICE	$0	YES	($2,500)
CASH EQUIVALENT PRICE				$393,975		$381,000		$409,754
Sale Conditions		MARKET	MARKET	$0	SELLER-MOTIVATED 2.5%	$9,525	MARKET	$0
Market Conditions	0.50%	CURRENT	8/16 COE	$0	7/16 COE	$0	PENDING	$0
			2/16 CONTRACT 3.5%	$13,789	7/16 CONTRACT	$0	9/16 CONTRACT	$0
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		3,375	3,375 $8 psf	$0	3,375 $8 psf	$0	3,375 $8 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SUPERIOR	($3,000)	SUPERIOR	($2,500)	SUPERIOR	($1,500)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 4 / 2	-- / 4 / 2	$0	-- / 4 / 2	$0	-- / 4 / 2	$0
Living Area		2,265 SF	2,265 $95 psf	$0	2,265 $95 psf	$0	2,265 $95 psf	$0
Stories	$10,000	2 STY	2 STY	$0	2 STY	$0	2 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES - APPROX.	($28,485)	YES	($11,115)	YES	($24,765)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($17,696)		($4,090)		($26,265)
Gross Adjustments			11.49%	$45,274	6.07%	$23,140	6.98%	$28,765
Indicated Base Value				$376,279		$376,910		$383,489

Minimum Adjusted Price	$376,279
Maximum Adjusted Price	$383,489
Median Adjusted Price	$376,910
Average Indicated Adjusted Price	$378,893
Concluded Value	**$380,000**
Value Per Square Foot	**$167.77**

ADJUSTMENT GRID
FOUR SEASONS - AUTUMN

Item		Subject Property	Comparable No. 20		Comparable No. 21		Comparable No. 22	
Project		FOUR SEASONS - AUTUMN	FOUR SEASONS - AUTUMN		FOUR SEASONS - AUTUMN		FOUR SEASONS - AUTUMN	
Builder		K. HOVNANIAN	K. HOVNANIAN		K. HOVNANIAN		K. HOVNANIAN	
Master Plan		WESTSHORE	WESTSHORE		WESTSHORE		WESTSHORE	
New or Resale		NEW	NEW		NEW		NEW	
Address		BASE ASKING PRICE	2 CALATABIANO PL		8 IZMIR PLACE		14 IZMIR PLACE	
Location		NORTH NATOMAS	NORTH NATOMAS		NORTH NATOMAS		NORTH NATOMAS	
Proximity to Subject		N/A	SAME		SAME		SAME	
Price				$456,000		$629,182		$599,778
Price/Living Area				$179.81		$248.10		$236.51
Data Source			BUILDER		BUILDER		BUILDER	
ADJUSTMENTS								
Concessions			REFLECTED IN TOTAL PRICE	$0	YES - APPROX.	($15,000)	YES - APPROX.	($3,000)
CASH EQUIVALENT PRICE				$456,000		$614,182		$596,778
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	MARKET	$0
Market Conditions	0.50%	CURRENT	4/16 COE	$0	5/16 COE	$0	7/16 COE	$0
			4/16 CONTRACT 2.5%	$11,400	11/16 CONTRACT 5.0%	$30,709	12/16 CONTRACT 4.5%	$26,855
Project Location		NORTH NATOMAS	NORTH NATOMAS	$0	NORTH NATOMAS	$0	NORTH NATOMAS	$0
Direct Levies		$1,900	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
HOA/month		-	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		6,300	6,300 $5 psf	$0	6,300 $5 psf	$0	6,300 $5 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	SUPERIOR	($7,500)	SUPERIOR - LAKE	($70,000)	SUPERIOR - LAKE	($100,000)
Type (Attached/Detached)		TRADITIONAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Year Built		2016	2016		2016		2016	
Effective Age	0.50%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2 / 2.5	-- / 2 / 2.5	$0	-- / 2 / 2.5	$0	-- / 2 / 2.5	$0
Living Area		2,536 SF	2,536 $95 psf	$0	2,536 $95 psf	$0	2,536 $95 psf	$0
Stories	$10,000	1 STY	1 STY	$0	1 STY	$0	1 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL W/ STORAGE	2 FULL W/ STORAGE	$0	2 FULL W/ STORAGE	$0	2 FULL W/ STORAGE	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fencing		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Fireplace(s)	$2,500	0 FIREPLACE(S)	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		N/A	YES	($29,027)	YES	($131,192)	YES - APPROX.	($64,000)
Solar		NONE	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($25,127)		($170,483)		($137,145)
Gross Adjustments			10.51%	$47,927	39.24%	$246,901	32.32%	$193,855
Indicated Base Value				$430,873		$443,699		$459,633

Minimum Adjusted Price	$430,873
Maximum Adjusted Price	$459,633
Median Adjusted Price	$443,699
Average Indicated Adjusted Price	$444,735
Concluded Value	**$445,000**
Value Per Square Foot	**$175.47**

Aggregate Value Conclusion – 2015/2016 Home Sales

The estimated value of the smallest base plan in each product line where closings have occurred is extended to the total number of closings in each respective product line. The aggregate value of the 173 homes is not-less-than $61,880,000 (as shown below).

Aggregate Retail

Product Line	Living Area (SF)	Retail Value	Closings	Total Revenue
Four Seasons - Summer	1,405	$290,000	7	$2,030,000
Retreat	1,763	$300,000	27	$8,100,000
Commons	1,914	$355,000	26	$9,230,000
Village	1,954	$340,000	24	$8,160,000
Westshore	2,018	$355,000	50	$17,750,000
Four seasons - Spring	2,048	$380,000	10	$3,800,000
Parkwalk	2,265	$380,000	22	$8,360,000
Four Seasons - Autumn	2,536	$445,000	10	$4,450,000
			176	
			Total	$61,880,000
			Rounded:	$61,880,000

Aggregate Value Conclusion – 2007-2010 Original Home Sales

As stated, the aggregate value of the homes which were built and sold between 2007 and 2010 is based on the 2016/2017 Assessed values. A list of parcel numbers and assessed values for each of these homes is appended to this report. The aggregate value of these homes is $131,590,000.

Land Valuation

We utilize the subdivision development method (land residual analysis) and the sales comparison approach to determine the retail values of each size category. The sales comparison approach is also used to estimate the unimproved value of the subject's high density/multifamily components. The component values are incorporated into discounted cash flow analyses that mirror how a developer buyer would approach a bulk purchase of the lots owned by each builder. Each discounted cash flow (one per ownership) will reflect the time and cost of selling the properties (including the Special Tax), as well as any remaining site development costs, to yield the bulk value of each ownership.

Subdivision Development Method (DCF Analysis)

When analyzing a subdivision, the income approach (yield capitalization) to value is commonly referred to as the "Subdivision Development Method." This technique utilizes discounted cash flow (DCF) analysis to extract the price that an investor/developer can afford to pay for land or finished lots, and still satisfy the profitability requirement in production as a merchant builder or land developer. The subdivision development method is a "house down" analysis that deducts anticipated home construction and carrying costs from anticipated home prices over a projected absorption period. As a discounted cash flow analysis, there are four components (revenue, absorption, expenses and discount rate). The steps required to complete this analysis are as follows:

- Estimate the revenue from the retail sale of completed homes, with consideration to appreciation/inflation factors, if any;
- Estimate an appropriate absorption rate for the sale of homes or lots;
- Estimate all expenses associated with the sell-off of completed homes, including holding and selling costs, as well as direct and indirect construction costs (with consideration for inflationary expense trending);
- Estimate the appropriate profit rate/discount rate for the type of project under consideration, and discount the net cash flows to arrive at a value indication.

The DCF model allows for a complete analysis of the subject's financial performance throughout the projection period. In the following analysis, the appraisers have attempted to model the anticipated revenues and expenses for the project based on assumptions derived from the market. Note that while the developer's proposed product line and unit mix are within market parameters, the intent of this analysis is to replicate the perspective of a probable buyer using general market assumptions, as opposed to using the developer's unit mix and budgeted expenses items (which may correlate more strongly with investment value). For this reason, our analysis uses general market estimates for average home size and cost, which are more or less consistent with the proposed unit mix and budgeted items.

The subject project contains various lot size categories and single-family types. We analyze three benchmark or base product lines for the subject, with adjustments applied later to determine values for all lot size categories. Specifically, we analyze

(1) Market Product Line 1, consisting of 75 homes with an average home size of 1,800 SF on alley lots of 2,280 SF,

(2) Market Product Line 2, consisting of 75 homes with an average home size of 2,000 SF on small traditional lots of 3,000 SF, and

(3) Market Product Line 3, consisting of 75 homes with an average home size of 2,300 SF on traditional lots of 5,250 SF.

The four components of the discounted cash flow analysis are discussed on the following pages.

Revenue

Revenue is generated from the sale of completed homes, lot premiums and model home recapture (if any). Projected revenues are based on the typical product that meets the highest and best use criteria for the subject property relative to the market area.

Home Sales

To determine average prices, we give consideration to the home analysis presently previously in this report. Previously we estimated a 1,763 SF home within Retreat by K. Hovnanian (alley lot size of 2,280 SF) would have a base price of $300,000. Therefore, we utilize an estimate of $300,000 for an average home size of 1,800 SF on 2,280 SF alley lots. Also, we previously estimated a 1,954 SF home within the Village by K. Hovnanian (small lot traditional size of 3,000 SF) would have a base price of $340,000. Therefore we utilize an estimate of $340,000 for an average home size of 2,000 SF on a small traditional lot of 3,000 SF. Finally, previously we estimated a 2,018 SF home within Westshore by Taylor Morrison (traditional lot size of 5,250 SF) would have a base price of $355,000. For a 2,300 SF average home on the same lot size, a higher estimate is reasonable due to the larger home size. Prior to sell-out, Taylor Morrison was offering a 2,332 SF plan for $378,000. Prices have increased slightly since sell-out. Additionally, K. Hovnanian is currently offering a 2,265 SF plan on a 3,600 SF lot for $373,990. All things considered, an average base price of $390,000 is reasonable for an average 2,300 SF home on a 5,250 SF lot.

The estimated prices assume average quality and amenities, reflecting what typical builder buyers would plan for the subject. Our analysis shows sales begin in Period 1, with the first sales not achieved until the end of the period. The finished lot analysis presumes the builder has completed improvement plans and other pre-construction due diligence prior to acquisition.

Lot Premiums

For alley and cluster lot types, lot premiums comprise a lesser percentage of total revenue because there are lesser size and position premiums. We estimate lot premiums will equate to 0.5% of total base revenue for Product Line 1. For Product Lines 2 and 3, we estimate lot premiums at 1.5% of total base revenue. The estimated premiums are spread evenly over the anticipated sell-off periods of each cash flow.

Model Recapture

A prudent builder buyer would incur costs for onsite model homes. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from $25,000 per model to over $250,000 per model for homes price above $1 million. We estimate three models per product line would be needed for each product line. Product Line 1 would have anticipated model expenses of $300,000 or $100,000/model ($50,000/model in upgrades, $40,000/model furniture and $10,000/model for sales office construction, conversion and other miscellaneous). Product Line 2 and 3 each have estimated model expenses of $375,000 ($125,000/model), which includes an additional $25,000/model allocation for backyard landscaping.

When model homes are sold, the developer will recapture a portion of the expenses associated with the installation of premium upgrades in the model units. Model upgrades are based on all costs associated with model development – landscaping, upgrades, furnishing, fixtures and sales office set-up. Although not considered real estate, furniture is a real cost of tract development – to omit furniture would overstate land value. The model upgrade costs are a fixed expense and the number of models provided is based on the project size and market conditions.

Net of furniture recapture (furnishings are a real cost of the model improvements, but they are personal property, not real estate) builder typically recapture around 30% to 50% of model improvement costs. We estimate model recapture at 40% of model costs.

Price and Cost Increases/Decreases

The market gives mixed responses regarding whether participants trend home prices in land acquisition models. Part of the confusion stems from market conditions. During down markets, market participants generally prefer not to speculate or price trend, but during expansionary periods with limited inventory, models require price trending in order to support land prices being paid by competitors. The size of the project also matters. Nearly all participants indicate some form of price trending when models exceed two years.

Based on current expanding market prices and the project size, we have appreciated revenues 1.25% per quarter (based on projected home price increases of 5% per year), like previously discussed. While market data supports prices higher increases based on the last 12 months, for the project sell-off period, we anticipate price increases will moderate as the market responds to rising prices.

There is a period lag between when home contracts are signed and construction is completed and homes are closed. Therefore, closing revenue is connected to the corresponding appreciation factor of the period of sale (contract). Moreover, the cash flow model relies on end of period discounting. Because a builder would not increase pricing until after units are placed under contract, no appreciation is reflected in the first period.

Absorption and Timing

As discussed in the *Residential Market Analysis*, we estimate market rate medium projects in the subject development will trend toward 3.0 sales per month as more completion comes online (albeit active adult should achieve slightly strong absorption). At three sales per month, absorption for each product line equates to 9.0 sales per quarter. These rates apply to Product Lines 1 and 2. Low density projects will trend toward 4.0 sales per month, or 12.0 sales per quarter. This rate applies to Product Line 3. With sales beginning in Period 1, the project sells out in the penultimate period of the cash flows, with the final period needed to complete construction and close escrow of the remaining units. Period 1 sales reflect a slightly lesser rate to account for reduced sales while model homes are under construction.

Closing Projections

The typical time required for the construction of units has been approximately three to six months from start to closing. It is assumed that closings will occur within three to six months beyond the date of sale. The discounted cash flow analysis reflects close of escrow of homes occurring in the period following the period of sale. The premise is that the builder constructs efficiently as homes are sold.

Expenses (Holding and Selling Costs)

The holding and selling costs typically associated with a development where home construction is complete are summarized as follows:

General Administration & Overhead Costs

This category includes all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. A review of budgets from other similar sized residential communities shows general and administrative costs typically run between 1% and 3% of gross sales. We apply an estimate of 3.0%. This expense is spread evenly over the sell-off period.

Marketing & Sales Commissions

For residential communities such as the subject, most developers rely upon both inside and outside sales agents. Typical sales commissions paid to outside real estate brokers are approximately 2.5% of gross sales proceeds. Personnel costs for internal sales agents are estimated to be 1-2% percent of sales. Sometimes outside sales agents are not utilized. The builder also has general marketing costs for advertising. We estimate total marketing and sales commissions of 5.0% of gross sales.

Escrow, Closing & Legal Costs

This category includes costs associates with fees and costs associated with escrow closings. Based on a review of budgets from similar subdivisions, an estimate of 0.25% of gross sales is considered appropriate for this category.

Other Indirect Costs

Other indirect items (not including indirect costs that have been considered separately) are the costs and fees incurred in developing the project and during the construction cycle, which may include architectural and engineering, insurance/bonds, common costs, warranty, field overhead and project coordinator fees. As previously discussed, we estimate other indirect costs at 5.0% of the anticipated sale price, which is spread evenly over the sell off period.

Ad Valorem Real Estate Taxes

Base real estate taxes (excluding all assessments) have been estimated using the current tax rate of 1.22% (rounded) applied to the market value. Base taxes at this rate have been applied to the remaining unclosed lots each quarter based on the final value estimate. Taxes are appreciated 2% every four quarters.

Direct Levies

Net of CFD No. 2006-02, direct levies for the subject as vacant lots are expected to be around $282 per year. This amount is applied to the unclosed beginning period inventory. Note that direct levies will increase after home construction is completed, but this added expense does affect the builder over the construction period.

Special Taxes

Special Taxes for Product Lines 1 and 2 (both medium density) are $1,170 per year, and Special Taxes for Product Line 3 (low density) are $1,390 per year. This amount is applied to the unclosed beginning period inventory. Taxes are increased 2% every four quarters.

HOA

The subject lots have an HOA fee of $420 per year, which is applied to the unsold inventory each quarter. Note that homes within Four Seasons (active adult) have an additional HOA fee (clubhouse amenities, etc.), but this fee does not become effective until after certificates of occupancy are issued.

Model Costs

As previously discussed, model costs are estimated at $300,000 for Product Line 1 and $375,000 each for Product Lines 2 and 3. These expenses are (reflected in Period 1).

Site Development Costs

In this section, we consider the subject as if site development is completed. Therefore, an allocation for site development is not needed. We consider remaining site development costs later in this report.

Building Permits and Fees

Like previously discussed, we estimate building permit fees will average $32,000, $35,000 and $38,000 for the three product lines, with fees being higher for product lines with larger home sizes. The estimated fees are net of credits and are generally similar to fees reported by K. Hovnanian. The estimated fees are applied to the number of homes sold in each period, in the period before the sales occur. Later in this report we will apply fee adjustments for various factors.

Home Construction Costs:

Direct construction costs pertain to the labor and materials to build the project. As previously discussed, we estimate direct construction costs of $72/SF, $70/SF and $69/SF for the three product lines, with product lines with larger home sizes have lower direct costs per square foot. The estimated direct costs are generally similar to the direct costs reported by K. Hovnanian. Home construction costs are reflected in the period preceding the period of sale (which presumes home construction must occur before the builder is able to efficiently sell homes).

Changes in Expenses (Expense Increases or Decreases)

While the “all items” CPI index has been generally level over the last 12 months as a result of energy declines, market participants widely expect expenses to increase either from inflation or labor increases (as workers become less willing to accept lower pay as more sources of work become available). Also, materials costs have increased. The “all items less food and energy” CPI index has been around 1.5% to 2.0% over the last 12 months. To account for anticipated increases in expenses, we trend direct and indirect constructions costs upward at a rate of 2.0% per year (0.5%/quarter).

Discount Rate/Developer Profit

The final element in the discounted cash flow analysis is the discount rate that 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 and complexity of the project and can be affected by numerous other factors.

The assumed buyer for the whole property is a home builder. The motivation of this type of buyer is profit. The DCF must account for anticipated profit; otherwise, there would be no motivation for purchase for the entire property.

An investment land survey, dated 4th Quarter 2015 published by PwC Real Estate Investor Survey was reviewed. The following are the results from this survey report (note that rates for the National Land Development Investment Market are published every two quarters, so the 4th Quarter 2015 data is the most recent available). This survey indicates that the average rate is currently 15.50%, with a range of 10.00% to 20.00%. The average rate declined 40 basis points from the 2nd Quarter 2015 (15.90%) and 125 basis points relative to one year ago (16.75%). The decline is the result of positive changes in supply and demand conditions. The published rates from PwC are free-and-clear of financing, are inclusive of developer's profit and assume entitlements are in place. Without entitlements in place, the PwC survey indicates certain investors increase the discount rate between 100 and 800 basis points (an average increase of 400 basis points). Further, the published rates are based on an unimproved condition.

Excerpts from recent PwC surveys are copied below.

> Improving fundamentals across most major U.S. property sectors continue to pique the interest of many investors in the national development land market… Of the four main property types covered in our Survey, three of them are expected to positively move along the real estate cycle, shifting mainly into expansion or recovery, which will provide development opportunities. The one exception is the national multifamily sector, where many metros are expected to move into contraction by the year-end 2015…Over the next 12 months, all investor participants except one foresee development land values to increase. (Second Quarter 2015)
>
> The outlook for real estate development has improved for the third straight year. In addition, development ranks as the second preferred investment category…Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Expected appreciation ranges up to 15.0% and averages 5.0%. (Fourth Quarter 2014)
>
> As is typically the case, the resurgence of development land opportunities is following the recovery path of both the U.S. housing market and the U.S. economy. "Job growth markets are seeing construction activity pick up first in order to support growing local economies," says an investor. After several dormant years, the pickup in activity is welcome news for development land investors. (Second Quarter 2014)

Further support for an appropriate yield rate is from the opinions of market participants. A discount rate survey (completed by Integra Realty Resources) is presented below.

Builder IRR Survey

Source	Market Coverage	Expectation
Steve Reilly - Land Advisors (2015)	San Francisco Bay Area	25% min. for large entitled, raw tracts, equity return of 2.0 x plus; scaled price appreciation into foreseeable future only, flat revenues and expenses thereafter
Yan Tomimoto - Surry Hills Advisors (2015)	San Francisco Bay Area	20% min. for unimproved, entitled master planned community. 10-12% min. net profit (net income less land value / gross revenue)
Steve Thurtle - Wheelock Street Land (2015)	Inland Empire, Coastal California, Bay Area and Sacramento MSA	20% min. for large entitled, raw tracts, 25% to 30% gross margin, equity return of 1.5 to 2.0 x; scaled price appreciation into foreseeable future only, flat revenues and expenses thereafter
Josh Roden - Brookfield Homes (2015)	San Francisco Bay Area	18% for finished lots, 18-20% for unimproved lots, 20% for raw entitled land and 25+% for raw, not approved
Greg Ackerman - Meritage Homes (2015)	Sacramento MSA	20%+
James Carenza - Vesta Pacific Development (2015)	San Diego County	25% minimum for entitled land for homebuilding, no price appreciation
Land Acquisition VP - Meritage Homes (2013)	Sacramento MSA	20% to 25% for entitled lots
Jeb Elmore - Lewis Operating Corp (2013)	Sacramento MSA	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) oftern closer to 30%
Sacramento CFO - Pulte (2010)	Sacramento MSA	18% minimum, 20% target

Homebuilders generally report profit as a percentage of gross sales. They also utilize a discount rate to calculate the cost of debt and equity returns. Past interviews with home builders provide support for a profit range from 10-15% of home price, as supported by the following profit survey:

Profit (Developer's Incentive) Survey

Source	Market Coverage	Expectation
Josh Roden - Brookfield Homes (2015)	San Francisco Bay Area	10% net profit (20% gross margin, less 2.5% sales and marketing, 3.5% commissions and 4% G&A)
Greg Ackerman - Meritage Homes (2015)	Sacramento MSA	14% on finished lots, with 600 basis points higher for raw/unentitled
James Carenza - Vesta Pacific Development (2015)	San Diego County	15% on approved entitlements, which is needed to cover cost of construction debt and provide investors their expected 25% IRR
Land Acquisition VP - Meritage Homes (2013)	Sacramento MSA	8% to 10% net profit, regardless of market area or lot condition
Jeb Elmore - Lewis Operating Corp (2013)	Sacramento MSA	8% to 10%, with better located projects with less uncertainty regarding pricing and absorption at the lower end of the range and higher risk projects nearer the high end of the range
Sacramento CFO - Pulte (2010)	Sacramento MSA	9% profit, 18+% gross margin (5% for marketing/sales, 4% for G&A)
Steve Schnable - JMC Homes (2008)	Sacramento MSA	15% line item for profit at two to three homes per month at current prices

Finally, to utilize a bifurcated model, a cost of funds must be estimated to reflect a discount rate exclusive of profit.

Cost of Funds Survey

Source	Market Coverage	Expectation
Loan Executive (anonymous) - Regional Bank (2015)	San Francisco Bay Area and Sacramento	Prime plus 1.5% to 2.0%. Higher rates are typical for smaller builders and projects. A 1.5% spread would be typical for a 50-lot subdivision with an experienced developer. Given really good loan terms (sub 50% LTV), a strong guarantor, market competition, etc., would likely go as low as Prime plus 1.0%. Committment fee is 1.0% to 2.0%.
Loan Executive (anonymous) - Regional Bank (2015)	Sacramento MSA	0.75% to 1% over 3.25 % base rate; 55% to 60% LTV for land development; 65% for spec construction; up to 75% presold. Plus one point.

An IRR estimate is inclusive of profit, the time value of money and risk. When using a bifurcated model, an assumption must be made regarding where the risk element will be reflected—in the profit or discount rate (with the discount rate reflecting the opportunity cost of money, i.e. the cost of funds, in a bifurcated model). Rather than become involved with the cost of funds for any specific property based on its underwriting criteria, we consider and incorporate the subject's project-specific risk within the estimated profit rate. Market risk is reflected in the discount rate.

Based on market data, the available data supports a standard profit of 10.00% for each product line. At the estimated profit level, and utilizing a 5.50% discount rate (representing the cost of funds), the discounted cash flows yield IRRs of around 23% to 25% (shown on the following page). Moreover, assuming basic loan parameters (reflected in the cash flows), the implied equity returns are sufficient to attract investor demand.

A summary of the cash flows for each product line is presented on the following page. The full discounted cash flows are included in the Addenda of this report.

Summary of Discounted Cash Flows				
		Product 1	Product 2	Product 3
		Alley - 2,280 SF	**3,000 SF**	**5,250 SF**
Avg. Home Size (SF)		1,800	2,000	2,300
Number of Lots		75	75	75
Revenue		**Single-Unit (from DCF Model)**	**Single-Unit (from DCF Model)**	**Single-Unit (from DCF Model)**
Base Home Revenue		$300,000	$340,000	$390,000
Lot Premum Revenue		$1,500	$5,100	$5,850
Total Base Home and Lot Premium Revenue (Before Appreciation)		$301,500	$345,100	$395,850
Appreciated Revenue		$317,425	$363,328	$411,601
Model Recapture		$1,600	$2,000	$2,000
Total Revenue (Gross Sale Proceeds)		$319,025	$365,328	$413,601
Expenses				
General and Administrative	3.0%	$9,571	$10,960	$12,408
Marketing and Sales	5.0%	$15,951	$18,266	$20,680
Closing, Legal and Title	0.25%	$798	$913	$1,034
Other Indirects (Construction/Warranty/Insurance)	5.0%	$15,951	$18,266	$20,680
Ad Valorem Taxes		$1,200	$1,551	$1,543
Direct Levies	$282 /yr	$431	$431	$361
Special Taxes	$1,170 or $1,390 /yr	$1,796	$1,796	$1,788
HOA	$420 /yr	$641	$536	$538
Model Costs		$4,000	$5,000	$5,000
Permits and Fees		$32,000	$35,000	$38,000
Direct Constructon Costs		$132,292	$142,908	$161,196
Developer's Incentive		$31,902	$36,533	$41,360
Implied Interest Expense		$8,678	$10,639	$10,728
Total Costs		$255,210	$282,799	$315,316
Value Indication		$63,867	$82,533	$98,267
Rounded Finished Lot Value		**$64,000**	**$83,000**	**$98,000**
Internal Rate of Return		24.1%	22.9%	25.15%

The estimated IRRs (24.1%, 22.9% and 25.15% for the respective product lines) are reasonable relative to the discussion of discount rates reflected by survey respondents on the prior pages (reported rates of generally 18% to 25%).

Sales Comparison Approach – Residential Villages

In this section, we consider recent bulk lot sales as an indicator of land value. Based on the characteristics of the comparable data, we have analyzed the data relative to the small lot traditional 3,000 SF size category within the subject. The analysis assumes the builder would ultimately acquire around 75 lots in a single takedown, most likely containing various lot size categories due to the configuration of the subject.

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply this approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

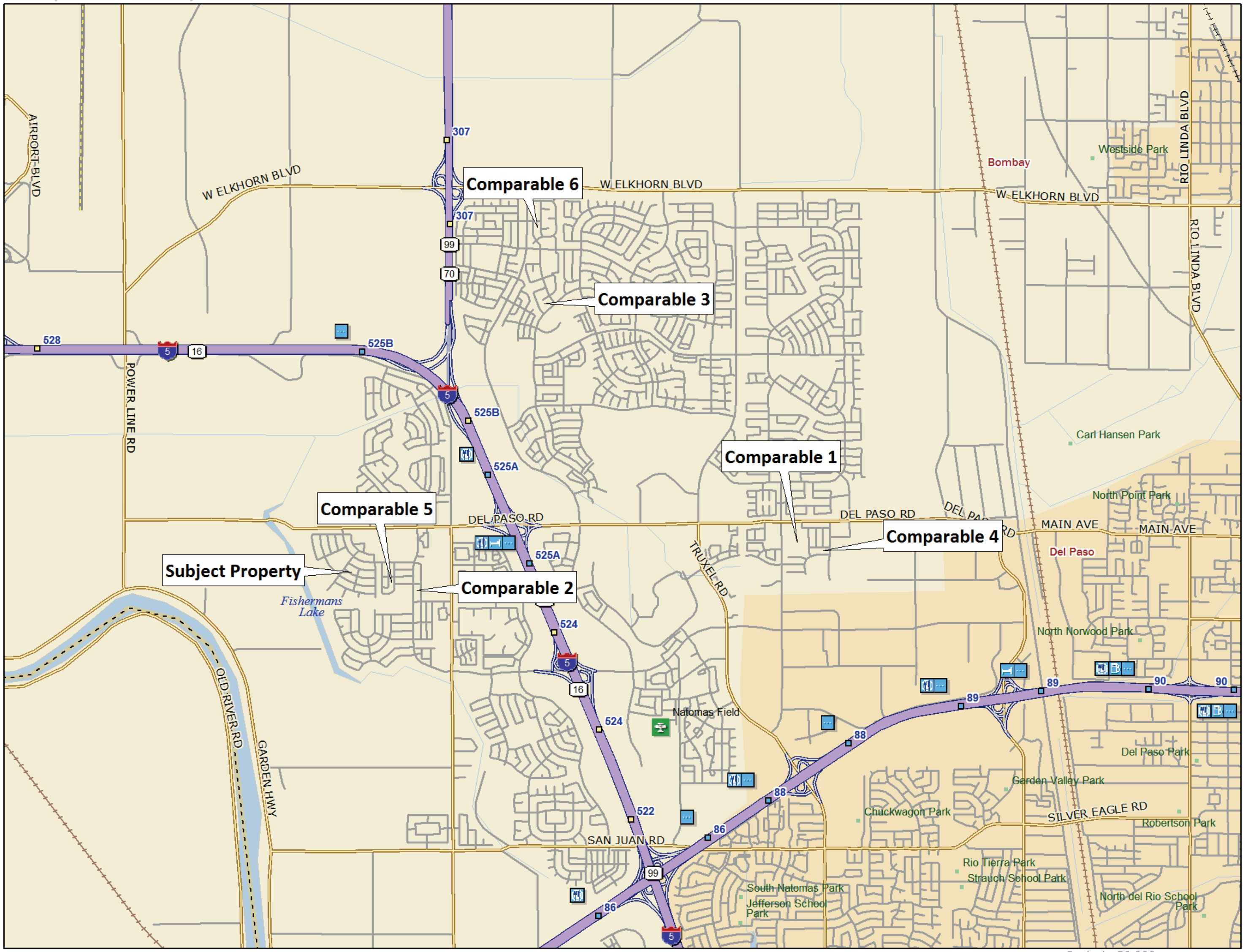
On the following page, we have arrayed comparable sales that have occurred in the region. The basis of analysis is price per lot because market participants typically compare sale prices and property values on this basis.

Summary of Comparable Lot Sales

No.	Name/Address	Grantor Grantee *Confirmation*	Sale Date Doc Number Property Rights Sale Conditions/Financing	Lot Size (±SF); No. of Lots	Status at Sale	Sale Price	Price/Lot	Direct Levies & Special Taxes
1	Cottonwood (por.) and Meadowlark (por.)	Granite Bay Natomas Meadows	Dec-15	4,155	Blue-Top	$4,788,000	$40,235	$1,600
	SEQ Gateway Park Blvd. and Del Paso Blvd.	Lennar	151207-533	119				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$21,000	
	APN: 225-2650-001	*Confirmation: Seller*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$57,000	
	This sale included 87 lots of 3,995 SF (Cottonwood) and 32 lots of 4,590 SF (Meadowlark). The lots are small lot, traditional configurations with front yard garage access. The lots were blue-topped. The buyer will finish the site improvements. A CFD bond assessment is in process that is expected to increase taxes $1,600 per lot (approx.). This amount is included in the $1,600 estimate.							
2	Natomas Central - Village B (por).	Natomas Investors LLC	Aug-16	2,280	Finished	$2,943,000	$54,500	$1,323
	NEC of N. Central Dr. and Manera Rica Dr.	K. Hovnanian at Westhore LLC	160825-0708	54				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$0	
	APN: 225-2580-014 et al	*Confirmation: Buyer*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$43,000	
	These lots represent Village B within the subject project. The lots have a drive-thru alley-style.							
3	Village at Natomas	Legacy Land Partners/Trilogy Land Holdings	Listing	3,500	Finished	$6,000,000	$60,000	$895
	2839 Mabry Drive	N/Ap	N/Ap	100				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$0	
	APN: 201-1210-061 et al	*Confirmation: Listing Broker*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$50,000	
	The seller acquired these lots for investment in 2013 for $2,520,000. At the time, a building moratorium was in place. The moratorium was lifted in June 2015.The lots are designed about five pack clusters. Net of the shared drive, lots are typically 3,500 SF. Permits and fees were estimated by the listing broker.							

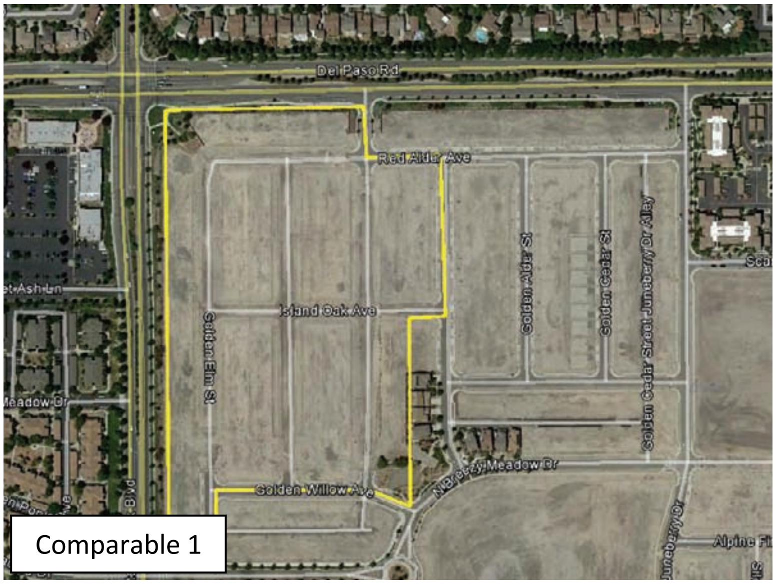
No.	Name/Address	Grantor Grantee *Confirmation*	Sale Date Doc Number Property Rights Sale Conditions/Financing	Lot Size (±SF); No. of Lots	Status at Sale	Sale Price	Price/Lot	Direct Levies & Special Taxes
4	Poppy Lane (por.)	Granite Bay Natomas Meadows	Nov-15	2,831	Finished	$244,000	$61,000	$1,600
	SEQ Gateway Park Blvd. and Del Paso Blvd.	Woodside Homes	151130-1113	4				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$0	
	APN: 225-2630-050 et al	*Confirmation: Seller*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$47,000	
	Transfer of four finished lots, believed to be transferred for model home construction. Reportedly the buyer will acquire a subsequent "phase" based on a 7% annual escaltor. Buyer must also profit-participate. Seller reported price at $65K/lot, but public records show $61K/lot. Like Comparable 2, a CFD is in process and the anticipated Special Tax is reflected.							
5	Natomas Central - Village N (por).	Natomas Investors LLC	Sep-16	3,096	Finished	$5,000,000	$71,429	$1,323
	SWC Hovnanian Dr. and Alboran Sea Cr	Western Pacific Housing Inc	160906-0987	70				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$0	
	APN: 225-2570-079 et al	*Confirmation: Secondary confirmation*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$46,000	
	These lots represent Village N within the subject project. The lots have a small-lot traditional configuration.							
6	Provence Meadows (por.)	JA Bray LLC	Aug-16	5,775	Finished	$3,970,000	$101,795	$1,100
	Van Eyck Way, south of Maguitte Wy.	Western Pacific Housing Inc	160830-1423	39				
	North Natomas		Fee Simple		Remaining Site Development Costs:		$0	
	APN: 201-1200-052	*Confirmation: Secondary confirmation*	Market/All Cash to Seller		Permits and Fees at Building Permit:		$33,000	
	The seller acquired the finished lots for approximately $15,000/lot in 2012, during the moratorium. The fees shown were reported by a party involved in the 2012 transaction.							

Comparables Map

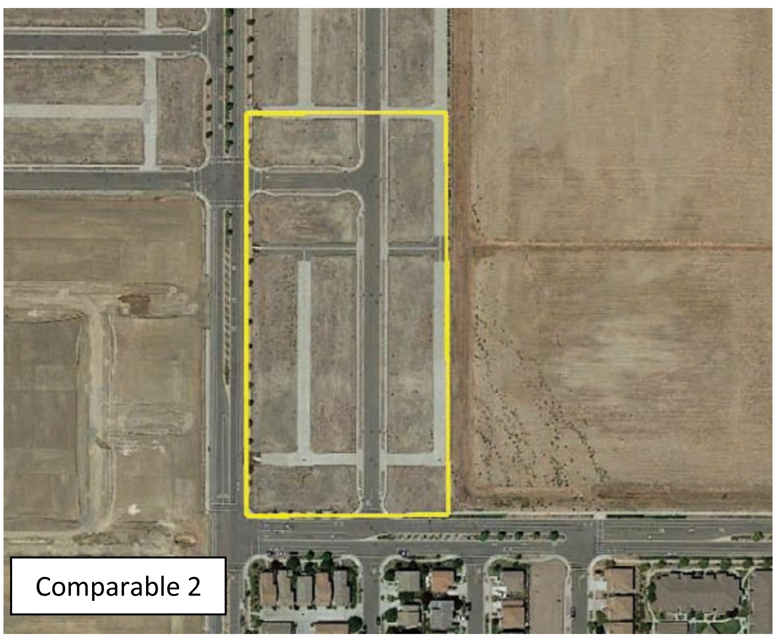


Data use subject to license.

Scale 1 : 50,000
1" = 4,166.7 ft Data Zoom 12-0



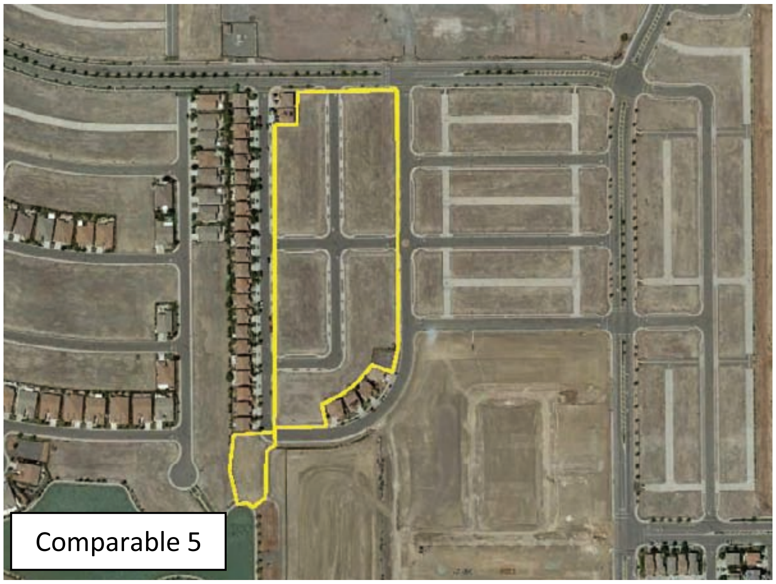
Comparable 1



Comparable 2


Kalamer St
Maybrook Dr
Hoyt St
Picasso Cir
Uccello Way
Signac Ct
Mabry Dr
Comparable 3


Golden Poplar Ave
Golden Cedar St
Golden Poplar Ave N Breezy Meadow Dr Alley
N Breezy Meadow Dr
Juneberry Dr
Alpine Fir
© 2016 Google
Comparable 4


Comparable 5


Comparable 6

Adjustment Factors

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is superior to the subject, its sale price is adjusted downward; if the comparable is inferior, its price is adjusted upward. As noted, the comparables are analyzed relative to the subject's 3,000 SF lot size category. The adjustable elements of comparison are:

Effective Sale Price/Expenditures After Sale

For subdivision land, expenditures after sale typically include site development costs, permits and fees, and atypical holding costs such as Special Taxes or association fees. For subdivisions where site development is complete and final subdivision map has recorded, expenditures typically pertain to permits and fees due at building permit and holding costs.

Finished Lot Analysis - We apply adjustments for remaining site development costs (if any) on a dollar-for-dollar basis. That is, comparables will be analyzed on a finished lot-basis, where any remaining site development costs are added to the lot price to yield a price that reflects the total consideration. Adjustments for permits and fees are also applied on a dollar-for-dollar basis, since builder buyers typically consider these fees on this basis when making land purchasing decisions.

Adjustments for Property Taxes/Bond Encumbrance – We have considered differences in property taxes and bond encumbrances between the comparables and subject. Projects with higher direct levies have higher carrying cost to the builder and also impact home pricing, if significant or when bumping up against affordability thresholds. Adjustments to the comparables are applied based on the difference in the direct levy amounts between the comparables and subject, discounted over an assumed three year project life. Figures are rounded.

Real Property Rights Conveyed

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties owned in fee simple and in leased fee. In this analysis, no adjustments are required.

Financing Terms

This adjustment is generally applied to a property that transfers with atypical financing, such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price. Adjustments for this factor do not apply.

Conditions of Sale

This adjustment category reflects extraordinary motivations of the buyer or seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value or a quick sale for cash. This adjustment category may also reflect a distress-related sale, or a corporation recording a non-market price. Comparable 3 is a current listing; based on the listing broker interview and the prices of other comparables, the list price reflects market pricing.

Time - Market Conditions

Real estate values normally change over time. The rate of change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any, that have occurred between the date of the sale and the effective date of the appraisal. Most of the comparables are recent and do not require market conditions adjustments. The exceptions are comparables 1 and 4, which sold in late 2014. As previously discussed, home prices have increased in recent months. Below, we consider in the implied impact of home price increases on finished lot prices by looking at home prices have changed in recent months at a project within the subject development.

Market Conditions Adjustment

	Sep-16			Dec-15					
Project	Village by K. Hovnanian			Project	Village by K. Hovnanian				
Home Size Analyzed	2,047 SF			Home Size A	2,047				
Lot Size	3,000			Lot Size	3,000				
								Home Increase	
Home Price			$357,990				$326,990	$31,000	
							$0	$85	/psf
						Adj. Price	$326,990		
Less:									
Direct Costs	$70	psf	($143,290)		$70	psf	($143,290)		
Indirect Costs (1)	13.25%	of home price	($47,434)		13.25%	of home price	($43,326)		
Developer's Incentive (1)	10.00%	of home price	($35,799)		10.00%	of home price	($32,699)		
Fee Allocation	$35,000	per home	($35,000)		$35,000	per home	($35,000)		
Residual Finished Value (2)			$96,467				$72,675		
Implied Adjustment							$23,793		
						or	32.7%		
							3.6%	per month	
						Estimate Applied:	**1.50%**	**per month**	

(1) Estimated in this report
(2) Does not account for property taxes or interest reserve

Shown above, the Village by K. Hovnanian has increased home prices for the plan above by $31,000, which, over a nine month period, implies finished lot prices have increased 3.6% per month. However, pricing at the Village in December 2015 were somewhat aggressive because the project had just opened and the builder wanted to get home sales started (which is a typical pricing practice among builders). Moreover, market risk has increased slightly as builders have become more aware that the market has ended the back half of the current cycle. As a result of these factors, we estimate a lesser monthly adjustment factor (1.5%), applied to the number of months between the dates of sale and date of value. Comparable 1 receives a 13.5% upward adjustment and Comparable 4 receives a 15.0% upward adjustment. The remaining comparables do not require adjustment.

Location

All comparables are located in the same submarket (North Natomas) and have similar neighborhoods. Adjustments for this factor do not apply.

Number of Lots/Project Size

Generally, larger groups of lots can achieve discounted lot pricing relative to smaller groups. Relative to a subject village of 75 lots, most of the comparables are similar in size and do not require adjustment. The one exception is Comparable 4, which contains just four lots. This comparable receives a $5,000 downward adjustment.

Base Lot Size

The comparables are analyzed relative to the subject's 3,000 SF lot size category. We have considered paired sales to assist with the determination of a lot size adjustment factor, as well as market participant interviews. For each comparable, we estimate and apply a lot size adjustment factor (shown in grid) to the difference in lot area between the comparable and subject. Smaller lots are worth more per square foot and have higher lot size adjustment factors.

Lot Premiums

Premiums for the comparables and subject are expected to be ordinary (lot sizing, lot position). Premiums may vary slightly between alley and traditional lot types, but overall the difference is minor. Adjustments for this factor do not apply.

Zoning/Entitlements

The subject and comparables had approved entitlements in place. Adjustments for this factor are not required.

Other

All else being equal, homes built in alley or cluster orientation projects generally sell for less than traditional small lot projects where each lot has its own driveway and front yard garage access. Alley and cluster lot projects offer less utility (such as from shared driveways) and less useable area (such as no fenced rear yards). Therefore, in addition to the lot size adjustments previously applied, adjustments are required for product type. The comparables are analyzed relative to a 3,000 SF subject project with a traditional configuration. Comparables 2, 3 and 4 have alley or cluster configurations and require upward adjustments of $15,000 each. The remaining comparables are similar to the subject and do not require adjustments.

Alley Adjustment							
	Traditional			Alley			
Project	Village by K. Hovnanian			Retreat by K. Hovnanian			
Home Size	1,954 SF			1,892 SF			
Lot Size	3,000 SF traditional			2,280 SF alley			
Survey Date	Current			Current			
Market Segment	First Time New/Move Up			First Time New/Move Up			
Home Price			$357,990			$324,990	
Home Size Adjustment						$5,270	$85 /psf
Lot Size Adjustment						$7,200	$10 /psf
					Adj. Price for 2,332 SF	$337,460	
Less:							
Direct Costs (1)	$70 psf		($136,780)	Same		($136,780)	(after home size adj.)
Indirect Costs (1)	13.25%	of home price	($47,434)	13.25%	of home price	($44,713)	
Developer's Incentive (1)	10.00%	of home price	($35,799)	10.00%	of home price	($33,746)	
Residual Loaded Value (2)			$137,977			$122,221	
Implied Adjustment						$15,757	
				Adjustment Applied		**$15,000**	

(1) Estimated in this report
(2) Does not account for property taxes, interest reserve or project size

Adjustment Grid

The following grid summarizes the before-discussed adjustments.

Lot Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name		Cottonwood	N. Central	Village	Poppy Lane	N. Central	Provence
City		N. Natomas	N. Natomas	N. Natomas	N. Natomas	N. Natomas	N. Natomas
Sale Date		Dec-15	Aug-16	Mar-16 List	Nov-15	Sep-16	Aug-16
No. Of Lots	75	119	54	100	4	70	39
Min. Lot Size	3,000	4,155	2,280	3,500	2,831	3,096	5,775
Applicable Lot Size Adj. Factor ($/SF)		$9	$9	$9	$9	$9	$5
Lot Price		$40,235	$54,500	$60,000	$61,000	$71,429	$101,795
Remaining Site Dev. Costs	$0	$21,000	$0	$0	$0	$0	$0
Profit on Completing Site Development	3.00%	$630	$0	$0	$0	$0	$0
Equivalent Finished Lot Price		$61,865	$54,500	$60,000	$61,000	$71,429	$101,795
Permits and Fees	$35,000	$57,000	$43,000	$50,000	$47,000	$46,000	$33,000
$ Adjustment		$22,000	$8,000	$15,000	$12,000	$11,000	-$2,000
Direct Levies & Special Taxes	$1,323	$1,600	$1,323	$895	$1,600	$1,323	$1,100
Builder Carry Adjustment		$754	$0	-$1,166	$754	$0	-$607
$ Adjustment		$1,000	$0	-$1,000	$1,000	$0	-$1,000
Interim Adjusted Finished Lot Price		$84,865	$62,500	$74,000	$74,000	$82,429	$98,795
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	–	–	–
Market Conditions	Sep-16	Dec-15	Aug-16	Mar-16 List	Nov-15	Sep-16	Aug-16
Annual % Adjustment		13.50%			15.00%		
Cumulative Adjusted Price		$96,322	$62,500	$74,000	$85,100	$82,429	$98,795
Location - Region		–	–	–	–	–	–
- Specific		–	–	–	–	–	–
No. Of Lots		–	–	–	-$5,000	–	–
Min. Lot Size		-$10,395	$6,480	-$4,500	$1,521	-$864	-$13,875
Lot Premiums	Avg.	–	–	–	–	–	–
Entitlements	In Place	–	–	–	–	–	–
Other - Product Type	Traditional	–	$15,000	$15,000	$15,000	–	–
Net $ Adjustment		-$10,395	$21,480	$10,500	$11,521	-$864	-$13,875
Final Adjusted Price		$85,927	$83,980	$84,500	$96,621	$81,565	$84,920

Range	
Min:	**$81,565**
Max:	**$96,621**
Average:	**$86,252**
Indicated Value	**$83,000**

Land Value Conclusion – Sales Comparison Approach

The adjustments applied produced an adjusted range of $81,565 to $96,621. Relative to the 3,000 SF size category, Comparable 2, 5 and 6 are the best indicators for the subject; they are the most recent and received the lowest combination of adjustments among the sales. With primary reliance on these comparables, the sales comparison approach supports a value conclusion of $83,000 per finished lot, approximately.

Reconciliation of Subdivision Development Method and Sales Comparison Approach

Two methods were used in the valuation of the subject. The results of these methods are summarized as follows.

Quality of Analysis by Approach

Subdivision Development Method	Result	Comment
Reliability/Availability of Home Price Data	Good	Based on new home prices in N. Natomas and subject project
Reliability/Availability of Absorption Data	Average	Estimate of 3.00/month/product line is based on anticipated rate after more projects come online
Reliability/Availability of Expense/Cost Data	Good	Cost comparables for direct/in direct costs available; total costs market supported. Developer estimates consistent with comparable data
Reasonableness of Discount Rate/Profit	Good	Supported by regional IRR survey and national surveys
Overall	**Good**	**Requires Consideration**

Sales Comparison Approach	Result	Comment
Availability of Recent Sales	Good	3 2016 sales
Availability of Similar Projects	Good	5 of 6 sales were medium density
Proximity of Sales to Subject	Good	All comparables were in N. Natomas
Availability/Reliability of Comparable Cost/Fee Data	Good	Costs and fees were provided by parties directly involved
Other Factors		Comparable 3 is a listing, not a sale. This comparable requires guarded reliance
Overall	**Good**	**Requires Consideration**

In the subdivision development method, the cash flow for Product Line 2 resulted in a finished lot value of $83,000 per finished lot for the 3,000 SF size category. Our analysis of comparable sales yielded an estimate of $83,000 per lot. Therefore, we reconcile to a final conclusion of $83,000/lot for the 3,000 SF category.

As noted, while the sales comparison approach included data with a range of size types, the data was analyzed relative to a single lot size (3,000 SF) with lot size adjustments applied. Utilizing the calculated differences in lot size from the subdivision development method (2,280 SF category is $19,000 less than the 3,000 SF category, and the 5,250 SF category is $17,000 greater, we conclude lot values for the other lot size categories from the reconciled lot estimate.

Summary of Benchmark Values by Approach

Scenario	Lot Size Category	Subdivision Development Method	Sales Comparison Approach	Conclusion of Benchmark Value
Finished	2,280 SF Alley	$64,000	-	$64,000
Finished	3,000 SF Traditional	$83,000	$83,000	$83,000
Finished	5,250 SF Traditional	$98,000	-	$98,000

Determination of Value for Lot Size Categories

We apply adjustments to the benchmark lot values to determine lot values of other size categories. Specifically, adjustments are made for lot size (using various adjustment factors, figures rounded), project (Commons), active adult location and fee credits. Adjustment factors were estimated in the *Improvement Description* section.

Finished Lot Values by Lot Size Category

Builder	Village	Lot Size	Type	Benchmark Value	Size Adjustment	Commons Adjustment	Active Adult Fee Adjustment	Adjustment for No Credits	Concluded Finished Lot Value
K. Hovnanian	Village F	1,748	Alley and/or Cluster	$64,000	($5,000)				$59,000
K. Hovnanian	Village F	2,142	Alley and/or Cluster	$64,000	($1,000)				$63,000
K. Hovnanian	Village Q	2,142	Alley and/or Cluster	$64,000	($1,000)				$63,000
K. Hovnanian	Village A	2,280	Alley and/or Cluster	$64,000	$0				$64,000
K. Hovnanian	Village B**	2,280	Alley and/or Cluster	$64,000	$0			($8,000)	$56,000
Natomas Investors LLC	Village B/N/O	2,280	Alley and/or Cluster	$64,000	$0			($8,000)	$56,000
Natomas Investors LLC	Village A/D	2,494	Alley and/or Cluster	$64,000	$2,000			($8,000)	$58,000
K. Hovnanian	Village H/M*	2,880	Alley and/or Cluster	$64,000	$6,000		$10,000		$80,000
Lennar	Village C*	3,600	Alley and/or Cluster	$64,000	$13,000		$10,000	($8,000)	$79,000
K. Hovnanian	Village C*	3,600	Alley and/or Cluster	$64,000	$13,000		$10,000		$87,000
K. Hovnanian	Village A	3,000	Small Lot Traditional	$83,000	$0				$83,000
K. Hovnanian	Lot A	3,000	Small Lot Traditional	$83,000	$0				$83,000
Natomas Investors LLC	Village A	3,000	Small Lot Traditional	$83,000	$0			($8,000)	$75,000
Western Pacific Housing (DR Horton)	Village N	3,096	Small Lot Traditional	$83,000	$1,000			($8,000)	$76,000
K. Hovnanian	Parcel A	3,375	Small Lot Traditional	$83,000	$3,000				$86,000
K. Hovnanian	Village E/J/P	4,050	Small Lot Traditional	$83,000	$8,000	$17,000			$108,000
Taylor Morrison	Village E/I/P	5,250	Traditional	$98,000	$0			($8,000)	$90,000
K. Hovnanian	Village G/C*	5,460	Traditional	$98,000	$1,000		$10,000		$109,000
Lennar	Village G/C*	5,460	Traditional	$98,000	$1,000		$10,000	($8,000)	$101,000
Natomas Investors LLC	Village G*	5,775	Traditional	$98,000	$3,000		$10,000	($8,000)	$103,000
Lennar	Village G*	5,775	Traditional	$98,000	$3,000		$10,000	($8,000)	$103,000
K. Hovnanian	Village G*	5,775	Traditional	$98,000	$3,000		$10,000		$111,000
Shea Homes Limited Partnership	Village E/J/P	5,775	Traditional	$98,000	$3,000			($8,000)	$93,000
Shea Homes Limited Partnership	Village E/J	6,300	Traditional	$98,000	$5,000			($8,000)	$95,000
K. Hovnanian	Village K*	6,300	Traditional	$98,000	$5,000		$10,000		$113,000

*Active Adult
**Recently acquired from Natomas Investors LLC, so no fee credits allocated

Later in this report, the lot values above will be used to estimate revenue for each ownership.

Valuation of High Density/Multifamily Land Components

The subject properties include the high-density/multifamily components where entitlement modifications are in process. Below we summarize each property, its current approval and proposed land use.

High Density/Multifamily Components

		Current Approval			Proposed		
Lot	Acres	Units	Units/Acre	Type	Units	Units/Acre	Type
Lot B	6.98	100	14.3	Two and three story condominiums	54	7.7	Single-family, 3,016 SF lots
Lot E	6.25	116	18.6	Attached townhomes	46	7.4	Single-family, 3,000 SF lots

For the valuation of Lots B and E, we utilize the sales comparison approach. We researched unimproved multifamily land sales from within the Sacramento region. The basis of analysis is price per unit, which is typical for multifamily tracts. Our comparables are summarized on the following page.

Summary of Multifamily Land Sales

No.	Name/Address	Grantor Grantee *Confirmation*	Sale Date Doc Number Property Rights Sale Conditions/Financing	Zoning Acres Units Density	Sale Price Condition	Price/Lot	Special Taxes
1	Jefferson Lofts 3075 Redding Avenue Sacramento APN: 015-0101-021	NMC I LLC Campus Crest at Sacramento *Confirmation: Selling Broker*	Jan-14 1401240178 Fee Simple Market/All Cash to Seller	R-2B/RMX-TO 13.58 213 15.7	$2,300,000 Unimproved	$10,798	None
	This was an REO sale. The buyer had this property under contract for 18 to 24 months. While under contract, the buyer worked to "clean up" prior entitlements from the original owner and obtain architectural approvals. The property was originally intended to be an extension of an adjacent developed project.						
2	Multifamily Land NWC Bruceville and Jacinto Sacramento APN: 117-0910-041	Two Rivers Place LLC Not Applicable *Confirmation: Listing Broker*	Listing Fee Simple Market/All Cash to Seller	R-2B-R (21 units/acre max) 9.62 162 16.8	$2,600,000 Unimproved	$16,049	Minor (School)
	This is a current listing. The property has been on the market for two years. The seller acquired the property in an REO transaction. The property is approved for 162 multifamily units.						
3	Jefferson Lofts 3075 Redding Avenue Sacramento APN: 015-0101-021	Campus Crest at Sacramento Cav-Core Sacramento LLC *Confirmation: Secondary Confirmation*	Mar-15 1501230382 Fee Simple Above Market/All Cash to Seller	R-2B/RMX-TO 13.58 213 15.7	$4,000,000 Unimproved	$18,779	None
	This is a resale of the property above that sold in January 2014 for $2.3 milloin. The seller Campus Crest sold this site after a shakeup of upper management by the Board of Directors. The company decided to discontinue their construction and development arm and sell 9 undeveloped parcels nationwide. This site was put up for sale in November 2014 and the seller wanted to close by February 2015. While this sale is an arms-length transaction the sellers motivation to divest the site in a short period is considered to have impacted the sale price. The seller had received all entitlements for a 213-unit student housing oriented apartment complex. The entitlements were transferred with the sale and are considered to have a positive impact on the sale price.						
4	Oakmont of Carmichael 47147 Engle Road Carmichael APN: 256-0040-034	Baygell Properties Oakmont Senior Living *Confirmation: Buyer*	Jun-13 130612-77 Fee Simple Above Market/All Cash to Seller	BP-NPA 2.56 71 27.7 (proposed)	$1,500,000 Unimproved	$21,127	None
	April 2013 sale of vacant site proposed for development of 71 unit senior housing facility (assisted living residence) totaling 72,521 SF. The property was improved with a parking lot and had business park zoning. Multifamily development was permitted with a use permit. APN(s) at time of sale were 256-0040-031 & -032, which have since been combined into a single parcel (APN: 256-0040-034). The buyer procured all entitlement approvals, with closing occurring after approvals were obtained. The buyer's motivation and desired end use (assisted living) upwardly influenced the sale price.						

The data reflects an unadjusted range of $10,798 to $21,127 per unit. Limited new multifamily construction is occurring across the region as many multifamily sites remain infeasible to develop.

Prices per unit have been mostly steady, with approved projects achieving higher prices. Based on current approvals, we estimate a unit value of $12,000 per unit for the subject, which accounts for the lien of the Special Tax. The estimated value is at the low end of the range because for rent multifamily projects have limited profitability and/or lack of feasibility at current rents, and for sale prices (townhomes and condominiums) are not yet financially feasible.

The estimated unit values are extended to the total number of units below.

Lot B Analysis

Lot	Currently Approved Condominiums	Proposed 3,016 SF Traditional Lots
Unit Value	$12,000	$83,000
Less: Allocation for In-tracts*	$0	-$40,000
Less: Allocation for Profit at 3% of In-tracts	$0	-$1,200
Unimproved Value	$12,000	$41,800
Total Units	100	54
Total Value	$1,200,000	$2,257,200
Rounded:	**$1,200,000**	**$2,260,000**

*Typical SFR in-tract costs are $45K/lot in the Sac MSA

Lot E Analysis

Lot	Currently Approved Townhomes	Proposed 3,000 SF Alley/Cluster Lots
Unit Value	$12,000	$83,000
Less: Allocation for In-tracts*	$0	-$40,000
Less: Allocation for Profit at 3% of In-tracts	$0	-$1,200
Unimproved Value	$12,000	$41,800
Total Units	116	46
Total Value	$1,392,000	$1,922,800
Rounded:	**$1,390,000**	**$1,920,000**

*Typical SFR in-tract costs are $45K/lot in the Sac MSA; it is presumed in-tracts would be slightly lower ($40K/lot) for higher density projects

Above we show the estimated value of Lots B and E based on current approvals relative to the anticipated value with entitlements as proposed. Because Lots B and E require both a General Plan Amendment and Rezone, there is significant risk associated with procuring new entitlements. Therefore, the estimated values based on current approvals do not include any speculative value.

Valuation by Ownership

In this section, we estimate value by ownership by utilizing the previously estimated village lot values. Depending of the type and size of the properties owned, these revenues may require further discounting (via discounted cash flow analysis) to determine the bulk value of each ownership. Discounted cash flow analysis includes four primary components—revenue, expenses, absorption and discount rate. The discounted cash flow analyses are conducted on a semi-annual basis .

Revenue

Previously, we estimated the value of each single-family lot size as if finished, as well as unimproved land estimates for the high density/single-family components. Below we arrange the village revenues to show total revenues by ownership. Note that K. Hovnanian has an obligation to complete additional infrastructure and in-tract improvements, the cost of which will be deducted later in this section.

Revenue - K. Hovnanian

Type & Tax Zone	Village	Lot Size	No. Of Lots	Finished Lot Value	Revenue	Max. Special Tax
Market Rate - Zone 2 MDR	Village F	1,748	4	$59,000	$236,000	$1,170
Market Rate - Zone 2 MDR	Village F	2,142	51	$63,000	$3,213,000	$1,170
Market Rate - Zone 2 MDR	Village Q	2,142	21	$63,000	$1,323,000	$1,170
Market Rate - Zone 2 MDR	Village A	2,280	7	$64,000	$448,000	$1,170
Market Rate - Zone 2 MDR	Village B	2,280	54	$56,000	$3,024,000	$1,147
Market Rate - Zone 2 MDR	Village A	3,000	21	$83,000	$1,743,000	$1,170
Market Rate - Zone 2 MDR	Lot A	3,000	71	$83,000	$5,893,000	$1,170
Market Rate - Zone 2 MDR	Parcel A	3,375	96	$86,000	$8,256,000	$1,170
			325		$24,136,000	
					$74,265 per lot	
Active Adult - Zone 2 MDR	Village H/M*	2,880	131	$80,000	$10,480,000	$1,170
					$80,000 per lot	
Active Adult - Zone 1 LDR	Village G/C	5,460	23	$109,000	$2,507,000	$1,390
Active Adult - Zone 1 LDR	Village G	5,775	15	$111,000	$1,665,000	$1,390
Active Adult - Zone 1 LDR	Village K	6,300	3	$113,000	$339,000	$1,390
			41		$4,511,000	
					$110,024 per lot	
		Acres	Current Units	Proposed		
Active Adult - Zone 4 (per acre)	Lot B	6.98	100	54	$1,200,000	$633
Zone 4 (per acre)	Lot E	6.25	116	46	$1,390,000	$605
		Subtotal	216	100	$2,590,000	$618
					$11,991 per unit	
		Overall Total	713	597		
			(Existing)	(Proposed)		
				Total Revenue:	**$41,717,000**	

Revenue - Natomas Investors LLC						
				Finished Lot		Max.
Type & Tax Zone	Village	Lot Size	No. Of Lots	Value	Revenue	Special Tax
Market Rate - Zone 2 MDR	Village B/N/O	2,280	157	$56,000	$8,792,000	$1,170
Market Rate - Zone 2 MDR	Village A/D	2,494	66	$58,000	$3,828,000	$1,170
Market Rate - Zone 2 MDR	Village A	3,000	38	$75,000	$2,850,000	$1,170
			261		$15,470,000	
					$59,272 per lot	
Active Adult - Zone 1 LDR	Village G	5,775	1	$103,000	$103,000	$1,390
			1		$103,000	
					$103,000 per lot	
			262			
				Total Revenue:	**$15,573,000**	

Revenue - Lennar Homes of California Inc						
				Finished Lot		Max.
Type & Tax Zone	Village	Lot Size	No. Of Lots	Value	Revenue	Special Tax
Active Adult - Zone 2 MDR	Village C	3,600	82	$79,000	$6,478,000	$1,170
					$79,000 per lot	
Active Adult - Zone 1 LDR	Village G/C	5,460	73	$101,000	$7,373,000	$1,390
Active Adult - Zone 1 LDR	Village G	5,775	61	$103,000	$6,283,000	$1,390
			134		$13,656,000	
					$101,910 per lot	
			216			
				Total Revenue:	**$20,134,000**	

Revenue - Western Pacific Housing (DR Horton)						
				Finished Lot		Max.
Type & Tax Zone	Village	Lot Size	No. Of Lots	Value	Revenue	Special Tax
Market Rate - Zone 2 MDR	Village N	3,096	70	$76,000	$5,320,000	$1,170
				Total Revenue:	**$5,320,000**	

Revenue - Shea Limited Partnership						
				Finished Lot		Max.
Type & Tax Zone	Village	Lot Size	No. Of Lots	Value	Revenue	Special Tax
Market Rate - Zone 1 LDR	Village E/J/P	5,775	131	$93,000	$12,183,000	$1,390
Market Rate - Zone 1 LDR	Village E/J	6,300	46	$95,000	$4,370,000	$1,390
			177	**Total:**	**$16,553,000**	
					$93,520 per lot	

Revenue - Taylor Morrison of CA						
Type & Tax Zone	Village	Lot Size	No. Of Lots	Finished Lot Value	Revenue	Max. Special Tax
Market Rate - Zone 1 LDR	Village E/I/P	5,250	12	$90,000	$1,080,000	$1,390
				Total Revenue	**$1,080,000**	

Taylor Morrison Homes owns 12 finished lots. This number of lots would likely sell to another builder in one transaction. Therefore, no further discounting is value and the value of the lots owned by Taylor Morrison is concluded to be $1,080,000 .

Similarly, Western Pacific Housing (DR Horton) owns 70 lots which also would likely transfer in one bulk transaction. The value of the lots owned by Western Pacific Housing (DR Horton) is concluded to be $5,320,000 .

As noted in the *Residential Market Analysis* section, home and lot pricing has increased in recent months, particularly for projects with pricing below $400,000. We expect home prices will increase 5% per year into the foreseeable future. Our analysis shows that 5% increases in home prices will lead to a more pronounced percentage increase in finished lot prices. However, buyers of lots in bulk rarely include this type of elevated appreciation when making purchasing decisions as it would lead to only a minor discount overall for retail vs. bulk value. For the disposition of the subject lots, we have appreciated revenue 2.5% per period (based on 5% per year), which reflects inflationary increases and a nominal allocation for price appreciation.

Absorption

In the *Absorption Analysis* section of the *Residential Market Overview*, we estimated a projected sell-off of the subject properties that considered current ownerships, phasing and home demand. For properties owned by K. Hovnanian, the estimated revenue schedule is as follows:

Single-Family Lot Absorption - K. Hovnanian									
Type & Tax Zone		Totals	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rate - Zone 2 MDR	Lots Sold In Bulk:	325	108	108	109				
Market Rate - Zone 1 LDR	Lots Sold In Bulk:	0	0	0	0				
	Total Bulk Lot Sales in Cash Flow:	325	108	108	109				
	Projected Market Rate Home Demand (From Absorption Analysis):	-	*108*	*108*	*108*	*47*			
Active Adult - Zone 2 MDR	Bulk Lot Sales:	131	66	0	65	0			
Active Adult - Zone 1 LDR	Bulk Lot Sales:	41	21	0	20	0			
	Total Bulk Lot Sales in Cash Flow:	172	87	0	85	0			
	Projected Active Adult Home Demand (From Absorption Analysis):	-	*48*	*48*	*48*	*48*			
	Overall Total Sales in Cash Flow:	**497**	**195**	**108**	**194**	**0**			

In addition to the revenues from the above, the discounted cash flow for K. Hovnanian reflects the high density/multifamily components selling as unimproved in Period 1 (Quarter 1), since the probable buyer in their current condition is a developer that would seek to procure single-family residential entitlements.

For properties owned by Natomas Investors LLC, the estimated revenue schedule is as follows:

Single-Family Lot Absorption - Natomas Investors LLC									
Type & Tax Zone		Bulk Lot Sales	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rate - Zone 2 MDR	Lots Sold In Bulk:	261	0	130	0	131	0		
Active Adult - Zone 1 LDR	Lots Sold In Bulk:	1	0	1	0	0	0		
Projected Active Adult Home Demand (From Absorption Analysis):		-	*0*	*72*	*72*	*72*	*46*		
	Overall Total Sales in Cash Flow:	**262**	**0**	**131**	**0**	**131**	**0**		

For properties owned by Lennar Homes of California Inc, the estimated revenue schedule is as follows:

Single-Family Lot Absorption - Lennar Homes of California Inc									
Type & Tax Zone		Bulk Lot Sales	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Active Adult - Zone 2 MDR	Lots Sold In Bulk:	82	36	0	46	0	0		
Active Adult - Zone 1 LDR	Lots Sold In Bulk:	134	60	0	74	0	0		
	Total Bulk Lot Sales in Cash Flow:	216	96	0	120	0	0		
Projected Active Adult Home Demand (From Absorption Analysis):		-	*48*	*48*	*48*	*48*	*25*		
	Overall Total Sales in Cash Flow:	**216**	**96**	**0**	**120**	**0**	**0**		

For properties owned by Shea Homes, the estimated revenue schedule is as follows:

Single-Family Lot Absorption - Shea Limited Partnership									
Type & Tax Zone		Bulk Lot Sales	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rate - Zone 1 LDR	Lots Sold In Bulk:	177	72	0	105	0	0		
Projected Market Rate Home Demand (From Absorption Analysis):		-	*24*	*48*	*48*	*48*	*9*		
	Overall Total Sales in Cash Flow:	**177**	**72**	**0**	**105**	**0**	**0**		

As noted, the properties owned by Taylor Morrison are expected to be sold within 12 months and do not require discounting because they would likely transfer in one bulk transaction.

Expenses

The discounted cash flow analyses account for the following expense items:

General and Administrative Expenses

General and administrative expenses would include management of project entitlements and Community Facilities District financing, as well as coordination with others. We have estimated this expense at 1.5% of revenue, which is spread evenly over the sell-off period.

Marketing and Sale
Based on single-family revenue, we have estimated an expense of 2.0% for sales, which is within market parameters. For the sell-off of villages to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

Ad Valorem Real Estate Taxes
Base real estate taxes (excluding all assessments) have been estimated using the current tax rate of 1.22% (rounded) applied to the market value. Base taxes at this rate have been applied to the total period inventory each quarter based on the final value estimate. Taxes are appreciated 2% every two periods (one year).

Direct Levies
Net of CFD No. 2006-02, direct levies for the subject as vacant lots are expected to be around $282 per year. This amount is applied to the total period inventory each period.

Special Taxes
Special Taxes are $1,170 per year for medium density components and $1,390 per year for low density components. The weighted Special Tax for multifamily components is approximately $618 per year. The Special Taxes are applied to total period inventory for each component and are increased 2% every two periods (one year).

HOA
The subject lots have an HOA fee of $420 per year, which is applied to the total period inventory each quarter. Note that homes within Four Seasons (active adult) have an additional HOA fee (clubhouse amenities, etc.), but this fee does not become effective until after certificates of occupancy are issued.

Site Development Costs
K. Hovnanian has remaining in-tract costs for its single-family villages. Remaining in-tract costs total $10,277,782 , as summarized in the *Property Analysis* section. This cost is spread over Periods 1 and 2, with Period 2 expenses appreciated upward 1.01% (based on 2% per year). Natomas Investors LLC, Lennar, Taylor Morrison and Shea Homes do not have any remaining in-tract development costs.

Discount Rate

The final element in the discounted cash flow analysis is the discount rate that 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 and complexity of the project and can be affected by numerous other factors. The discount rate is inclusive of developer profit.

A survey of discount rates was presented in the Subdivision Development Method section of this report.

The subject properties have several positive characteristics. Home demand for the targeted market segments is strong; the location is nearby employment centers; and site development is mostly complete. For the analysis of lots owned by K. Hovnanian, Natomas Investors LLC, Lennar and Shea Limited Partners, a discount rate of 15% is estimated.

Conclusion

The discounted cash flow analyses are presented on the following pages.

DISCOUNTED CASH FLOW ANALYSIS - PROPERTIES OWNED BY K. HOVNANIAN

REVENUE AND SALES	6 mos/period	0	1	2	3	4	5	6	7
MARKET RATE ZONE 2 LOT SALES		325	108	0	108	0	109	0	0
TOTAL PERIOD INVENTORY			325	217	217	109	109	0	0
MARKET RATE ZONE 1 LOT SALES		0	0	0	0	0	0	0	0
TOTAL PERIOD INVENTORY			0	0	0	0	0	0	0
ACTIVE ADULT ZONE 2 LOT SALES		131	66	0	0	0	65	0	0
TOTAL PERIOD INVENTORY			131	65	65	65	65	0	0
ACTIVE ADULT ZONE 1 LOT SALES		41	21	0	0	0	20	0	0
TOTAL PERIOD INVENTORY			41	20	20	20	20	0	0
	Total Lots Sold:	497	195	0	108	0	194	0	0
		Total							
MARKET RATE ZONE 2 REVENUE		$24,136,000	$8,020,578	$0	$8,020,578	$0	$8,094,843	$0	$0
MARKET RATE ZONE 1 REVENUE		$0	$0	$0	$0	$0	$0	$0	$0
ACTIVE ADULT ZONE 2 REVENUE		$10,480,000	$5,280,000	$0	$0	$0	$5,200,000	$0	$0
ACTIVE ADULT ZONE 1 REVENUE		$4,511,000	$2,310,512	$0	$0	$0	$2,200,488	$0	$0
TOTAL SFR REVENUE			$15,611,091	$0	$8,020,578	$0	$15,495,331	$0	$0
TOTAL SFR REVENUE AFTER APPRECIATION		1.0250	$15,611,091	$0	$8,426,620	$0	$17,103,946	$0	$0
MULTIFAMILY REVENUE		$2,590,000	$2,590,000	$0	$0	$0	$0	$0	$0
TOTAL MF REVENUE AFTER APPRECIATION		1.0250	$2,590,000	$0	$0	$0	$0	$0	$0
TOTAL REVENUE BEFORE APPRECIATION		$41,717,000	$18,201,091	$0	$8,020,578	$0	$15,495,331	$0	$0
TOTAL REVENUE AFTER APPRECIATION		$43,731,657	$18,201,091	$0	$8,426,620	$0	$17,103,946	$0	$0
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE	1.5%	$655,975	$131,195	$131,195	$131,195	$131,195	$131,195	$0	$0
MARKETING/COMMISSIONS	2.0%	$874,633	$364,022	$0	$168,532	$0	$342,079	$0	$0
AD VALOREM	$286,456	$415,933	$143,228	$80,738	$82,353	$54,265	$55,350	$0	$0
DIRECT LEVIES	$282	$209,949	$70,077	$42,582	$42,582	$27,354	$27,354	$0	$0
SPECIAL TAX MARKET RATE ZONE 2	$1,170	$577,935	$190,125	$126,945	$129,484	$65,040	$66,341	$0	$0
SPECIAL TAX MARKET RATE ZONE 1	$1,390	$0	$0	$0	$0	$0	$0	$0	$0
SPECIAL TAX ACTIVE ADULT ZONE 2	$1,170	$275,377	$91,045	$45,175	$46,079	$46,079	$47,000	$0	$0
SPECIAL TAX ACTIVE ADULT ZONE 1	$1,390	$85,213	$28,495	$13,900	$14,178	$14,178	$14,462	$0	$0
SPECIAL TAX MF ZONES 4	$618	$66,744	$66,744	$0	$0	$0	$0	$0	$0
HOA	$420	$312,690	$104,370	$63,420	$63,420	$40,740	$40,740	$0	$0
	Subtotal:	$3,474,448	$1,189,301	$503,955	$677,822	$378,850	$724,520	$0	$0
REMAINING IN-TRACTS (BEFORE APPRECIATION)		$10,277,782	$5,138,891	$5,138,891	$0	$0	$0	$0	$0
REMAINING IN-TRACTS (AFTER APPRECIATION)		1.0100	$5,138,891	$5,190,280	$0	$0	$0	$0	$0
TOTAL EXPENSES		$13,803,619	$6,328,192	$5,694,235	$677,822	$378,850	$724,520	$0	$0
NET INCOME		$29,928,037	$11,872,899	($5,694,235)	$7,748,798	($378,850)	$16,379,426	$0	$0
PRESENT VALUE FACTOR	15.0%		0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275
DISCOUNTED CASH FLOW		$23,480,174	$11,044,557	($4,927,407)	$6,237,477	($283,683)	$11,409,230	$0	$0
VALUE CONCLUSION		**$23,480,000**							

DISCOUNTED CASH FLOW ANALYSIS - PROPERTIES OWNED BY NATOMAS INVESTORS LLC

REVENUE AND SALES	6 mos/period	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**
MARKET RATE ZONE 2 LOT SALES		261	0	0	130	0	131	0	0
TOTAL PERIOD INVENTORY			261	261	261	131	131	0	0
ACTIVE ADULT ZONE 1 LOT SALES		1	0	1	0	0	0	0	0
TOTAL PERIOD INVENTORY			1	1	0	0	0	0	0
	Total Lots Sold:	262	0	1	130	0	131	0	0
		Total							
MARKET RATE ZONE 2 REVENUE		$15,470,000	$0	$0	$7,705,364	$0	$7,764,636	$0	$0
ACTIVE ADULT ZONE 1 REVENUE		$103,000	$0	$103,000	$0	$0	$0	$0	$0
TOTAL SFR REVENUE			$0	$103,000	$7,705,364	$0	$7,764,636	$0	$0
TOTAL SFR REVENUE AFTER APPRECIATION		1.0250	$0	$105,575	$8,095,448	$0	$8,570,705	$0	$0
TOTAL REVENUE BEFORE APPRECIATION		$15,573,000	$0	$103,000	$7,705,364	$0	$7,764,636	$0	$0
TOTAL REVENUE AFTER APPRECIATION		$16,771,728	$0	$105,575	$8,095,448	$0	$8,570,705	$0	$0
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE	1.5%	$251,576	$50,315	$50,315	$50,315	$50,315	$50,315	$0	$0
MARKETING/COMMISSIONS	2.0%	$335,435	$0	$2,112	$161,909	$0	$171,414	$0	$0
AD VALOREM	$135,054.00	$272,847	$67,527	$67,527	$68,422	$34,342	$35,029	$0	$0
DIRECT LEVIES	$282	$147,627	$36,942	$36,942	$36,801	$18,471	$18,471	$0	$0
SPECIAL TAX MARKET RATE ZONE 2	$1,170	$619,007	$152,685	$152,685	$155,739	$78,168	$79,731	$0	$0
SPECIAL TAX MARKET RATE ZONE 1	$1,390	$1,390	$695	$695	$0	$0	$0	$0	$0
HOA	$420	$219,870	$55,020	$55,020	$54,810	$27,510	$27,510	$0	$0
	Subtotal:		$363,865	$365,977	$527,996	$208,806	$382,470	$0	$0
REMAINING IN-TRACTS (BEFORE APPRECIATION)		$0	$0	$0	$0	$0	$0	$0	$0
REMAINING IN-TRACTS (AFTER APPRECIATION)		1.0250	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$1,849,114	$363,865	$365,977	$527,996	$208,806	$382,470	$0	$0
NET INCOME		$14,922,614	($363,865)	($260,402)	$7,567,452	($208,806)	$8,188,235	$0	$0
PRESENT VALUE FACTOR	15.0%		0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275
DISCOUNTED CASH FLOW		$11,074,919	($338,479)	($225,334)	$6,091,501	($156,354)	$5,703,586	$0	$0
VALUE CONCLUSION		**$11,070,000**							

DISCOUNTED CASH FLOW ANALYSIS - PROPERTIES OWNED BY LENNAR HOMES OF CALIFORNIA INC

REVENUE AND SALES	6 mos/period	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**
ACTIVE ADULT ZONE 2 LOT SALES		82	36	0	0	0	46	0	0
TOTAL PERIOD INVENTORY			82	46	46	46	46	0	0
ACTIVE ADULT ZONE 1 LOT SALES		134	60	0	0	0	74	0	0
TOTAL PERIOD INVENTORY			134	74	74	74	74	0	0
	Total Lots Sold:	216	96	0	0	0	120	0	0
		Total							
ACTIVE ADULT ZONE 2 REVENUE		$6,478,000	$2,844,000	$0	$0	$0	$3,634,000	$0	$0
ACTIVE ADULT ZONE 1 REVENUE		$13,656,000	$6,114,627	$0	$0	$0	$7,541,373	$0	$0
TOTAL SFR REVENUE			$8,958,627	$0	$0	$0	$11,175,373	$0	$0
TOTAL SFR REVENUE AFTER APPRECIATION		1.0250	$8,958,627	$0	$0	$0	$12,335,521	$0	$0
TOTAL REVENUE BEFORE APPRECIATION		$20,134,000	$8,958,627	$0	$0	$0	$11,175,373	$0	$0
TOTAL REVENUE AFTER APPRECIATION		$21,294,148	$8,958,627	$0	$0	$0	$12,335,521	$0	$0
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE	1.5%	$319,412	$63,882	$63,882	$63,882	$63,882	$63,882	$0	$0
MARKETING/COMMISSIONS	2.0%	$425,883	$179,173	$0	$0	$0	$246,710	$0	$0
AD VALOREM	$188,734	$308,092	$94,367	$52,378	$53,426	$53,426	$54,494	$0	$0
DIRECT LEVIES	$282	$98,136	$30,456	$16,920	$16,920	$16,920	$16,920	$0	$0
SPECIAL TAX ACTIVE ADULT ZONE 2	$1,170	$187,440	$56,990	$31,970	$32,609	$32,609	$33,262	$0	$0
SPECIAL TAX ACTIVE ADULT ZONE 1	$1,390	$302,985	$93,130	$51,430	$52,459	$52,459	$53,508	$0	$0
HOA	$420	$146,160	$45,360	$25,200	$25,200	$25,200	$25,200	$0	$0
	Subtotal:		$563,358	$241,781	$244,496	$244,496	$493,977	$0	$0
REMAINING IN-TRACTS (BEFORE APPRECIATION)		$0	$0	$0	$0	$0	$0	$0	$0
REMAINING IN-TRACTS (AFTER APPRECIATION)		1.0250	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$1,788,108	$563,358	$241,781	$244,496	$244,496	$493,977	$0	$0
NET INCOME		$19,506,039	$8,395,269	($241,781)	($244,496)	($244,496)	$11,841,544	$0	$0
PRESENT VALUE FACTOR	15.0%		0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275
DISCOUNTED CASH FLOW		$15,468,772	$7,809,552	($209,221)	($196,810)	($183,079)	$8,248,330	$0	$0
VALUE CONCLUSION		**$15,470,000**							

DISCOUNTED CASH FLOW ANALYSIS - PROPERTIES OWNED BY SHEA LIMITED PARTNERSHIP

REVENUE AND SALES	6 mos/period	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**
MARKET RATE ZONE 1 LOT SALES		177	0	72	0	0	105	0	0
TOTAL PERIOD INVENTORY			177	177	105	105	105	0	0
	Total Lots Sold:	177	0	72	0	0	105	0	0
		Total							
MARKET RATE ZONE 1 REVENUE		$16,553,000	$0	$6,733,424	$0	$0	$9,819,576	$0	$0
TOTAL SFR REVENUE			$0	$6,733,424	$0	$0	$9,819,576	$0	$0
TOTAL SFR REVENUE AFTER APPRECIATION		1.0250	$0	$6,901,759	$0	$0	$10,838,975	$0	$0
TOTAL REVENUE BEFORE APPRECIATION		$16,553,000	$0	$6,733,424	$0	$0	$9,819,576	$0	$0
TOTAL REVENUE AFTER APPRECIATION		$17,740,734	$0	$6,901,759	$0	$0	$10,838,975	$0	$0
EXPENSES AND CASH FLOWS									
GENERAL AND ADMINISTRATIVE	1.5%	$266,111	$53,222	$53,222	$53,222	$53,222	$53,222	$0	$0
MARKETING/COMMISSIONS	2.0%	$354,815	$0	$138,035	$0	$0	$216,779	$0	$0
AD VALOREM	$125,195	$239,583	$62,598	62597.5	$37,877	$37,877	$38,634	$0	$0
DIRECT LEVIES	$282	$94,329	$24,957	$24,957	$14,805	$14,805	$14,805	$0	$0
SPECIAL TAX MARKET RATE ZONE 1	$1,390	$470,822	$123,015	$123,015	$74,435	$74,435	$75,923	$0	$0
HOA	$420	$140,490	$37,170	$37,170	$22,050	$22,050	$22,050	$0	$0
	Subtotal:		$300,962	$438,997	$202,388	$202,388	$421,414	$0	$0
REMAINING IN-TRACTS (BEFORE APPRECIATION)		$0	$0	$0	$0	$0	$0	$0	$0
REMAINING IN-TRACTS (AFTER APPRECIATION)		1.0250	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$1,566,150	$300,962	$438,997	$202,388	$202,388	$421,414	$0	$0
NET INCOME		$16,174,584	($300,962)	$6,462,762	($202,388)	($202,388)	$10,417,561	$0	$0
PRESENT VALUE FACTOR	15.0%		0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275
DISCOUNTED CASH FLOW		$12,254,453	($279,964)	$5,592,439	($162,915)	($151,549)	$7,256,442	$0	$0
VALUE CONCLUSION		**$12,250,000**							

Final Opinions of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, our value opinions follow:

Value Conclusions

Ownership	Description	Market Value By Ownership		
K. Hovnanian at Westshore LLC	599 Lots	$23,480,000		(not-less-than bulk value)
Natomas Investors LLC (Farallon)	262 Lots	$11,070,000		(bulk value)
Lennar Homes of California Inc	216 Lots	$15,470,000		(not-less-than bulk value)
Western Pacific Housing Inc	70 Lots	$5,320,000		(bulk value)
Shea Homes Limited Partnership	177 Lots	$12,250,000		(bulk value)
Taylor Morrison of CA LLC	12 Lots	$1,080,000		(not-less-than bulk value)
Individual Homeowners (Closed 2015-2016)	173 Homes	$61,880,000	*	(not-less-than aggregate value)
Individual Homeowners (Closed 2007-2010, based on Assessed Values)	445 Homes	$131,590,000	*	(aggregate value)
	Total:	$262,140,000	*	(not-less-than aggregate value)

*Aggregate value. Not a market value in bulk.
Note: All values based on a hypothetical condition

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. K. Hovnanian is the master developer who completed backbone infrastructure for the project. The master developer has fee credits that were considered in our anlaysis. Based on our interviews with the master developer, it appears other primary owners in the project (Natomas Investors LLC, Shea Limited Partnership, Lennar Homes of California, Western Pacific Housing and Taylor Morrison of CA) do not have fee credits (which would have been obtained from the master developer at the time the lots were acquired in 2006/2007). We did not verify this information directly with the other primary owners. Our analysis assumes these other primary owners do not have fee credits.
2. Our analysis relied on site development costs provided by K. Hovnanian. The reported costs were reasonable relative to our knowledge of costs at other projects. It is an extraordinary assumption that the actual site development costs will be similar to the costs represented herein.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, Bonds had not been sold. The market values estimated herein are based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2006-02 had just been sold and the properties were encumbered by Special Taxes as described herein. The market value estimates acccount for the impact of the lien of the Special Tax securing the Bonds.

Exposure Time

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the Glossary of Terms in the Addenda. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current economic conditions. Demand remains high for bulk purchase of lots. With competitive pricing, transfers of similar properties in the region were typically occurring within 6 to 12 months of exposure. At the concluded value(s) and as of the date of value, it is estimated that the transfer of the subject property would have occurred within 6 months of initial exposure.

Marketing Time

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 6 months for the concluded value(s).

We foresee no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be the same as the exposure time.

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 previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Jarrod Hodgson made a personal inspection of the property that is the subject of this report. Scott Beebe, MAI, FRICS, also inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Scott Beebe, MAI, FRICS has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Jarrod Hodgson has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Jarrod Hodgson
Certified General Real Estate Appraiser
CA Certificate # AG040480
Expires: June 8, 2018

Scott Beebe, MAI, FRICS
Certified General Real Estate Appraiser
CA Certificate # AG015266
Expires: February 10, 2017

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 or toxic mold 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 changes in any 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. Integra Realty Resources – Sacramento authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
11. Information, estimates and opinions contained in the report and 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 the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, 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 any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence.

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.

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. K. Hovnanian is the master developer who completed backbone infrastructure for the project. The master developer has fee credits that were considered in our anlaysis. Based on our interviews with the master developer, it appears other primary owners in the project (Natomas Investors LLC, Shea Limited Partnership, Lennar Homes of California, Western Pacific Housing and Taylor Morrison of CA) do not have fee credits (which would have been obtained from the master developer at the time the lots were acquired in 2006/2007). We did not verify this information directly with the other primary owners. Our analysis assumes these other primary owners do not have fee credits.
2. Our analysis relied on site development costs provided by K. Hovnanian. The reported costs were reasonable relative to our knowledge of costs at other projects. It is an extraordinary assumption that the actual site development costs will be similar to the costs represented herein.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, Bonds had not been sold. The market values estimated herein are based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2006-02 had just been sold and the properties were encumbered by Special Taxes as described herein. The market value estimates acccount for the impact of the lien of the Special Tax securing the Bonds.

Addendum A

Appraiser Qualifications

Jarrod Hodgson

Integra Realty Resources
Sacramento

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Sacramento, CA 95811

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F 916-554-6493

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Experience

Mr. Hodgson specializes in the valuation of land, transitional land, residential subdivisions and master planned communities, with 700± properties appraised in this field. He also appraises retail, office and industrial properties. In addition to lender and owner appraisals, many assignments pertain to Assessment or Community Facilities Districts, where local governments sell bonds to assist with the financing of infrastructure. Other clients have included municipal agencies for right-of-way valuation. Associated with Seevers Jordan Ziegenmeyer from 2003 - mid 2014.

While a graduate student at UC Davis, Mr. Hodgson was a teaching assistant for real estate economics and linear regression analysis. He also was employed by the Institute of Governmental Affairs, where he developed linear regression models to quantify the impact of Mexican government subsidies on migrant-worker remittances in the United States.

Mr. Hodgson was named “Outstanding Senior” while finishing his undergraduate degree, which is awarded to the individual with the strongest potential to contribute to his or her field of study (Agricultural Economics).

Licenses

California, Certified General Real Estate Appraiser, AG040480, Expires June 2018

Education

Masters of Science, Agricultural & Resource Economics, University of California - Davis

Bachelor of Science, Managerial Economics, University of California - Davis

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, and is currently a Candidate for Designation.

jhodgson@irr.com - 916-949-7362

Scott Beebe, MAI, FRICS

Integra Realty Resources
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Experience

Senior Managing Director for Integra Realty Resources-Sacramento in Northern California. Background includes 30 years of consultation and valuation analysis for the general public on commercial and residential properties. Recent experience is concentrated in major urban and suburban developments in Northern California and Nevada. Associated with R. Robinson & Associates from 1982-1986. Vice President of W. F. Smith Company in Austin, Texas from 1986 to 1991. Co-founder of Morgan, Beebe and Harper of Austin, Las Vegas and Sacramento in 1991. In 2000 Morgan, Beebe and Harper became Morgan, Beebe and Leck, Inc. and later that year joined with Integra to become Integra Realty Resources - Sacramento.

Mr. Beebe and his firm are experienced in the analysis of various property types including: land and master planned communities, multi-family, retail, office, industrial, and special purpose properties in Northern California and Nevada. Specialized property types include all types of lodging facilities, LIHTC and senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, assessment districts, self-storage facilities, regional malls and power centers and others. Services provided include valuation analyses, feasibility and market studies, litigation support and real estate counseling. Clients served include various financial concerns, law and public accounting firms, private and public agencies, pension and advisory companies, investment firms, and the general public. Further, utilizing the resources of Integra's 58 offices nationwide, the firm is actively involved in the completion of large portfolio engagements.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)
Royal Institute of Chartered Surveyors, Fellow (FRICS)

Licenses

California, Certified General Real Estate Appraiser, AG015266, Expires February 2017
Nevada, Certified General Appraiser, A.0007073-CG, Expires November 2016

Education

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

Qualified Before Courts & Administrative Bodies

United States Bankruptcy Court, Northern District of California
Travis County District Court, Texas
Bexar County District Court, Texas
Various Arbitration Courts in Northern California

sbeebe@irr.com - 916.949.7360

Integra Realty Resources, Inc.
Corporate Profile

Integra Realty Resources, Inc. offers the most comprehensive property valuation and counseling coverage in the United States with 63 independently owned and operated offices in 33 states and the Caribbean. Integra was created for the purpose of combining the intimate knowledge of well-established local firms with the powerful resources and capabilities of a national company. Integra offers integrated technology, national data and information systems, as well as standardized valuation models and report formats for ease of client review and analysis. Integra's local offices have an average of 25 years of service in the local market, and each is headed by a Senior Managing Director who is an MAI member of the Appraisal Institute.

A listing of IRR's local offices and their Senior Managing Directors follows:

ATLANTA, GA - Sherry L. Watkins., MAI, FRICS
AUSTIN, TX - Randy A. Williams, MAI, SR/WA, FRICS
BALTIMORE, MD - G. Edward Kerr, MAI, MRICS
BIRMINGHAM, AL - Rusty Rich, MAI, MRICS
BOISE, ID - Bradford T. Knipe, MAI, ARA, CCIM, CRE, FRICS
BOSTON, MA - David L. Cary, Jr., MAI, MRICS
CHARLESTON, SC - Cleveland "Bud" Wright, Jr., MAI
CHARLOTTE, NC - Fitzhugh L. Stout, MAI, CRE, FRICS
CHICAGO, IL - Denis Gathman, MAI, CRE, FRICS, SRA
CHICAGO, IL - Eric L. Enloe, MAI, FRICS
CINCINNATI, OH - Gary S. Wright, MAI, FRICS
CLEVELAND, OH - Douglas P. Sloan, MAI
COLUMBIA, SC - Michael B. Dodds, MAI, CCIM
COLUMBUS, OH - Bruce A. Daubner, MAI, FRICS
DALLAS, TX - Mark R. Lamb, MAI, CPA, FRICS
DAYTON, OH - Gary S. Wright, MAI, FRICS
DENVER, CO - Brad A. Weiman, MAI, FRICS
DETROIT, MI - Anthony Sanna, MAI, CRE, FRICS
FORT WORTH, TX - Gregory B. Cook, SR/WA
GREENSBORO, NC - Nancy Tritt, MAI, SRA, FRICS
GREENVILLE, SC - Michael B. Dodds, MAI, CCIM
HARTFORD, CT - Mark F. Bates, MAI, CRE, FRICS
HOUSTON, TX - David R. Dominy, MAI, CRE, FRICS
INDIANAPOLIS, IN - Michael C. Lady, MAI, SRA, CCIM, FRICS
JACKSONVILLE, FL - Robert Crenshaw, MAI
KANSAS CITY, MO/KS - Kenneth Jaggers, MAI, FRICS
LAS VEGAS, NV - Shelli L. Lowe, MAI, SRA, FRICS
LOS ANGELES, CA - John G. Ellis, MAI, CRE, FRICS
LOS ANGELES, CA - Matthew J. Swanson, MAI
LOUISVILLE, KY - Stacey Nicholas, MAI, MRICS
MEMPHIS, TN - J. Walter Allen, MAI, FRICS
MIAMI/PALM BEACH, FL - Scott M. Powell, MAI, FRICS
MIAMI/PALM BEACH, FL- Anthony M. Graziano, MAI, CRE, FRICS
MINNEAPOLIS, MN - Michael F. Amundson, MAI, CCIM, FRICS
NAPLES, FL - Carlton J. Lloyd, MAI, FRICS
NASHVILLE, TN - R. Paul Perutelli, MAI, SRA, FRICS
NEW JERSEY COASTAL - Halvor J. Egeland, MAI
NEW JERSEY NORTHERN - Barry J. Krauser, MAI, CRE, FRICS
NEW YORK, NY - Raymond T. Cirz, MAI, CRE, FRICS
ORANGE COUNTY, CA - Larry D. Webb, MAI, FRICS
ORLANDO, FL - Christopher Starkey, MAI, MRICS
PHILADELPHIA, PA - Joseph D. Pasquarella, MAI, CRE, FRICS
PHOENIX, AZ - Walter 'Tres' Winius III, MAI, CRE, FRICS
PITTSBURGH, PA - Paul D. Griffith, MAI, CRE, FRICS
PORTLAND, OR - Brian A. Glanville, MAI, CRE, FRICS
PROVIDENCE, RI - Gerard H. McDonough, MAI, FRICS
RALEIGH, NC - Chris R. Morris, MAI, FRICS
RICHMOND, VA - Kenneth L. Brown, MAI, CCIM, FRICS
SACRAMENTO, CA - Scott Beebe, MAI, FRICS
ST. LOUIS, MO - P. Ryan McDonald, MAI, FRICS
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SAN ANTONIO, TX - Martyn C. Glen, MAI, CRE, FRICS
SAN DIEGO, CA - Jeff A. Greenwald, MAI, SRA, FRICS
SAN FRANCISCO, CA - Jan Kleczewski, MAI, FRICS
SARASOTA, FL - Carlton J. Lloyd, MAI, FRICS
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TAMPA, FL - Bradford L. Johnson, MAI, MRICS
TULSA, OK - Robert E. Gray, MAI, FRICS
WASHINGTON, DC - Patrick C. Kerr, MAI, SRA, FRICS
WILMINGTON, DE - Douglas L. Nickel, MAI, FRICS
CARIBBEAN/CAYMAN ISLANDS - James Andrews, MAI, FRICS

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Addendum B

Definitions

Definitions

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition,* Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date of Appraisal
The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

Entitlement
In the context of ownership, use, or development of real property, the right to receive governmental approvals for annexation, zoning, utility extensions, construction permits, and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights, and may represent an enhancement to a property's value.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her

contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Lease

A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e, a lease).

Leasehold Interest

The tenant's possessory interest created by a lease.

Liquidation Value
The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Addendum C

Assessor Parcels by Ownership

Parcels Owned by K. Hovnanian

Count	Area	Parcel Number	Count	Area	Parcel Number
1	Village A	22523400940000	207	Village H/M	22526000840000
2	Village A	22523400950000	208	Village H/M	22526000850000
3	Village A	22523400960000	209	Village H/M	22526000860000
4	Village A	22523401000000	210	Village H/M	22526000870000
5	Village A	22523401190000	211	Village H/M	22526000880000
6	Village A	22523401200000	212	Village H/M	22526000890000
7	Village A	22523401210000	213	Village H/M	22526000900000
8	Village A	22523401220000	214	Village H/M	22526000910000
9	Village A	22523401230000	215	Village H/M	22526000920000
10	Village A	22523401240000	216	Village F	22526100010000
11	Village A	22523401250000	217	Village F	22526100020000
12	Village A	22523401260000	218	Village F	22526100070000
13	Village A	22523401330000	219	Village F	22526100080000
14	Village A	22523401350000	220	Village F	22526100090000
15	Village A	22523401360000	221	Village F	22526100100000
16	Village A	22523401370000	222	Village F	22526100110000
17	Village A	22523401380000	223	Village F	22526100120000
18	Village A	22523401390000	224	Village F	22526100130000
19	Village A	22523401420000	225	Village F	22526100140000
20	Village A	22523401440000	226	Village F	22526100230000
21	Village A	22523401450000	227	Village F	22526100240000
22	Village A	22523401510000	228	Village F	22526100250000
23	Village A	22523401520000	229	Village F	22526100260000
24	Village A	22523401530000	230	Village F	22526100270000
25	Village A	22523401540000	231	Village F	22526100280000
26	Village A	22523401550000	232	Village F	22526100290000
27	Village A	22523401560000	233	Village F	22526100300000
28	Village A	22523401570000	234	Village F	22526100310000
29	Village H/M	22524100630000	235	Village F	22526100320000
30	Village H/M	22524100640000	236	Village F	22526100330000
31	Village H/M	22524100650000	237	Village F	22526100340000
32	Village H/M	22524100660000	238	Village F	22526100350000
33	Village H/M	22524100670000	239	Village F	22526100360000
34	Village H/M	22524100680000	240	Village F	22526100370000
35	Village H/M	22524100690000	241	Village F	22526100380000
36	Village H/M	22524100700000	242	Village F	22526100390000
37	Village H/M	22524100710000	243	Village F	22526100400000
38	Village H/M	22524100720000	244	Village F	22526100410000
39	Village H/M	22524100730000	245	Village F	22526100420000
40	Village H/M	22524100740000	246	Village F	22526100430000
41	Village H/M	22524100750000	247	Village F	22526100440000
42	Village H/M	22524100760000	248	Village F	22526100450000
43	Village H/M	22524100770000	249	Village F	22526100460000
44	Village H/M	22524100780000	250	Village F	22526100470000
45	Village H/M	22524100790000	251	Village F	22526100480000
46	Village H/M	22524100800000	252	Village F	22526100490000
47	Village H/M	22524100810000	253	Village F	22526100500000
48	Village H/M	22524100820000	254	Village F	22526100510000
49	Village H/M	22524100830000	255	Village F	22526100520000
50	Village H/M	22524100840000	256	Village F	22526100530000
51	Village H/M	22524100850000	257	Village F	22526100540000
52	Village H/M	22524100860000	258	Parcel A	22527500010000
53	Village H/M	22524100870000	259	Parcel A	22527500020000
54	Village H/M	22524100880000	260	Parcel A	22527500030000
55	Village H/M	22524100890000	261	Parcel A	22527500040000
56	Village H/M	22524100900000	262	Parcel A	22527500050000
57	Village H/M	22524100910000	263	Parcel A	22527500060000

58	Village H/M	22524100920000	264	Parcel A	22527500070000
59	Village H/M	22524100930000	265	Parcel A	22527500080000
60	Village H/M	22524100940000	266	Parcel A	22527500090000
61	Village H/M	22524100950000	267	Parcel A	22527500100000
62	Village H/M	22524100960000	268	Parcel A	22527500110000
63	Village H/M	22524100970000	269	Parcel A	22527500120000
64	Village H/M	22524100980000	270	Parcel A	22527500130000
65	Village H/M	22524100990000	271	Parcel A	22527500140000
66	Village H/M	22524101000000	272	Parcel A	22527500150000
67	Village H/M	22524101010000	273	Parcel A	22527500160000
68	Village H/M	22524101020000	274	Parcel A	22527500170000
69	Village H/M	22524101030000	275	Parcel A	22527500180000
70	Village H/M	22524101040000	276	Parcel A	22527500190000
71	Village H/M	22524101050000	277	Parcel A	22527500200000
72	Village H/M	22524101060000	278	Parcel A	22527500210000
73	Village H/M	22524101070000	279	Parcel A	22527500220000
74	Village H/M	22524101080000	280	Parcel A	22527500230000
75	Village H/M	22524101090000	281	Parcel A	22527500240000
76	Village H/M	22524101100000	282	Parcel A	22527500250000
77	Village H/M	22524101110000	283	Parcel A	22527500260000
78	Village H/M	22524101120000	284	Parcel A	22527500270000
79	Village H/M	22524101190000	285	Parcel A	22527500280000
80	Village H/M	22524101200000	286	Parcel A	22527500290000
81	Village H/M	22524101210000	287	Parcel A	22527500300000
82	Village H/M	22524101220000	288	Parcel A	22527500310000
83	Village CG	22524200350000	289	Parcel A	22527500320000
84	Village CG	22524200380000	290	Parcel A	22527500330000
85	Village CG	22524200390000	291	Parcel A	22527500340000
86	Village CG	22524200400000	292	Parcel A	22527500350000
87	Village CG	22524200420000	293	Parcel A	22527500360000
88	Village CG	22524200440000	294	Parcel A	22527500370000
89	Village CG	22524200450000	295	Parcel A	22527500380000
90	Village K	22524800030000	296	Parcel A	22527500390000
91	Village K	22524800040000	297	Parcel A	22527500400000
92	Village K	22524800050000	298	Parcel A	22527500410000
93	Village CG	22525200190000	299	Parcel A	22527500420000
94	Village CG	22525200200000	300	Parcel A	22527500430000
95	Village CG	22525200230000	301	Parcel A	22527500440000
96	Village CG	22525200240000	302	Parcel A	22527500450000
97	Village CG	22525200250000	303	Parcel A	22527500460000
98	Village CG	22525200260000	304	Parcel A	22527500470000
99	Village CG	22525200270000	305	Parcel A	22527500480000
100	Village G	22525200360000	306	Parcel A	22527500490000
101	Village G	22525200370000	307	Parcel A	22527500500000
102	Village G	22525200400000	308	Parcel A	22527500510000
103	Village CG	22525200420000	309	Parcel A	22527500520000
104	Village CG	22525200430000	310	Parcel A	22527500530000
105	Village CG	22525200440000	311	Parcel A	22527500540000
106	Village CG	22525200450000	312	Parcel A	22527500550000
107	Village CG	22525200460000	313	Parcel A	22527500560000
108	Village CG	22525200470000	314	Parcel A	22527500570000
109	Village CG	22525200480000	315	Parcel A	22527600010000
110	Village CG	22525200490000	316	Parcel A	22527600020000
111	Village CG	22525200500000	317	Parcel A	22527600030000
112	Village G	22525200510000	318	Parcel A	22527600040000
113	Village G	22525200520000	319	Parcel A	22527600050000
114	Village G	22525200650000	320	Parcel A	22527600060000
115	Village G	22525200680000	321	Parcel A	22527600070000
116	Village G	22525200690000	322	Parcel A	22527600080000

117	Village G	22525200700000	323	Parcel A	22527600120000
118	Village G	22525200710000	324	Parcel A	22527600130000
119	Village G	22525200720000	325	Parcel A	22527600140000
120	Village G	22525200730000	326	Parcel A	22527600150000
121	Village G	22525200740000	327	Parcel A	22527600160000
122	Village G	22525200750000	328	Parcel A	22527600170000
123	Village G	22525200760000	329	Parcel A	22527600180000
124	Village H/M	22526000010000	330	Parcel A	22527600190000
125	Village H/M	22526000020000	331	Parcel A	22527600200000
126	Village H/M	22526000030000	332	Parcel A	22527600210000
127	Village H/M	22526000040000	333	Parcel A	22527600220000
128	Village H/M	22526000050000	334	Parcel A	22527600230000
129	Village H/M	22526000060000	335	Parcel A	22527600240000
130	Village H/M	22526000070000	336	Parcel A	22527600250000
131	Village H/M	22526000080000	337	Parcel A	22527600260000
132	Village H/M	22526000090000	338	Parcel A	22527600270000
133	Village H/M	22526000100000	339	Parcel A	22527600290000
134	Village H/M	22526000110000	340	Parcel A	22527600300000
135	Village H/M	22526000120000	341	Parcel A	22527600310000
136	Village H/M	22526000130000	342	Parcel A	22527600320000
137	Village H/M	22526000140000	343	Parcel A	22527600330000
138	Village H/M	22526000150000	344	Parcel A	22527600380000
139	Village H/M	22526000160000	345	Parcel A	22527600390000
140	Village H/M	22526000170000	346	Parcel A	22527600400000
141	Village H/M	22526000180000	347	Parcel A	22527600410000
142	Village H/M	22526000190000	348	Parcel A	22527600420000
143	Village H/M	22526000200000	349	Parcel A	22527600430000
144	Village H/M	22526000210000	350	Parcel A	22527600440000
145	Village H/M	22526000220000	351	Parcel A	22527600450000
146	Village H/M	22526000230000	352	Parcel A	22527600460000
147	Village H/M	22526000240000	353	Parcel A	22527600470000
148	Village H/M	22526000250000	354	Village B	22525800140000
149	Village H/M	22526000260000	355	Village B	22525800150000
150	Village H/M	22526000270000	356	Village B	22525800160000
151	Village H/M	22526000280000	357	Village B	22525800170000
152	Village H/M	22526000290000	358	Village B	22525800180000
153	Village H/M	22526000300000	359	Village B	22525800190000
154	Village H/M	22526000310000	360	Village B	22525800200000
155	Village H/M	22526000320000	361	Village B	22525800210000
156	Village H/M	22526000330000	362	Village B	22525800220000
157	Village H/M	22526000340000	363	Village B	22525800230000
158	Village H/M	22526000350000	364	Village B	22525800240000
159	Village H/M	22526000360000	365	Village B	22525800250000
160	Village H/M	22526000370000	366	Village B	22525800260000
161	Village H/M	22526000380000	367	Village B	22525800270000
162	Village H/M	22526000390000	368	Village B	22525800280000
163	Village H/M	22526000400000	369	Village B	22525800290000
164	Village H/M	22526000410000	370	Village B	22525800300000
165	Village H/M	22526000420000	371	Village B	22525800310000
166	Village H/M	22526000430000	372	Village B	22525800320000
167	Village H/M	22526000440000	373	Village B	22525800330000
168	Village H/M	22526000450000	374	Village B	22525800340000
169	Village H/M	22526000460000	375	Village B	22525800350000
170	Village H/M	22526000470000	376	Village B	22525800360000
171	Village H/M	22526000480000	377	Village B	22525800370000
172	Village H/M	22526000490000	378	Village B	22525800390000
173	Village H/M	22526000500000	379	Village B	22525800400000
174	Village H/M	22526000510000	380	Village B	22525800410000
175	Village H/M	22526000520000	381	Village B	22525800420000

176	Village H/M	22526000530000	382	Village B	22525800430000
177	Village H/M	22526000540000	383	Village B	22525800440000
178	Village H/M	22526000550000	384	Village B	22525800450000
179	Village H/M	22526000560000	385	Village B	22525800460000
180	Village H/M	22526000570000	386	Village B	22525800470000
181	Village H/M	22526000580000	387	Village B	22525800480000
182	Village H/M	22526000590000	388	Village B	22525800500000
183	Village H/M	22526000600000	389	Village B	22525800510000
184	Village H/M	22526000610000	390	Village B	22525800520000
185	Village H/M	22526000620000	391	Village B	22525800530000
186	Village H/M	22526000630000	392	Village B	22525800540000
187	Village H/M	22526000640000	393	Village B	22525800550000
188	Village H/M	22526000650000	394	Village B	22525800560000
189	Village H/M	22526000660000	395	Village B	22525800570000
190	Village H/M	22526000670000	396	Village B	22525800580000
191	Village H/M	22526000680000	397	Village B	22525800590000
192	Village H/M	22526000690000	398	Village B	22525800600000
193	Village H/M	22526000700000	399	Village B	22525800610000
194	Village H/M	22526000710000	400	Village B	22525800620000
195	Village H/M	22526000720000	401	Village B	22525800630000
196	Village H/M	22526000730000	402	Village B	22525800640000
197	Village H/M	22526000740000	403	Village B	22525800650000
198	Village H/M	22526000750000	404	Village B	22525800660000
199	Village H/M	22526000760000	405	Village B	22525800670000
200	Village H/M	22526000770000	406	Village B	22525800680000
201	Village H/M	22526000780000	407	Village B	22525800690000
202	Village H/M	22526000790000	21	Lot Q	22525900200000
203	Village H/M	22526000800000	56 (proposed)	Lot B	22525000140000
204	Village H/M	22526000810000	71 (approved)	Lot A	22523500020000
205	Village H/M	22526000820000	46 (proposed)	Lot E	22523500030000
206	Village H/M	22526000830000	601		
			-15	Village H/M Recorded Adj.	
			13	Village F Recorded Adj.	
			599		

Parcels Owned by Natomas Investors LLC

Count	Parcel Number	Count	Parcel Number
1	22523401920000	132	22525700320000
2	22523401930000	132	22525700330000
3	22523401940000	133	22525700340000
4	22523900010000	134	22525700350000
5	22523900020000	135	22525700360000
6	22523900030000	136	22525700370000
7	22523900040000	137	22525700380000
8	22523900050000	138	22525700390000
9	22523900060000	139	22525700400000
10	22523900070000	140	22525700410000
11	22523900080000	141	22525700420000
12	22523900090000	142	22525700430000
13	22523900100000	143	22525700440000
14	22523900110000	144	22525700450000
15	22523900120000	145	22525700460000
16	22523900130000	146	22525700470000
17	22523900140000	147	22525700480000
18	22523900150000	148	22525700490000
19	22523900160000	149	22525700500000
20	22523900170000	150	22525700510000
21	22523900180000	151	22525700520000
22	22523900190000	152	22525700530000
23	22523900200000	153	22525700540000
24	22523900210000	154	22525700550000
25	22523900220000	155	22525700560000
26	22523900230000	156	22525700570000
27	22523900240000	157	22525700580000
28	22523900250000	158	22525700590000
29	22523900260000	159	22525700600000
30	22523900270000	160	22525700610000
31	22523900280000	161	22525700620000
32	22523900290000	162	22525700630000
33	22523900300000	163	22525700640000
34	22523900310000	164	22525700650000
35	22523900320000	165	22525700660000
36	22523900330000	166	22525700670000
37	22523900340000	167	22525700680000
38	22523900350000	168	22525700690000
39	22523900360000	169	22525700700000
40	22523900370000	170	22525700710000
41	22523900380000	171	22525701710000
42	22524000090000	172	22525701720000
43	22524000100000	173	22525701730000
44	22524000110000	174	22525701740000
45	22524000120000	175	22525701750000

46	22524000130000	176	22525701760000
47	22524000140000	177	22525701770000
48	22524000150000	178	22525701780000
49	22524000160000	179	22525701790000
50	22524000170000	180	22525701800000
51	22524000180000	181	22525701810000
52	22524000190000	182	22525701820000
53	22524000200000	183	22525701830000
54	22524000210000	184	22525701840000
55	22524000220000	185	22525701850000
56	22524000230000	186	22525800010000
57	22524000240000	187	22525800020000
58	22524000250000	188	22525800030000
59	22524000260000	189	22525800040000
60	22524000270000	190	22525800050000
61	22524000280000	191	22525800060000
62	22524000290000	192	22525800070000
63	22524000300000	193	22525800080000
64	22524000310000	194	22525800090000
65	22524000320000	195	22525800100000
66	22524000330000	196	22525800110000
67	22524000340000	197	22525800120000
68	22524000350000	198	22525800130000
69	22525000040000	199	22525800700000
70	22525100220000	200	22525800710000
71	22525100230000	201	22525800720000
72	22525100240000	202	22525800730000
73	22525100250000	203	22525800740000
74	22525100260000	204	22525800750000
75	22525100270000	205	22525800760000
76	22525100280000	206	22525800770000
77	22525100290000	207	22525800780000
78	22525100300000	208	22525800790000
79	22525100310000	209	22525800800000
80	22525100320000	210	22525800810000
81	22525100330000	211	22525800820000
82	22525100340000	212	22525800830000
83	22525100350000	213	22525800840000
84	22525100360000	214	22525800850000
85	22525100370000	215	22525800860000
86	22525100380000	216	22525800870000
87	22525100390000	217	22525800890000
88	22525100400000	218	22525800900000
89	22525100410000	219	22525800910000
90	22525100420000	220	22525800920000
91	22525100430000	221	22525800930000
92	22525100440000	222	22525800940000

93	22525100450000	223	22525800950000
94	22525100460000	224	22525800960000
95	22525100470000	225	22525800970000
96	22525100480000	226	22525800980000
97	22525100490000	227	22525800990000
98	22525100500000	228	22525801000000
99	22525100510000	229	22525801010000
100	22525100520000	230	22525801030000
101	22525100530000	231	22525801040000
102	22525100540000	232	22525801050000
103	22525100550000	233	22525801060000
104	22525100560000	234	22525801070000
105	22525100570000	235	22525801080000
106	22525700010000	236	22525801090000
107	22525700020000	237	22525801100000
108	22525700030000	238	22525801110000
109	22525700040000	239	22525801120000
110	22525700050000	240	22525801130000
111	22525700060000	241	22525801140000
112	22525700070000	242	22525801150000
113	22525700080000	243	22525801160000
114	22525700090000	244	22525801170000
115	22525700100000	245	22525900010000
116	22525700110000	246	22525900020000
117	22525700170000	247	22525900030000
118	22525700180000	248	22525900040000
119	22525700190000	249	22525900050000
120	22525700200000	250	22525900060000
121	22525700210000	251	22525900070000
122	22525700220000	252	22525900080000
123	22525700230000	253	22525900090000
124	22525700240000	254	22525900100000
125	22525700250000	255	22525900110000
126	22525700260000	256	22525900120000
127	22525700270000	257	22525900130000
128	22525700280000	258	22525900140000
129	22525700290000	259	22525900150000
130	22525700300000	260	22525900160000
131	22525700310000	261	22525900170000

Parcels Owned by Lennar Homes of California Inc

Count	Parcel Number	Count	Parcel Number
1	22524100150000	110	22524900420000
2	22524100160000	111	22524900430000
3	22524100170000	112	22524900440000
4	22524100180000	113	22524900450000
5	22524100190000	114	22524900460000
6	22524100200000	115	22524900470000
7	22524100210000	116	22524900480000
8	22524100220000	117	22524900490000
9	22524100230000	118	22524900500000
10	22524100240000	119	22524900510000
11	22524100250000	120	22524900520000
12	22524100260000	121	22524900530000
13	22524100450000	122	22524900540000
14	22524100460000	123	22524900550000
15	22524100470000	124	22524900560000
16	22524100480000	125	22524900570000
17	22524100490000	126	22524900580000
18	22524100500000	127	22524900590000
19	22524100510000	128	22524900600000
20	22524100520000	129	22524900610000
21	22524100530000	130	22524900620000
22	22524200010000	131	22524900630000
23	22524200020000	132	22524900640000
24	22524200030000	133	22524900650000
25	22524200040000	134	22524900660000
26	22524200050000	135	22524900670000
27	22524200060000	136	22524900680000
28	22524200070000	137	22524900690000
29	22524200080000	138	22524900700000
30	22524200090000	139	22524900710000
31	22524200100000	140	22524900720000
32	22524200110000	141	22524900730000
33	22524200120000	142	22524900740000
34	22524200130000	143	22524900750000
35	22524200140000	144	22524900760000
36	22524200150000	145	22524900770000
37	22524200160000	146	22524900780000
38	22524200170000	147	22524900790000
39	22524200180000	148	22524900800000
40	22524200190000	149	22524900810000
41	22524200200000	150	22524900820000
42	22524200210000	151	22524900830000
43	22524200220000	152	22524900840000
44	22524200230000	153	22524900850000
45	22524200240000	154	22524900860000

46	22524200250000	155	22524900870000
47	22524200260000	156	22524900880000
48	22524200270000	157	22524900890000
49	22524200280000	158	22524900900000
50	22524200290000	159	22524900910000
51	22524200300000	160	22524900920000
52	22524200310000	161	22524900930000
53	22524200320000	162	22524900940000
54	22524300010000	163	22524900950000
55	22524300090000	164	22524900960000
56	22524300100000	165	22524900970000
57	22524300240000	166	22524900980000
58	22524700260000	167	22524900990000
59	22524700270000	168	22525000010000
60	22524700280000	169	22525000020000
61	22524700290000	170	22525000030000
62	22524700300000	171	22525000050000
63	22524700310000	172	22525000090000
64	22524700320000	173	22525000100000
65	22524700330000	174	22525000110000
66	22524700340000	175	22525200010000
67	22524800010000	176	22525200020000
68	22524800020000	177	22525200030000
69	22524900010000	178	22525200040000
70	22524900020000	179	22525200050000
71	22524900030000	180	22525200060000
72	22524900040000	181	22525200070000
73	22524900050000	182	22525200080000
74	22524900060000	183	22525200090000
75	22524900070000	184	22525200100000
76	22524900080000	185	22525200110000
77	22524900090000	186	22525200120000
78	22524900100000	187	22525200130000
79	22524900110000	188	22525200140000
80	22524900120000	189	22525200150000
81	22524900130000	190	22525200160000
82	22524900140000	191	22525200170000
83	22524900150000	192	22525200180000
84	22524900160000	193	22525200280000
85	22524900170000	194	22525200290000
86	22524900180000	195	22525200300000
87	22524900190000	196	22525200310000
88	22524900200000	197	22525200320000
89	22524900210000	198	22525200330000
90	22524900220000	199	22525200340000
91	22524900230000	200	22525200770000
92	22524900240000	201	22525200780000

93	22524900250000	202	22525200790000
94	22524900260000	203	22525200800000
95	22524900270000	204	22525200810000
96	22524900280000	205	22525200820000
97	22524900290000	206	22525200830000
98	22524900300000	207	22525200840000
99	22524900310000	208	22525200850000
100	22524900320000	209	22525200860000
101	22524900330000	210	22525200870000
102	22524900340000	211	22525200880000
103	22524900350000	212	22525200890000
104	22524900360000	213	22525200900000
105	22524900370000	214	22525200910000
106	22524900380000	215	22525200920000
107	22524900390000	216	22525200930000
108	22524900400000		
109	22524900410000		

Parcels Owned by Shea Limited Partnership

Count	Parcel Number	Count	Parcel Number
1	22524400420000	89	22524500730000
2	22524400430000	90	22524500740000
3	22524400440000	91	22524500750000
4	22524400450000	92	22524500760000
5	22524400460000	93	22525300010000
6	22524400470000	94	22525300020000
7	22524400480000	95	22525300030000
8	22524400490000	96	22525300040000
9	22524400500000	97	22525300050000
10	22524400510000	98	22525300060000
11	22524400520000	99	22525300070000
12	22524400530000	100	22525300270000
13	22524400560000	101	22525300280000
14	22524400570000	102	22525300290000
15	22524400580000	103	22525300300000
16	22524400590000	104	22525300310000
17	22524400600000	105	22525300320000
18	22524400610000	106	22525300330000
19	22524400620000	107	22525300340000
20	22524400630000	108	22525300350000
21	22524400640000	109	22525300360000
22	22524400650000	110	22525300370000
23	22524400660000	111	22525300380000
24	22524400670000	112	22525300390000
25	22524400680000	113	22525300400000
26	22524400690000	114	22525300430000
27	22524400700000	115	22525300440000
28	22524400710000	116	22525300450000
29	22524400790000	117	22525300460000
30	22524400800000	118	22525300470000
31	22524400810000	119	22525300480000
32	22524500010000	120	22525300490000
33	22524500020000	121	22525300500000
34	22524500030000	122	22525300510000
35	22524500040000	123	22525300520000
36	22524500050000	124	22525300530000
37	22524500060000	125	22525300540000
38	22524500070000	126	22525300550000
39	22524500080000	127	22525300560000
40	22524500090000	128	22525300570000
41	22524500100000	129	22525300580000
42	22524500110000	130	22525300590000
43	22524500120000	131	22525300600000
44	22524500130000	132	22525300630000
45	22524500140000	133	22525300640000

46	22524500150000	134	22525300650000
47	22524500160000	135	22525300660000
48	22524500170000	136	22525300670000
49	22524500180000	137	22525300680000
50	22524500190000	138	22525300690000
51	22524500200000	139	22525300780000
52	22524500210000	140	22525300790000
53	22524500220000	141	22525300800000
54	22524500230000	142	22525300810000
55	22524500240000	143	22525300820000
56	22524500250000	144	22525400440000
57	22524500260000	145	22525400450000
58	22524500270000	146	22525400460000
59	22524500280000	147	22525400470000
60	22524500290000	148	22525400480000
61	22524500300000	149	22525400510000
62	22524500310000	150	22525400520000
63	22524500320000	151	22525400530000
64	22524500330000	152	22525400540000
65	22524500340000	153	22525400550000
66	22524500350000	154	22525400560000
67	22524500360000	155	22525400570000
68	22524500410000	156	22525400580000
69	22524500420000	157	22525400590000
70	22524500430000	158	22525400640000
71	22524500440000	159	22525400650000
72	22524500450000	160	22525400660000
73	22524500460000	161	22525400670000
74	22524500470000	162	22525400680000
75	22524500480000	163	22525400690000
76	22524500490000	164	22525400700000
77	22524500530000	165	22525400710000
78	22524500540000	166	22525400740000
79	22524500550000	167	22525400750000
80	22524500560000	168	22525400760000
81	22524500570000	169	22525400770000
82	22524500580000	170	22525400780000
83	22524500590000	171	22525400790000
84	22524500600000	172	22525400800000
85	22524500610000	173	22525400810000
86	22524500620000	174	22525400860000
87	22524500630000	175	22525400870000
88	22524500720000	176	22525400880000
		177	22525400890000

Parcels Owned by Western Pacific Housing (DR Horton)

Count	Parcel Number
1	22525700730000
2	22525700740000
3	22525700750000
4	22525700760000
5	22525700770000
6	22525700780000
7	22525700790000
8	22525700800000
9	22525700810000
10	22525700820000
11	22525700830000
12	22525700840000
13	22525700850000
14	22525700860000
15	22525700870000
16	22525700880000
17	22525700890000
18	22525700900000
19	22525700910000
20	22525700920000
21	22525700930000
22	22525700940000
23	22525700950000
24	22525700960000
25	22525700970000
26	22525700980000
27	22525700990000
28	22525701000000
29	22525701010000
30	22525701020000
31	22525701030000
32	22525701080000
33	22525701090000
34	22525701100000
35	22525701110000
36	22525701120000
37	22525701370000
38	22525701380000
39	22525701390000
40	22525701400000
41	22525701410000
42	22525701420000
43	22525701430000
44	22525701440000
45	22525701450000

46	22525701460000
47	22525701470000
48	22525701480000
49	22525701490000
50	22525701500000
51	22525701510000
52	22525701520000
53	22525701530000
54	22525701540000
55	22525701550000
56	22525701560000
57	22525701570000
58	22525701580000
59	22525701590000
60	22525701600000
61	22525701610000
62	22525701620000
63	22525701630000
64	22525701640000
65	22525701650000
66	22525701660000
67	22525701670000
68	22525701680000
69	22525701690000
70	22525701700000

Parcels Owned by Taylor Morrison of CA

Count	Parcel Number
1	22523800050000
2	22523800060000
3	22523800110000
4	22523800160000
5	22523800170000
6	22523800180000
7	22523800200000
8	22523800210000
9	22523800240000
10	22525300080000
11	22525300090000
12	22525300100000

Homes Closed in 2015/2016

Count	Area	Parcel	Owner
1	Village	22523400210000	SILAGAN FERNANDO L/SANDRA E/SHANTHE S HERNANDEZ
2	Village	22523400220000	WALKER DIJON D/STEFANIE J
3	Village	22523400230000	LEE B
4	Village	22523400240000	SALIBA HEIDI ANNE E/IVAN S
5	Retreat	22523400910000	ARMSTRONG SERRATO MISTI/ALFREDO JR SERRATO
6	Retreat	22523400920000	COOPER HAMPTON PIA R/WADE JR HAMPTON
7	Retreat	22523400930000	FRANCK KATI
8	Retreat	22523400970000	HCA MODEL FUND 2016 9 WEST LLC
9	Retreat	22523400980000	HCA MODEL FUND 2016 9 WEST LLC
10	Village	22523401400000	HCA MODEL FUND 2016 9 WEST LLC
11	Village	22523401410000	HCA MODEL FUND 2016 9 WEST LLC
12	Summer	22524100100000	RESLER MERL
13	Summer	22524100310000	BENJAMIN M & GLORIA J BROWN JR LIVING TRUST
14	Commons	22524500870000	CHRISTY JAMES A/RACHELLE
15	Commons	22524500880000	DUNN JEFFREY SHAWN/TRACI H
16	Autumn	22524800130000	JOHNSON FLORENCE C/JOANNA
17	Spring	22525200350000	HAJEK HELEN
18	Spring	22525200390000	BLAS ANTONIO C/CLARISSA T
19	Spring	22525200410000	DALTON DEBORAH ANN/JANE HELEN
20	Spring	22525200660000	HCA MODEL FUND 2015 8 TX LLC
21	Spring	22525200670000	HCA MODEL FUND 2015 8 TX LLC
22	Commons	22525300850000	HEWETT LORI
23	Commons	22525300870000	LAM GENE/LAYLEEN
24	Commons	22525300880000	ORTIZ JAYCEE
25	Commons	22525401010000	PARENT MARC/MARK C RICHARDS
26	Commons	22525701070000	ZARETSKY ADAM M
27	Westshore	22523800230000	CALDERON MELKY
28	Westshore	22523800320000	FARRELL ERIK/TANIA MACLEAN
29	Westshore	22523800340000	DEGUZMAN GENARO/GINA
30	Westshore	22523800360000	JIMENEZ NAZIRA A/SEAN
31	Westshore	22523800370000	FOSTER EDWARDO R/MATTHEW R LANE
32	Westshore	22524400010000	CHAND RAMANDEEP
33	Westshore	22524400030000	SHAH FAMILY REVOCABLE TRUST
34	Westshore	22524400050000	POWAR GURDEV
35	Westshore	22524400060000	BAYS DEREK M/JOHANNA B ROMAN
36	Westshore	22525400240000	RENTERIA CATALINA/LIZARDI FELIPE
37	Westshore	22525400260000	BAJRAMOVIC JASMINA/NERMIN
38	Westshore	22525400270000	CHAN CHUN
39	Westshore	22525400290000	SRINIVASAN SHAALINI
40	Westshore	22525400300000	STRONG JABBAR/TAMEKA RONAY
41	Westshore	22525400340000	DONGA JANARDHANA BABU/RAJYALAKSHMI N
42	Westshore	22525400350000	HOANG LILLIAN/TUAN
43	Westshore	22525400360000	HINDRIK & THUY N TAN REVOCABLE LIVING TRUST
44	Parkwalk	22527600090000	HCA MODEL FUND 2016 9 WEST LLC
45	Parkwalk	22527600100000	HCA MODEL FUND 2016 9 WEST LLC
46	Parkwalk	22527600110000	HCA MODEL FUND 2016 9 WEST LLC
47	Village	22523400140000	ROEUNG RANDA N/VIRIYAK SIP
48	Village	22523400150000	VOONG LIN
49	Village	22523400160000	CHENG BRIAN/DEISY RIOS
50	Village	22523400170000	DELACALZADA EDGARDO/CRISTINA
51	Village	22523400180000	LEE HONG JOON/EUNA CHONG
52	Village	22523400190000	BROOKS FEWELL RENICIA M/POLYCOMP TRUST COMPANY CDN
53	Village	22523400200000	MEDINA MARTY P/CYNTHIA
54	Village	22523400350000	ALESIA R HARWOOD REVOCABLE TRUST
55	Village	22523401300000	DUCKETT BRIAN W/REBECCA A MOORE
56	Village	22523401310000	JAUREGUI CELINA/FRANCISCO J JR
57	Village	22523401320000	ISLAND ROSENDO/ISLAND TAMEKA WHITE
58	Village	22523401340000	STRANGE

59	Village	22523401430000	ARNETT
60	Village	22523401460000	DUNLENY
61	Village	22523401470000	SANDHU GURKIRAT/KRISHNITA P
62	Village	22523401480000	NEREU DOUGLAS M/SHARIE S
63	Village	22523401490000	GARCIA SOPHIA A
64	Village	22523401500000	VOONG LIN
65	Retreat	22523400850000	BOLIVAR STRICKLAND ANGELA/ANDRE STRICKLAND
66	Retreat	22523400860000	GARDNER CHANDRA/CHERYL
67	Retreat	22523400870000	CRUZ IRENE M D
68	Retreat	22523400880000	WEBB SHONDA
69	Retreat	22523400890000	QUILACIO KELLY A/RONALD C
70	Retreat	22523400900000	WESTERINEN JACLYN
71	Retreat	22523400990000	VETERANS ADMIN
72	Retreat	22523401010000	LA TRUONG/NODA TRACY Y
73	Retreat	22523401020000	SANTOS
74	Retreat	22523401030000	CAO
75	Retreat	22523401040000	CAO
76	Retreat	22523401050000	LEIGH JOEL S/GINA R
77	Retreat	22523401060000	HSIAO TINA
78	Retreat	22523401070000	ARREOLA BENJAMIN/HILDA J
79	Retreat	22523401080000	CAMACHO ADLER M A/LESLIE T CUA
80	Retreat	22523401090000	TAYLOR TODD
81	Retreat	22523401130000	KOGA MICHIYO/KIICHIRO
82	Retreat	22523401140000	CARLOS ANTHONY/KARISA
83	Retreat	22523401150000	WANG DONGQING
84	Retreat	22523401160000	AMBROSE/FREEMAN
85	Retreat	22523401170000	PALMA
86	Retreat	22523401180000	LIN RAINA/KAWAMOTO TETSUYA
87	Spring	22525200210000	DEROSE
88	Spring	22525200220000	AGUERO
89	Spring	22525200380000	PREECE
90	Spring	22524200410000	PACHECO
91	Spring	22524200430000	VETERANS ADMIN
92	Autumn	22524800060000	ALCANTARA AMADOR & O FAM TRUST
93	Autumn	22524800070000	MAUPIN EILENE D/JOHN E JR
94	Autumn	22524800080000	BYRD FELICIA R
95	Autumn	22524800090000	ROGER F/NALIN M DELEON REVOCABLE TRUST
96	Autumn	22524800100000	ANG PEGGY T/PETER G P
97	Autumn	22524800110000	SIMMONS FAMILY TRUST
98	Autumn	22524800120000	SMITH
99	Autumn	22524800170000	BYRD FELICIA R
100	Autumn	22524800180000	REYNOLDS DONALD E/SHEILA HOBAN
101	Summer	22524100110000	NGUYEN LOUIS/JEANINE L
102	Summer	22524100120000	JOYCE FAMILY TRUST
103	Summer	22524100130000	SINGH SANDRA P
104	Summer	22524100140000	DEPARTMENT VETERANS AFFAIRS
105	Summer	22524100270000	JAMES W BOULE REVOCABLE LIVING TRUST
106	Commons	22525400900000	SINGH AMANDEEP
107	Commons	22525400910000	HUANG JIAN FENG/YU ZHU
108	Commons	22525400970000	PODISHETTY
109	Commons	22525400920000	CANILAO EMERALDA D
110	Commons	22525400930000	LEE ALEXANDER PONG/XYLINA XIONG
111	Commons	22525400940000	BICO ANTHONY D
112	Commons	22525400950000	HARMON DARYL D/SURRINDER BAINS
113	Commons	22525300840000	LEMSTER TERRY E
114	Commons	22525300860000	HINCKLEY KATIE
115	Commons	22525400980000	SLOOTEN
116	Commons	22525300890000	NGUYEN DUSTIN/TIFFANY J
117	Commons	22525401000000	BUENTIPO EMILIO JR/TRACY F
118	Commons	22524400820000	ROBERT E HALFERTY TRUST

119	Commons	22524400830000	MORGAN NICHOLE
120	Commons	22524400840000	COHEN RENEE/VANESSA
121	Commons	22524400850000	SANCHEZ PEDRO R/MARIA J
122	Commons	22524400860000	TELL JOELLE/ROBERT
123	Commons	22524400870000	BAINS RAVINDER/CHARANPREET/GURLEEN K/JASLEEN K
124	Commons	22525400990000	APPLEGATE
125	Parkwalk	22527600280000	LETSCHER
126	Parkwalk	22527600340000	BAYAN
127	Parkwalk	22527600350000	OTI KINGSLEY
128	Parkwalk	22527600360000	MCBRYDE
129	Parkwalk	22527600370000	GILL RATTAN
130	Parkwalk	22527600480000	VETERNANS ADMIN
131	Parkwalk	22527600490000	MACAGNONE EDWARD/LORI
132	Parkwalk	22527600500000	PIRIR EDGAR/GLORIA YOC
133	Parkwalk	22527600510000	AMIR/ERLINDA HABIB REVOCABLE TRUST
134	Parkwalk	22527600520000	CHAPLIN KENDAL/MADISON HIEBERT
135	Parkwalk	22527600530000	GOIRL MICHAEL H/RACHNA D PRASAD
136	Parkwalk	22527600540000	ESCOBEDO JAVIER CRUZ/KRISTYN
137	Parkwalk	22527600550000	ASTUDILLO GERINO M
138	Parkwalk	22527600560000	OLSON STEVEN/JAMES SORIANO
139	Parkwalk	22527600570000	MAMOON RANA GABEENA/HISHAM RANA
140	Parkwalk	22527600580000	PATEL MONA
141	Parkwalk	22527600590000	GARCIA ROSALINA/ARTURO J MIRANDA J
142	Parkwalk	22527600600000	ROMAN LUZMINDA/RAYMOND V
143	Parkwalk	22527600610000	KAUR/SINGH
144	Westshore	22523800040000	WILSON
145	Westshore	22523800070000	ESCALANTE JUNAR/MARCELA
146	Westshore	22523800080000	TOPIWALA JIGNASA J/JIGNESH J
147	Westshore	22523800090000	MOTOIKE CLIFFORD/HOLLIE
148	Westshore	22523800100000	LIU LILY
149	Westshore	22523800120000	CISNEROS IGNACIO R
150	Westshore	22523800130000	BEDI RAJWANT S
151	Westshore	22523800140000	RIPLEY SHAWN A/TODD P
152	Westshore	22523800150000	POLIMETLA
153	Westshore	22523800190000	PANDEY
154	Westshore	22523800220000	KAUR BALWINDER/JEET SINGH
155	Westshore	22523800250000	DHALIWAL HARJINDER S/PARMINDER K
156	Westshore	22523800260000	BUI DIEP T/LINH P MAI
157	Westshore	22523800270000	GOSAL KAMALJIT S/AMANDEEP K
158	Westshore	22523800280000	CHOI BYUNGKI/MYONGMI
159	Westshore	22523800290000	RAKKAR JASVINDER S/SONIA K
160	Westshore	22523800300000	DUONG BAO QUOC/NING
161	Westshore	22523800310000	SUAN LEO E/MARISSA F VERZOSA
162	Westshore	22523800330000	BYRNE CHRISTINE/GREGORY
163	Westshore	22523800350000	MENDOZA JOELLE M/JUAN M
164	Westshore	22524400020000	KAHLON TALWINDER/BALJINDER
165	Westshore	22524400040000	CHAN ERIC T/HUIMIN
166	Westshore	22525400150000	THIARA JAIPREET K/TEJVEER S
167	Westshore	22525400160000	ROWE CATHERINE/TSEAN
168	Westshore	22525400170000	RIZVANOV EDUARD/YULIA RODINA
169	Westshore	22525400250000	BAKERJIAN GEORGE P
170	Westshore	22525400280000	KAHLON BALJINDER/TALWINDER
171	Westshore	22525400310000	YOUNG JERROLD/MELINDA
172	Westshore	22525400320000	REDDING SCOTT R/ENRICA M VASTA
173	Westshore	22525400330000	KAUR NARINDER/JASWINDER SINGH

2016/2017 Assessed Values for Homes Built and Sold between 2007 and 2010

Count	Parcel Number	Owner	Total Assessed
1	22523400010000	YOUNG TIM KILUN/LIMEI ZHANG	$303,211
2	22523400020000	LI GUO YAO GARY	$324,257
3	22523400030000	ALCARAZ ROBERTO JR	$305,000
4	22523400040000	CURRIE TOIJA L	$306,605
5	22523400050000	PENG BIHAI/QUINN LI	$189,394
6	22523400060000	BAINS GURPREET K	$289,346
7	22523400070000	TANG HUI YUAN/TUNG S	$352,433
8	22523400080000	LI HUI Y S/ZHI J	$330,857
9	22523400090000	WOLLMAN CATHERINE/MATTHEW	$316,787
10	22523400100000	NEGRETE TIFFANI/MICHAEL P	$312,696
11	22523400110000	MOWRY LENISE/LE THUY	$297,197
12	22523400120000	HARRIS FRANKLIN/DANAE	$212,204
13	22523400130000	ZHANG JIAN P/MIN DING	$239,252
14	22523400250000	GEE CINDY W/JUDY W	$247,517
15	22523400260000	ZHANG WEI L	$255,116
16	22523400270000	CHEPURNY VLADIMIR	$240,259
17	22523400280000	BALMOREZ ELWAY C	$303,410
18	22523400290000	SARTONO ORI	$267,500
19	22523400300000	YAP JANETTE	$239,352
20	22523400310000	HEISSER DONNA A	$305,000
21	22523400320000	NUNEZ JESSE B JR	$242,923
22	22523400330000	ZHENG JINSHAN	$276,701
23	22523400340000	TEODULO/ESTRELLITA GOCE TRUST	$254,566
24	22523400360000	NAIDU JENNICE	$279,592
25	22523400370000	SEKHON KESHRI	$321,760
26	22523400380000	OVERBEY PORCHE M	$274,174
27	22523400390000	SMITH ALLISON REVOCABLE TRUST	$294,297
28	22523400400000	STAN IAN	$306,225
29	22523400410000	STETSON KIM/ROBERT	$269,133
30	22523400420000	SMITH AUSTIN	$256,350
31	22523400430000	RIMPILLO EDGAR A/RAQUEL H	$266,293
32	22523400440000	CHARLES C TRAN/ZHENGZHENG ZHO FMLY LVG TI	$252,797
33	22523400450000	SEARS FAMILY REVOCABLE TRUST/BROOKE SEARS	$299,528
34	22523400460000	LAM PONG/MEGAN PATTERSON	$217,548
35	22523400470000	NORTH LES/EMILY F WATSON	$307,000
36	22523400480000	HACHIM SARA A/OTHMANE NAJME	$161,275
37	22523400490000	MABALOT LAWRENCE	$178,251
38	22523400500000	BARAJAS JORGE A	$252,797
39	22523400510000	KEYASHIAN MARK/PAMELA/MOSHEN/HOMA/MIC	$249,341
40	22523400520000	ARMAS ANN M G	$237,021
41	22523400530000	ALEXANDER GARY L II	$178,918
42	22523400540000	GOMEZ MIGUEL A/BANIRA CRUZ	$299,023
43	22523400550000	2014 3 IH BORROWER LIMITED PARTNERSHIP	$225,729
44	22523400560000	WOO TSAN M/YAN M	$259,241
45	22523400570000	GEE JUDY W/CINDY W	$252,289

46	22523400580000	TIDWELL JACKIE	$276,317
47	22523400590000	BANTIQUE CARMELO D JR/ANNE M/ETAL	$236,420
48	22523400600000	ROSE MASON K/GLENDA J	$267,010
49	22523400610000	WILSON DOUGLAS W	$243,453
50	22523400620000	GRADDY LARRY R	$258,896
51	22523400630000	HARTWELL CASEY T	$256,350
52	22523400640000	2014 2 IH BORROWER L P	$197,642
53	22523400650000	CARTICA BAYLOR L	$263,964
54	22523400660000	ARMOUR BROOKE	$264,883
55	22523400670000	COPE RENELE	$248,866
56	22523400680000	STOFLE JUSTIN MARK	$260,869
57	22523400690000	COLLINS PHILLIP A	$166,435
58	22523400700000	MEDINA KAYLA E	$280,000
59	22523400710000	2014 2 IH BORROWER L P	$195,562
60	22523400720000	WALLACE BROCK	$246,897
61	22523400730000	OLEGARIO ANGELITO/MARK A/MARLENE	$320,796
62	22523400740000	HOFFMEIER SHANDON M	$320,492
63	22523400750000	TABB JAMES W	$258,888
64	22523400760000	ZHENG XUHUI/SHAWN XIE/YU J	$167,475
65	22523400770000	HANS RANDEEP	$258,882
66	22523400780000	CERVANTES CARL RYAN M/CARLOS TRISTAN M	$264,967
67	22523400790000	PENA RAMIRO	$258,509
68	22523400800000	NG FAMILY TRUST	$287,575
69	22523400810000	GLOVER CHRISTINA O/JONATHAN S	$271,939
70	22523400820000	CASTANEDA MARIANA/RUDOLFO C GONZALEZ	$175,068
71	22523400830000	MEI PHILIP C/LISA S TANG Y	$150,665
72	22523400840000	SANCHEZ CRAIG	$266,649
73	22523401100000	MENDOZA RAMON D/ZENAIDA T	$270,222
74	22523401110000	HEUSSNER JENNY	$181,818
75	22523401120000	VILLARICA VERONICA P/PAULA	$180,373
76	22523401270000	HOBBS BRITTANY/NICHOLAS	$273,000
77	22523401280000	MENDOZA RAMON D/ZENAIDA T	$270,222
78	22523401290000	HINKLE BETTY J/RODNEY L	$371,770
79	22523401580000	TIMINERI MICHAEL A	$205,627
80	22523401590000	TREVINO RACHEL/MINERVA M	$332,854
81	22523401600000	CESARIO MICHAEL	$331,177
82	22523401610000	CHAVEZ ROBERT/KAREN T	$332,854
83	22523401620000	STROZZO BENJAMIN/ANGELA	$292,019
84	22523401630000	MARTINEZ BRAD	$303,358
85	22523401640000	UMPAD MONET/ROBERTO	$323,000
86	22523401650000	BURKS DANIEL/BURKS TRACIE HALL	$330,000
87	22523401660000	DEY SAUMEN CHANDRA/MANJULA	$260,722
88	22523401670000	WADE AMBER DRAGOMIR/PAUL ROBERT	$266,649
89	22523401680000	EDWIN MARTIN L	$175,068
90	22523401690000	EGGEN CHAD/ELIZABETH MICKANIS	$249,821
91	22523401700000	ROONEY STEFANIE/ZACHARY J	$300,541
92	22523401710000	VO SAMUEL S	$216,984

93	22523401720000	LACHAPELLE ANTHONY M	$289,000
94	22523401730000	DISUANCO FELICIANO V III	$280,161
95	22523401740000	DALEY KATHARINE E/PHILIP E	$272,000
96	22523401750000	CHEN JEFF Y/ANDREA L	$181,935
97	22523401760000	KOBZAR ANDREY	$223,674
98	22523401770000	HOWARD CHERI/WILLIAM RONALD OVERLAND	$303,724
99	22523401780000	BOTTI TRUST	$299,274
100	22523401790000	STROUD THOMAS A	$247,500
101	22523401800000	BAKER CAMILLE	$275,467
102	22523401810000	SARMIENTO MILAGROS D/RAMON	$321,771
103	22523401820000	JOHNSON DAMITA/ELIZABETH GRANGER	$286,672
104	22523401830000	DOWNING DIANA L	$273,088
105	22523401840000	WASHINGTON TIFFANY A	$169,763
106	22523401850000	CHAPEL CHERYL F/DENISE L	$258,407
107	22523401860000	WAGNER HILARY J	$194,803
108	22523401870000	KEN MING/MEI WEN SOU REVOCABLE TRUST	$244,754
109	22523401880000	SWEET HOMES INCORPORATED	$170,861
110	22523401890000	GHAFARI FAISAL/MALALI	$282,746
111	22523401900000	EAGAN MATTHEW/ALICIA	$252,813
112	22523401910000	KIM YONGSUK	$238,171
113	22523800010000	HARRELL GARY P	$313,853
114	22523800020000	TIDWELL KATHRYN M/TRAVIS M	$360,413
115	22523800030000	KING JEANIE	$268,192
116	22524000010000	DACE KAREN YVETTE/MARY F	$334,793
117	22524000020000	CHONG CHUAN SHIN/HUAN WAI NG	$333,796
118	22524000030000	BATARA CHRISTOPHER	$280,861
119	22524000040000	SAHOTA GURDEEP S	$399,926
120	22524000050000	HOFFMAN KURT/TERRIE DENIS	$340,108
121	22524000060000	WAN KEVIN/GENE	$343,311
122	22524000070000	HUANG SHAO QUAN	$373,737
123	22524000080000	COUTURE ANDREW/COUTURE KATARZYNA ZEMBI	$442,050
124	22524100010000	EVELYN S DE JESUS 2015 TRUST	$230,969
125	22524100020000	HABR LLC	$252,000
126	22524100030000	PATRICIA L GARRISON LIFETIME TRUST	$229,614
127	22524100040000	GARRETT DANI/KATHRYN KLUMPE	$243,660
128	22524100050000	FAIST JOANNE L	$237,020
129	22524100060000	YANCHA SEGUNDINA A/VIRGILIO A	$269,774
130	22524100070000	MARY A AUSTIN FAMILY TRUST	$161,254
131	22524100080000	GUY FAMILY TRUST	$270,100
132	22524100090000	GREGORY BAKER 2013 LIVING TRUST	$159,153
133	22524100280000	ERNEST M ELDER LIVING TRUST	$226,786
134	22524100290000	LOVITA LINDY FAMILY REVOCABLE TRUST	$241,480
135	22524100300000	GRAHAM ROBERT L/KEVIN L JORDAN	$266,000
136	22524100320000	TOOMEY FAMILY LIVING TRUST	$238,933
137	22524100330000	SCHECHTER KAREN	$248,772
138	22524100340000	VAIL DEBORA	$202,844
139	22524100350000	ROCHE KATHLEEN A	$222,207

140	22524100360000	WAHLEN VINCENETTA L	$249,965
141	22524100370000	GORRELL FAUTH TRUST	$251,835
142	22524100380000	CARDENAS FAMILY TRUST	$231,000
143	22524100390000	JANE CHRISTOPHERSEN REVOCABLE TRUST	$237,022
144	22524100400000	VERONICA A GUSTAFSON LIVING TRUST	$237,021
145	22524100410000	SHIRES TRUST/RISK TRUST	$255,166
146	22524100420000	WOOD RAMONA J	$223,355
147	22524100430000	MESIROW ALLEN/LORI	$304,575
148	22524100440000	ROSE WILLIAM M	$308,942
149	22524101130000	MCCUISTON KATHLEEN	$172,592
150	22524101140000	BASCO DAVID S/CARMENCITA M	$200,000
151	22524101150000	DUFFELL EVELYNNE O	$162,440
152	22524101160000	4010 DEL ARCO LN RESIDENCE TRUST	$182,091
153	22524101170000	STITT BRUNETTE/OSCAR L	$161,362
154	22524101180000	MANUEL GARY	$179,699
155	22524200330000	HALE TERRI	$330,750
156	22524200340000	CAMILLE KING FAMILY TRUST	$338,415
157	22524200360000	FLETCHER PATTI	$185,678
158	22524200370000	STILES TINA	$205,971
159	22524200460000	CACAS HAYDEE	$260,058
160	22524200470000	DELOSREYES MANUEL G/PAZ D	$261,071
161	22524200480000	RANDALL W WESSMAN REVOCABLE LIVING TRUST	$284,270
162	22524200490000	CLARK BRUCE/SHARON	$280,000
163	22524200500000	GRAM FAMILY TRUST	$283,254
164	22524200510000	MICHAEL W/DEBORAH S SCHWERIN REV TRUST	$279,566
165	22524200520000	WIGLEY MARC C	$275,211
166	22524200530000	PRIMES SUSAN K	$289,343
167	22524300020000	JOHNSON FLORENCE C/JOANNA	$286,679
168	22524300030000	FLOYD/KATHLEEN JOINT LIVING TRUST	$236,131
169	22524300040000	ESTES BOBBY LEROY/PATRICIA R	$275,625
170	22524300050000	SPURGEON FAMILY TRUST	$337,220
171	22524300060000	AFFLECK DEBORAH K	$292,212
172	22524300070000	FIGUEROA RICHARD/VIRGINIA	$320,000
173	22524300080000	LESLIE A FARRELL TRUST	$233,055
174	22524300110000	LAVELLE TONI R	$385,795
175	22524300120000	FORTIER FAMILY REVOCABLE 2001 TRUST/	$101,694
176	22524300130000	LLOYD T & PAMELA M SMITH II FMLY TRST	$328,516
177	22524300140000	DANIEL TACKETT/PENNY MULDER JOINT LIVING T	$281,464
178	22524300150000	JAMES M MULHERN TRUST AGREEMENT1995/ETA	$344,144
179	22524300160000	GRCICH LARRY A	$293,707
180	22524300170000	MACINTOSH KATHLEEN F	$295,125
181	22524300180000	KITCHEN DOUGLAS M	$312,341
182	22524300190000	GOMEZ ALFREDO B/EVELYN M	$358,007
183	22524300200000	CURTO DAVID/SUSAN	$216,450
184	22524300210000	SCHAEFER FAMILY TRUST	$329,956
185	22524300220000	JACK WAGGONER TRUST	$303,187
186	22524300230000	GATHINGS FAMILY TRUST	$353,526

187	22524400070000	RANA UTTAM S	$290,742
188	22524400080000	LEARN JEFF A/MATT W	$271,867
189	22524400090000	KWONG TONY/SUEY K GEE	$271,104
190	22524400100000	AYALA ERIKA T/RUMUALDO A MORENO	$303,030
191	22524400110000	LANZAS ALEJANDRO J/XUANHUONG TONNU	$254,003
192	22524400160000	MOK LAI MANG	$294,403
193	22524400170000	CHU CHIN T/WANFONG/PATRICK W C	$251,877
194	22524400180000	BOLLUM NICHOLAS M	$309,226
195	22524400190000	VONSCHEOCH KONRAD III/SANDY D VONSCHOECH	$285,936
196	22524400200000	CHEN CHENG Z/SAVINIE H XIE	$294,795
197	22524400210000	JONES STEVEN R	$290,298
198	22524400220000	LIANG BENSON Y	$298,219
199	22524400230000	HUANG HAO	$296,815
200	22524400240000	LEWIS JASON R	$300,664
201	22524400250000	LEE CLIFFORD M/NGUYEN LOAN T	$320,266
202	22524400260000	HOANG NHAQUYNH N/JASON N	$360,909
203	22524400270000	JANYAMETHAKUL SENAWINEE	$332,535
204	22524400280000	YANG JAMES	$245,097
205	22524400290000	MCBRAYER BRETT R/ASHLEY D	$286,587
206	22524400300000	KWOK AGNES W	$236,531
207	22524400310000	RICHARDSON ANTONIO/DANNA	$350,159
208	22524400320000	KATAKAM UDAY	$361,429
209	22524400330000	CHEUNG WING W/CHARLES ZHU	$252,793
210	22524400340000	NAHAL SONIA/JASKAREN K NIJER S	$280,229
211	22524400350000	AMEY CHARLES D/STEPHANIE	$293,858
212	22524400360000	CHUN BONG K	$301,666
213	22524400370000	GOSAL PARAMJIT K	$366,031
214	22524400400000	GUTIERREZ MARIA	$228,436
215	22524400410000	DUNISCH THUONG A/WILLIAM H MCCULLOUGH	$268,686
216	22524400540000	HEMMERT NELSON D/TRACY V	$250,193
217	22524400550000	DUBOSE SHELIA	$207,172
218	22524400720000	JULL CAROLYN	$385,472
219	22524400730000	SMITH JEFFREY/JANET	$355,446
220	22524400740000	WULFF MARCI A/RYAN J	$390,461
221	22524400750000	LE DUNG T	$386,956
222	22524400760000	BENNETT FAMILY TRUST	$401,071
223	22524400770000	FLEET BRAD N/TERRI E	$423,353
224	22524400780000	PAUL NEERAJ	$444,574
225	22524500370000	JACQUELINE M SMITH 2002 FAMILY TRUST	$444,573
226	22524500380000	SCHWARTZ GARY/SCHWARTZ GLORIA	$517,765
227	22524500390000	NAGIN PADMINI/VENILAL	$649,651
228	22524500400000	LUKE JOHN C/GWEN C B	$540,445
229	22524500500000	GOMEZ JOAQUIN/JULIE	$444,416
230	22524500510000	BISSELL BENABIDES KATHLEEN A/THONG V PHAM	$517,070
231	22524500520000	CARMON ILM J/VICTORIA J	$365,121
232	22524500640000	DENT DORETHA	$449,193
233	22524500650000	SIMON WILLIE/SIMON CYNTHIA	$455,633

234	22524500660000	GIOVANNETTI BRYAN/MARGARET	$551,765
235	22524500670000	BENSON/TINA YEE FMLY REVOCABLE TRUST	$367,966
236	22524500680000	HERNANDEZ JERRY/RUSSELL R MICHEL	$464,704
237	22524500690000	MOUNCE STACEY F/KRISTINA VANNUCCI	$576,977
238	22524500700000	HASAN SHIFAT	$337,034
239	22524500710000	AWIL FAMILY TRUST	$440,101
240	22524500790000	FARRALES DEOGRACIAS	$259,952
241	22524500800000	NGO LILY	$279,427
242	22524500810000	BURTON JEAN M/KENNETH T/DIANE L	$444,416
243	22524500820000	BUCHANAN FAMILY TRUST	$431,796
244	22524500830000	KENNETH W AND BONNIE S BARROW 2013 TRUST	$566,354
245	22524500840000	LE LONG T/KIM T NGUYEN	$442,616
246	22524700010000	RIOS GARY A/KATHLEEN	$369,099
247	22524700020000	WILLIAMS JOSEPH/DEBRA	$429,622
248	22524700030000	TSAI TRUST	$446,725
249	22524700040000	GREGORY/BRENDA ROGERS JOINT LIVING TRUST	$265,258
250	22524700050000	HAUGEN SUSAN J	$424,245
251	22524700060000	HAWKLEY FAMILY LIVING TRUST	$478,635
252	22524700070000	BN MCDOUGAL FAMILY REVOCABLE TRUST 2013	$407,381
253	22524700080000	CUZZOCREA FAMILY TRUST	$414,788
254	22524700090000	VANVLECK SHARON A	$525,894
255	22524700100000	MEEKS FAMILY TRUST	$309,486
256	22524700110000	COOPER NANCY S	$357,390
257	22524700120000	ASHBROOK DEBRA	$480,648
258	22524700130000	BENNIE/ERMIA TOLIVER JT LVNG TRST	$413,366
259	22524700140000	TAMIMI SALIM/SHARIFEH/TAREQ ALTAKROURI	$324,937
260	22524700150000	DUARTE FAMILY TRUST	$414,788
261	22524700160000	GEORGE L/LYNNE S HANSFORD 2013 REV TRUST	$438,795
262	22524700170000	GERSHEY MARK/BARBARA	$442,390
263	22524700180000	ROCKWOOD JOHN D/COLEEN M	$279,050
264	22524700190000	LIPPS LEONARD L/LISA C	$418,713
265	22524700200000	TONI D HOWARD REVOCABLE TRUST	$338,235
266	22524700210000	DEC OF TRUST EVERETT W DINGWEL/LENNY J DIN	$420,349
267	22524700220000	BREWER FAMILY 2011 REVOCABLE TRUST	$371,099
268	22524700230000	LEONARD E/NANCY E BRAY REVOCABLE TRUST	$377,277
269	22524700240000	JUDITH A MYERS FAMILY TRUST	$431,935
270	22524700250000	BARK CHRISTOPHER/LOWELL BROWN	$387,462
271	22524700350000	WILLIAMS 2000 LIVING TRUST	$377,468
272	22524700360000	PACHECO FAMILY TRUST	$407,929
273	22524700370000	FROST KARNE A/VALINDA	$388,684
274	22524700380000	FOX JANET L	$466,691
275	22524700390000	BEECHER LESLIE S	$373,861
276	22524700400000	SUE LESLIE/ROBERTA L	$345,692
277	22524700410000	SNYDER WILLARD S JR/SNYDER HELENA FITCH	$332,570
278	22524700420000	WONG ANDY M/MARY L	$294,395
279	22524700430000	GRAY PHILLIP D/WENDY	$265,866
280	22524700440000	GODSKE SHARON D/LINDA K PRANDI	$290,590

281	22524800140000	JOHN/ANN BURKE JT LIVING TRUST	$334,225
282	22524800150000	EDWARD BRONDER/PATTI DELZER JOINT LIVING T	$454,058
283	22524800160000	ELLIS REVOCABLE TRUST	$384,077
284	22524800190000	VALINE FAMILY TRUST	$309,497
285	22524800200000	MACKEY THOMAS B	$307,480
286	22524800210000	CHAUDHURI HEMOTPAUL/GOPA	$348,476
287	22524800220000	REEVES FAMILY 2005 REVOCABLE TRUST	$151,928
288	22524800230000	DILLON 2002 TRUST	$331,262
289	22524800240000	NEAVE MERRILL/ANNETTE S	$320,566
290	22524800250000	JENKINS FAMILY TRUST	$328,601
291	22524800260000	LOPEZ MARTHA	$321,939
292	22524800270000	MOLINE LIVING TRUST	$259,952
293	22525000060000	MARTINEAU DONALD R/SHEILA B SNYDER	$348,914
294	22525000070000	DUARTE FAMILY TRUST	$201,595
295	22525000080000	NORDEEN TAMRA LYNN/TIMOTHY JOHN	$325,905
296	22525100010000	SHELTON DUANE R/EVE R	$471,381
297	22525100020000	BROWN WENDELL D/DEBRA A	$397,779
298	22525100030000	RUMORE DAWN M/COSIMO A JR	$259,740
299	22525100080000	CHANG TAEKEUN/JUNGWON	$354,151
300	22525100110000	HELSEL SOMPOCH	$354,376
301	22525100120000	HU ANNIE C/JIN C	$355,000
302	22525100130000	PATTERSON MEGAN A	$297,929
303	22525100140000	JOHNSON GLEN A	$299,873
304	22525100150000	MAR BHUPINDER/SURJIT S	$381,990
305	22525100160000	MESICK CARMEN L/JAMES C	$386,917
306	22525100170000	SPEER CHAD J/CHI M SO	$356,168
307	22525100180000	SEKHON AMANJIT K/JOGINDER K	$305,128
308	22525100190000	YE WANNA	$358,432
309	22525100620000	GORDON TYLER/KAYLENA DELRIO	$315,000
310	22525100630000	FLESHMAN GARY L/KIYOKO KUBODERA	$362,332
311	22525100640000	BARNETT DANIEL	$310,213
312	22525100650000	PERRY STEVEN	$330,000
313	22525100660000	QUINTANILLA DEANNA M/ROBERT N	$360,413
314	22525100670000	REACH PHA	$294,905
315	22525100680000	MEISEL DAVID/VANESSA	$278,130
316	22525100690000	RAI PREMJIT S/HARJINDER K	$310,748
317	22525200530000	DANNY M JOHNSON FAMILY TRUST	$295,484
318	22525200540000	HUNT CHRISTY JEAN/MALIZIA FAMILY TRUST	$301,496
319	22525200550000	J F STRAND TRUST	$302,643
320	22525200560000	DILL FAMILY TRUST	$334,756
321	22525200570000	JAMES E/GINA R TOWNE 2010 REVOCABLE TRUST	$302,278
322	22525200580000	LUONG RAYMOND C/MARK W BLAGDON	$327,685
323	22525200590000	MITCHELL FRANK J	$244,035
324	22525200600000	RAGNETTI LINDA S/MARGARET PEG STICKNEY	$299,146
325	22525200610000	KOMURA KEIKO/YOSHITAKA SAWADA	$275,278
326	22525200620000	JURIS ANDREW L/ROBYN	$365,286
327	22525200630000	HENAN WHITE EIRA/WHITE PETER D	$364,126

328	22525200640000	MARCIA J PESEK REVOCABLE LIVING TRUST	$349,186
329	22525300110000	QUIZON RAYMUNDO	$255,817
330	22525300120000	BAJET ABIGAIL C/JAMES B	$299,296
331	22525300130000	REVOCABLE TRUST/CRAIG L HEDMAN	$307,842
332	22525300140000	MA TING PONG	$298,764
333	22525300150000	TANG PAK/LICHIUAN HSIEH	$343,472
334	22525300160000	RIJO ROSA E/ORESTE R VASQUEZ	$306,868
335	22525300170000	KIM JENNIFER	$352,998
336	22525300180000	SCOTT DONNA/KATRINA M	$319,725
337	22525300190000	SNYDER KELVIN ALEXANDER/ETAL	$337,410
338	22525300200000	GUTIERREZ JORGE E III/SUSAN M	$376,000
339	22525300210000	SAKARINDR SUPAKIT	$310,213
340	22525300220000	ZAWADZKI ROBERT/SYLWIA A ZAWADZKA	$309,124
341	22525300230000	REISINGER BARBARA M	$236,553
342	22525300240000	MARTIN CORTNIE	$305,000
343	22525300250000	REYNOSO CYNTHIA	$263,965
344	22525300260000	LENG BOUNTHA/THUY	$328,000
345	22525300610000	KINSEY MARGOT A/RUSSELL E	$282,926
346	22525300620000	HUNG YUN	$180,373
347	22525300700000	TENCE YOUQUN X	$249,654
348	22525300710000	CANTRELL LYNDSAY	$156,925
349	22525300720000	KELLER PHILLIP JOHN/ANITA L	$271,842
350	22525300730000	GORBAN SEAN	$234,051
351	22525400010000	MONTGOMERY ALEXANDRA D	$237,021
352	22525400020000	GOMEZ EDWARD/JESSICA L	$270,993
353	22525400030000	SMITH JAMES	$412,000
354	22525400040000	NAWARA TERRY/KELLE P WILLIAMS	$425,541
355	22525400050000	RODIER SCOTT/ALEXIS	$388,744
356	22525400060000	ROWE CATHERINE/TSEAN	$373,851
357	22525400070000	MEJORADO LUFINO REYES	$334,032
358	22525400080000	JONES JAVAUGHN	$344,016
359	22525400090000	LEONG NORMAN W/JUDITH	$332,629
360	22525400100000	BHINDER JAGMEET S/MANDEEP KAUR	$270,459
361	22525400130000	CRUZ JUAN CARLOS	$232,994
362	22525400140000	MOWRY REBECCA	$254,863
363	22525400200000	HILL ANTHONY K/SELINA A	$286,797
364	22525400210000	HERNANDEZ CHRISTINE M/MARCOS A	$267,142
365	22525400220000	WU WEITIAN/WANJAN	$315,237
366	22525400230000	ALLEY GREGORY D/LISA M BURCAR B	$315,730
367	22525400370000	CHAN HELEN HOI LAN	$264,394
368	22525400380000	HINDRIK/THUY NGUYEN TAN REVOCABLE LIVING T	$241,807
369	22525400390000	WANG SHIH CHIN T/CHUEH CHIAO TAI	$274,484
370	22525400400000	TORRES CESAR	$312,428
371	22525400410000	BROWN STANLEY D/MICHELLE R FULLNER	$256,492
372	22525400600000	GILBERT JOHN D	$310,800
373	22525400610000	GARRETT DANI D/KATHRYN ANN KLUMPE	$276,806
374	22525400620000	LOPEZ MOSES	$253,704

375	22525400630000	HITES JAMES	$292,612
376	22525400820000	REED ERIN/ROBERT	$172,415
377	22525400830000	DELGADILLO 2014 REVOCABLE TRUST	$273,018
378	22525400960000	WILLIAMS CATHERINE/RICHARD RAYMOND DUAR	$284,133
379	22525701040000	CHOWDHURY AVITA	$248,596
380	22525701050000	ARAKAKI KRISTEN	$271,633
381	22525701060000	PADILLA JACLYN M	$272,727
382	22525701130000	NGUYEN THUY	$271,949
383	22525701140000	HILL NORMAN A/OKSANA M/THOMAS J	$252,913
384	22525701150000	NGUYEN LE QUYEN	$259,241
385	22525701160000	CO WELLMAN	$281,619
386	22525701170000	KAUR PARVINDER/JOGA PUAR	$321,834
387	22525701180000	GRIEGO RICHARD	$293,695
388	22525701190000	LANIER JAMIE L	$323,864
389	22525701200000	VINAVONG DARYL/SENGAMPHONE	$266,510
390	22525701210000	SAYAKHOM SINGSAMPHANH R/MEUY T SAECHAO	$250,193
391	22525701220000	WELLS RONALD/RASIA S/NURZAT JUMATAEVA	$288,267
392	22525701230000	RAMIREZ SALDANA ERIKA	$327,462
393	22525701240000	WILLIAMS ANTHONY LAMONT/YOLANDA	$314,293
394	22525701250000	ALCALA YVES/ALVIN D	$230,549
395	22525701260000	HARPER ROBERT J A	$336,032
396	22525701270000	SINGH RANJIT/SARJIT	$180,373
397	22525701280000	JAVAID DANYAL/QAMAR KHAN	$302,858
398	22525701290000	LEE YU CHENG/YAN C	$277,388
399	22525701300000	LIM AIDA T/CLEMENT C	$285,000
400	22525701310000	STROBLE MATTHEW	$340,000
401	22525701320000	DHESI GURMIT/KULVINDER	$265,095
402	22525701330000	CALANZA BELEN	$311,694
403	22525701340000	MOSS JOYCE A	$332,856
404	22525701350000	WILCOX PAUL B	$252,368
405	22525701360000	WAGNER MITCHELL J	$311,681
406	22526100030000	BROLLIER SANDRA	$172,277
407	22526100040000	JOE ALYCIA	$253,705
408	22526100050000	LIGHT JULIA	$245,324
409	22526100060000	ESTERSON ANDREW W	$268,720
410	22526100150000	BAI JAMES	$247,237
411	22526100160000	MARGARET A OLADIMEJI MCMAYE SEPARATE PRC	$236,884
412	22526100170000	DUMITRAS ANDREI/CAMELIA	$262,100
413	22526100180000	SCHMIDT KENDALL	$235,046
414	22526100190000	GALLARDO PAUL I	$234,029
415	22526100200000	ELGARRISTA PABLO/MARIA G GURAIIB	$227,877
416	22526100210000	VALENCIA OMAR	$313,712
417	22526100220000	KO ALISSA L	$214,803
418	22526100550000	COCCOVILLO PAUL DAMIAN	$262,827
419	22526100560000	COSTA JACK WILLIAM HENRY II/ELENA J	$302,952
420	22526100570000	KAIRON RAJIV S	$248,423
421	22526100580000	JAMES TODD R	$201,241

422	22526100590000	IH2 PROPERTY TRS 2 L P	$228,850
423	22526100600000	SHELBY ISABELLE	$238,171
424	22526100610000	IBARRA ADRIANA/TANORI CARLOS	$253,704
425	22526100620000	JR ANTABLIAN TRUST	$233,876
426	22526100630000	ROSS LUCRESTUS	$251,803
427	22526100640000	MYERS ANGELA	$246,455
428	22526100650000	BROOKINS PAMELA	$294,000
429	22526100660000	SIM CARLENE A/DON N	$233,876
430	22526100670000	SITU FAMILY LIVING TRUST	$246,430
431	22526100680000	HAMEL INGRID	$181,729
432	22526100690000	GUZMAN DAVID R	$187,241
433	22526100700000	WINEINGER SHELBY	$258,888
434	22526100710000	ARIA KEVIN J	$184,775
435	22526100720000	EVERETT LAWRENCE LONNIE/ELAINE	$256,019
436	22526100730000	RAMIREZ MICHAEL/JULIANA HERNANDEZ	$232,844
437	22526100740000	DOMINGUEZ CHERYL/GREGORY	$243,342
438	22526100750000	CHAN MEI	$242,579
439	22526100760000	NAHAL HARJIT	$259,929
440	22526100770000	LOPEZ SAYDA	$248,527
441	22526100780000	LUPERCIO PEDRO A/PAULINA	$249,654
442	22526100790000	MURRAY ROBERT/CORLEY	$190,000
443	22526100800000	WALLS JOHN E	$237,136
444	22526100810000	APOSTOLOU NATALYA/LIZABETH CLARK	$240,946
445	22526100820000	MURRAY CORLEY	$257,194
			$131,586,820
			$131,590,000

Addendum D

Cash Flows for Finished Lot Analysis

PRODUCT LINE 1

REVENUE AND SALES	**Quarter:**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
	Period Ending														
SALES AND CONSTRUCTION STARTS		0	5	9	9	9	9	9	9	9	7	0	0	0	0
UNSOLD INVENTORY		75	70	61	52	43	34	25	16	7	0	0	0	0	0
CLOSE OF ESCROW		0	0	5	9	9	9	9	9	9	9	7	0	0	0
UNCLOSED INVENTORY			75	75	70	61	52	43	34	25	16	7	0	0	0
		Total													
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$22,500,000	$1,500,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000	$2,100,000	$0	$0	$0	$0
CONTRACTED LOT PREMIUM REVENUE (BEFORE APPRECIATION)		$112,500	$7,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$13,500	$10,500	$0	$0	$0	$0
TOTAL BASE HOME AND LOT PREMIUM (BEFORE APPRECIATION)		$22,612,500	$1,507,500	$2,713,500	$2,713,500	$2,713,500	$2,713,500	$2,713,500	$2,713,500	$2,713,500	$2,110,500	$0	$0	$0	$0
Quarterly Appreciation Factor (Adj. for lag between contract and COE)	1.01250		1.0000	1.0125	1.0252	1.0380	1.0509	1.0641	1.0774	1.0909	1.1045	1.1183	1.1323	1.1464	1.1608
APPRECIATED BASE HOME AND LOT REVENUE		$23,806,861	$1,507,500	$2,747,419	$2,781,761	$2,816,534	$2,851,740	$2,887,387	$2,923,479	$2,960,023	$2,331,018	$0	$0	$0	$0
APPRECIATED CLOSING BASE HOME AND LOT REVENUE		$23,806,861	$0	$1,507,500	$2,747,419	$2,781,761	$2,816,534	$2,851,740	$2,887,387	$2,923,479	$2,960,023	$2,331,018	$0	$0	$0
MODEL RECAPTURE		$120,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$120,000	$0	$0	$0
TOTAL REVENUE		$23,926,861	$0	$1,507,500	$2,747,419	$2,781,761	$2,816,534	$2,851,740	$2,887,387	$2,923,479	$2,960,023	$2,451,018	$0	$0	$0
EXPENSES AND CASH FLOWS															
FIXED OR PERCENTAGE EXPENSES															
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)		$717,806	$71,781	$71,781	$71,781	$71,781	$71,781	$71,781	$71,781	$71,781	$71,781	$71,781	$0	$0	$0
SALES AND MARKETING (% OF TOTAL REVENUE)		$1,196,343	$0	$75,375	$137,371	$139,088	$140,827	$142,587	$144,369	$146,174	$148,001	$122,551	$0	$0	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)		$59,817	$0	$3,769	$6,869	$6,954	$7,041	$7,129	$7,218	$7,309	$7,400	$6,128	$0	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/WARRANTY/ETC.)		$1,196,343	$119,634	$119,634	$119,634	$119,634	$119,634	$119,634	$119,634	$119,634	$119,634	$119,634	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$779	$89,996	$14,610	$14,610	$13,636	$11,882	$10,332	$8,544	$6,755	$4,967	$3,243	$1,419	$0	$0	$0
DIRECT LEVIES (FIXED)		$32,289	$5,288	$5,288	$4,935	$4,301	$3,666	$3,032	$2,397	$1,763	$1,128	$494	$0	$0	$0
SPECIAL TAXES		$134,720	$21,938	$21,938	$20,475	$17,843	$15,514	$12,829	$10,144	$7,313	$4,680	$2,048	$0	$0	$0
HOA (FIXED)		$48,090	$7,875	$7,875	$7,350	$6,405	$5,460	$4,515	$3,570	$2,625	$1,680	$735	$0	$0	$0
MODEL COSTS (FIXED)		$300,000	$300,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BUILDING PERMITS AND FEES (FIXED)		$2,400,000	$160,000	$288,000	$288,000	$288,000	$288,000	$288,000	$288,000	$288,000	$224,000	$0	$0	$0	$0
SUBTOTAL:		$6,175,404	$701,124	$608,268	$670,050	$665,888	$662,255	$658,050	$653,869	$649,565	$581,547	$324,788	$0	$0	$0
APPRECIATED EXPENSES															
DIRECT CONSTRUCTION COSTS		$9,720,000	$648,000	$1,166,400	$1,166,400	$1,166,400	$1,166,400	$1,166,400	$1,166,400	$1,166,400	$907,200	$0	$0	$0	$0
Quarterly Appreciation Factor	1.00500		1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564	1.0617
APPRECIATED DIRECT CONSTRUCTION COSTS		$9,921,869	$648,000	$1,172,232	$1,178,093	$1,183,984	$1,189,904	$1,195,853	$1,201,832	$1,207,841	$944,129	$0	$0	$0	$0
TOTAL EXPENSES		$16,097,273	$1,349,124	$1,780,500	$1,848,143	$1,849,871	$1,852,158	$1,853,903	$1,855,701	$1,857,406	$1,525,676	$324,788	$0	$0	$0
PROJECT RETURN (REVENUE LESS EXPENSES BEFORE PROFIT)			($1,349,124)	($273,000)	$899,276	$931,890	$964,375	$997,837	$1,031,686	$1,066,073	$1,434,347	$2,126,230	$0	$0	$0
DEVELOPER'S INCENTIVE/PROFIT	10.00%	$2,392,686	$0	$150,750	$274,742	$278,176	$281,653	$285,174	$288,739	$292,348	$296,002	$245,102	$0	$0	$0
NET INCOME AFTER PROFIT		$5,436,902	($1,349,124)	($423,750)	$624,534	$653,714	$682,722	$712,663	$742,947	$773,725	$1,138,344	$1,881,128	$0	$0	$0
DISCOUNTED/PRESENT VALUE FACTORS															
DISCOUNT RATE (COST OF FUNDS)	5.50%		0.98644	0.97306	0.95986	0.94684	0.93400	0.92133	0.90883	0.89651	0.88435	0.87235	0.86052	0.84885	0.83733
DISCOUNTED CASH FLOW		$4,786,083	($1,330,826)	($412,333)	$599,464	$618,962	$637,660	$656,597	$675,214	$693,649	$1,006,690	$1,641,004	$0	$0	$0
VALUE CONCLUSION		**$4,790,000**													
INDICATED VALUE PER LOT		**$63,867**													
IRR ANALYSIS BASED ON A FINISHED LOT CONDITION															
VALUE RELATIVE TO PROJECT RETURN	**24.1%**	($4,786,083)	($1,349,124)	($273,000)	$899,276	$931,890	$964,375	$997,837	$1,031,686	$1,066,073	$1,434,347	$2,126,230	$0	$0	$0
TOTAL LOAN TO AGGREGATE RETAIL	70.56%														
% OF LAND FINANCED	50%	$2,395,000	$2,395,000												
% OF COSTS FINANCED (CASH IN)	90%	$14,487,545	$1,214,212	$1,602,450	$1,663,329	$1,664,884	$1,666,943	$1,668,513	$1,670,131	$1,671,666	$1,373,109	$292,309	$0	$0	$0
LOAN DRAW		$16,882,545	$3,609,212	$1,602,450	$1,663,329	$1,664,884	$1,666,943	$1,668,513	$1,670,131	$1,671,666	$1,373,109	$292,309	$0	$0	$0
PRIOR PERIOD BALANCE				$3,734,228	$4,226,672	$3,823,858	$3,391,430	$2,929,231	$2,436,095	$1,911,379	$1,354,300	$0	$0	$0	$0
LOAN INTEREST	4.50%		$40,604	$60,038	$66,263	$61,748	$56,907	$51,725	$46,195	$40,309	$30,683	$3,288	$0	$0	$0
LOAN POINTS	0.50%		$84,413												
LOAN BALANCE + INTEREST + POINTS			$3,734,228	$5,396,716	$5,956,263	$5,550,491	$5,115,280	$4,649,469	$4,152,421	$3,623,354	$2,758,092	$295,598	$0	$0	$0
LOAN REPAYMENT (CASH OUT)	110%			$1,170,044	$2,132,405	$2,159,060	$2,186,049	$2,213,374	$2,241,041	$2,269,054	$2,758,092	$295,598	$0	$0	$0
REMAINING BALANCE			$3,734,228	$4,226,672	$3,823,858	$3,391,430	$2,929,231	$2,436,095	$1,911,379	$1,354,300	$0	$0	$0	$0	$0
EQUITY RETURN (PROJECT RETURN + CASH IN - CASH OUT)	**41.7%**	($2,395,000)	($134,912)	$159,406	$430,199	$437,714	$445,269	$452,976	$460,775	$468,684	$49,363	$2,122,941	$0	$0	$0
NET INCOME AFTER PROFIT LESS INTEREST AND POINTS		$4,894,730	($1,474,141)	($483,788)	$558,271	$591,966	$625,815	$660,938	$696,752	$733,416	$1,107,661	$1,877,840	$0	$0	$0

PRODUCT LINE 2

REVENUE AND SALES	**Quarter:**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
	Period Ending														
SALES AND CONSTRUCTION STARTS		0	5	9	9	9	9	9	9	9	7	0	0	0	0
UNSOLD INVENTORY		75	70	61	52	43	34	25	16	7	0	0	0	0	0
CLOSE OF ESCROW		0	0	5	9	9	9	9	9	9	9	7	0	0	0
UNCLOSED INVENTORY			75	75	70	61	52	43	34	25	16	7	0	0	0
		Total													
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$25,500,000	$1,700,000	$3,060,000	$3,060,000	$3,060,000	$3,060,000	$3,060,000	$3,060,000	$3,060,000	$2,380,000	$0	$0	$0	$0
CONTRACTED LOT PREMIUM REVENUE (BEFORE APPRECIATION)		$382,500	$25,500	$45,900	$45,900	$45,900	$45,900	$45,900	$45,900	$45,900	$35,700	$0	$0	$0	$0
TOTAL BASE HOME AND LOT PREMIUM (BEFORE APPRECIATION)		$25,882,500	$1,725,500	$3,105,900	$3,105,900	$3,105,900	$3,105,900	$3,105,900	$3,105,900	$3,105,900	$2,415,700	$0	$0	$0	$0
Quarterly Appreciation Factor (Adj. for lag between contract and COE)	1.01250		1.0000	1.0125	1.0252	1.0380	1.0509	1.0641	1.0774	1.0909	1.1045	1.1183	1.1323	1.1464	1.1608
APPRECIATED BASE HOME AND LOT REVENUE		$27,249,578	$1,725,500	$3,144,724	$3,184,033	$3,223,833	$3,264,131	$3,304,933	$3,346,244	$3,388,072	$2,668,107	$0	$0	$0	$0
APPRECIATED CLOSING BASE HOME AND LOT REVENUE		$27,249,578	$0	$1,725,500	$3,144,724	$3,184,033	$3,223,833	$3,264,131	$3,304,933	$3,346,244	$3,388,072	$2,668,107	$0	$0	$0
MODEL RECAPTURE		$150,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$150,000	$0	$0	$0
TOTAL REVENUE		$27,399,578	$0	$1,725,500	$3,144,724	$3,184,033	$3,223,833	$3,264,131	$3,304,933	$3,346,244	$3,388,072	$2,818,107	$0	$0	$0
EXPENSES AND CASH FLOWS															
FIXED OR PERCENTAGE EXPENSES															
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)		$821,987	$82,199	$82,199	$82,199	$82,199	$82,199	$82,199	$82,199	$82,199	$82,199	$82,199	$0	$0	$0
SALES AND MARKETING (% OF TOTAL REVENUE)		$1,369,979	$0	$86,275	$157,236	$159,202	$161,192	$163,207	$165,247	$167,312	$169,404	$140,905	$0	$0	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)		$68,499	$0	$4,314	$7,862	$7,960	$8,060	$8,160	$8,262	$8,366	$8,470	$7,045	$0	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/WARRANTY/ETC.)		$1,369,979	$136,998	$136,998	$136,998	$136,998	$136,998	$136,998	$136,998	$136,998	$136,998	$136,998	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,007	$116,300	$18,880	$18,880	$17,621	$15,355	$13,352	$11,041	$8,730	$6,419	$4,190	$1,833	$0	$0	$0
DIRECT LEVIES (FIXED)		$32,289	$5,288	$5,288	$4,935	$4,301	$3,666	$3,032	$2,397	$1,763	$1,128	$494	$0	$0	$0
SPECIAL TAXES		$134,720	$21,938	$21,938	$20,475	$17,843	$15,514	$12,829	$10,144	$7,313	$4,680	$2,048	$0	$0	$0
HOA (FIXED)		$40,215	$0	$7,875	$7,350	$6,405	$5,460	$4,515	$3,570	$2,625	$1,680	$735	$0	$0	$0
MODEL COSTS (FIXED)		$375,000	$375,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BUILDING PERMITS AND FEES (FIXED)		$2,625,000	$175,000	$315,000	$315,000	$315,000	$315,000	$315,000	$315,000	$315,000	$245,000	$0	$0	$0	$0
SUBTOTAL:		$6,953,968	$815,301	$678,765	$749,675	$745,262	$741,440	$736,980	$732,546	$727,993	$653,749	$372,257	$0	$0	$0
APPRECIATED EXPENSES															
DIRECT CONSTRUCTION COSTS		$10,500,000	$700,000	$1,260,000	$1,260,000	$1,260,000	$1,260,000	$1,260,000	$1,260,000	$1,260,000	$980,000	$0	$0	$0	$0
Quarterly Appreciation Factor	1.00500		1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564	1.0617
APPRECIATED DIRECT CONSTRUCTION COSTS		$10,718,068	$700,000	$1,266,300	$1,272,632	$1,278,995	$1,285,390	$1,291,817	$1,298,276	$1,304,767	$1,019,893	$0	$0	$0	$0
TOTAL EXPENSES		$17,672,036	$1,515,301	$1,945,065	$2,022,307	$2,024,256	$2,026,829	$2,028,796	$2,030,822	$2,032,761	$1,673,642	$372,257	$0	$0	$0
PROJECT RETURN (REVENUE LESS EXPENSES BEFORE PROFIT)			($1,515,301)	($219,565)	$1,122,417	$1,159,776	$1,197,004	$1,235,335	$1,274,111	$1,313,484	$1,714,431	$2,445,851	$0	$0	$0
DEVELOPER'S INCENTIVE/PROFIT	10.00%	$2,739,958	$0	$172,550	$314,472	$318,403	$322,383	$326,413	$330,493	$334,624	$338,807	$281,811	$0	$0	$0
NET INCOME		$6,987,584	($1,515,301)	($392,115)	$807,944	$841,373	$874,621	$908,922	$943,617	$978,859	$1,375,624	$2,164,040	$0	$0	$0
DISCOUNTED/PRESENT VALUE FACTORS															
DISCOUNT RATE (COST OF FUNDS)	5.50%		0.98644	0.97306	0.95986	0.94684	0.93400	0.92133	0.90883	0.89651	0.88435	0.87235	0.86052	0.84885	0.83733
DISCOUNTED CASH FLOW		$6,189,642	($1,494,748)	($381,550)	$775,513	$796,646	$816,893	$837,416	$857,590	$877,553	$1,216,527	$1,887,803	$0	$0	$0
VALUE CONCLUSION		**$6,190,000**													
INDICATED VALUE PER LOT		**$82,533**													
IRR ANALYSIS BASED ON A FINISHED LOT CONDITION															
VALUE RELATIVE TO PROJECT RETURN	**22.9%**	($6,189,642)	($1,515,301)	($219,565)	$1,122,417	$1,159,776	$1,197,004	$1,235,335	$1,274,111	$1,313,484	$1,714,431	$2,445,851	$0	$0	$0
TOTAL LOAN TO AGGREGATE RETAIL	69.34%														
% OF LAND FINANCED	50%	$3,095,000	$3,095,000												
% OF COSTS FINANCED (CASH IN)	90%	$15,904,832	$1,363,771	$1,750,558	$1,820,076	$1,821,831	$1,824,146	$1,825,917	$1,827,740	$1,829,484	$1,506,278	$335,031	$0	$0	$0
LOAN DRAW		$18,999,832	$4,458,771	$1,750,558	$1,820,076	$1,821,831	$1,824,146	$1,825,917	$1,827,740	$1,829,484	$1,506,278	$335,031	$0	$0	$0
PRIOR PERIOD BALANCE				$4,603,931	$5,109,803	$4,609,112	$4,074,578	$3,506,014	$2,902,105	$2,262,123	$1,585,194	$0	$0	$0	$0
LOAN INTEREST	4.50%		$50,161	$71,488	$77,961	$72,348	$66,361	$59,984	$53,211	$46,031	$34,779	$3,769	$0	$0	$0
LOAN POINTS	0.50%		$94,999												
LOAN BALANCE + INTEREST + POINTS			$4,603,931	$6,425,978	$7,007,840	$6,503,291	$5,965,085	$5,391,915	$4,783,056	$4,137,638	$3,126,251	$338,800	$0	$0	$0
LOAN REPAYMENT (CASH OUT)	110%			$1,316,175	$2,398,728	$2,428,713	$2,459,071	$2,489,810	$2,520,932	$2,552,444	$3,126,251	$338,800	$0	$0	$0
REMAINING BALANCE			$4,603,931	$5,109,803	$4,609,112	$4,074,578	$3,506,014	$2,902,105	$2,262,123	$1,585,194	$0	$0	$0	$0	$0
EQUITY RETURN (PROJECT RETURN + CASH IN - CASH OUT)	**39.1%**	($3,095,000)	($151,530)	$214,819	$543,765	$552,895	$562,079	$571,442	$580,918	$590,524	$94,458	$2,442,081	$0	$0	$0
NET INCOME AFTER PROFIT LESS INTEREST AND POINTS		$6,356,492	($1,660,461)	($463,603)	$729,983	$769,025	$808,260	$848,937	$890,407	$932,829	$1,340,845	$2,160,271	$0	$0	$0

PRODUCT LINE 3

REVENUE AND SALES	**Quarter:**	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
	Period Ending														
SALES AND CONSTRUCTION STARTS		0	6	12	12	12	12	12	9	0	0	0	0	0	0
UNSOLD INVENTORY		75	69	57	45	33	21	9	0	0	0	0	0	0	0
CLOSE OF ESCROW		0	0	6	12	12	12	12	12	9	0	0	0	0	0
UNCLOSED INVENTORY			75	75	69	57	45	33	21	9	0	0	0	0	0
		Total													
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$29,250,000	$2,340,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$3,510,000	$0	$0	$0	$0	$0	$0
CONTRACTED LOT PREMIUM REVENUE (BEFORE APPRECIATION)		$438,750	$35,100	$70,200	$70,200	$70,200	$70,200	$70,200	$52,650	$0	$0	$0	$0	$0	$0
TOTAL BASE HOME AND LOT PREMIUM (BEFORE APPRECIATION)		$29,688,750	$2,375,100	$4,750,200	$4,750,200	$4,750,200	$4,750,200	$4,750,200	$3,562,650	$0	$0	$0	$0	$0	$0
Quarterly Appreciation Factor (Adj. for lag between contract and COE)	1.01250		1.0000	1.0125	1.0252	1.0380	1.0509	1.0641	1.0774	1.0909	1.1045	1.1183	1.1323	1.1464	1.1608
APPRECIATED BASE HOME AND LOT REVENUE		$30,870,086	$2,375,100	$4,809,578	$4,869,697	$4,930,568	$4,992,201	$5,054,603	$3,838,339	$0	$0	$0	$0	$0	$0
APPRECIATED CLOSING BASE HOME AND LOT REVENUE		$30,870,086	$0	$2,375,100	$4,809,578	$4,869,697	$4,930,568	$4,992,201	$5,054,603	$3,838,339	$0	$0	$0	$0	$0
MODEL RECAPTURE		$150,000	$0	$0	$0	$0	$0	$0	$0	$150,000	$0	$0	$0	$0	$0
TOTAL REVENUE		$31,020,086	$0	$2,375,100	$4,809,578	$4,869,697	$4,930,568	$4,992,201	$5,054,603	$3,988,339	$0	$0	$0	$0	$0
EXPENSES AND CASH FLOWS															
FIXED OR PERCENTAGE EXPENSES															
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)		$930,603	$116,325	$116,325	$116,325	$116,325	$116,325	$116,325	$116,325	$116,325	$0	$0	$0	$0	$0
SALES AND MARKETING (% OF TOTAL REVENUE)		$1,551,004	$0	$118,755	$240,479	$243,485	$246,528	$249,610	$252,730	$199,417	$0	$0	$0	$0	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)		$77,550	$0	$5,938	$12,024	$12,174	$12,326	$12,481	$12,637	$9,971	$0	$0	$0	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/WARRANTY/ETC.)		$1,551,004	$193,876	$193,876	$193,876	$193,876	$193,876	$193,876	$193,876	$193,876	$0	$0	$0	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,199	$115,737	$22,479	$22,479	$20,680	$17,084	$13,757	$10,088	$6,420	$2,751	$0	$0	$0	$0	$0
DIRECT LEVIES (FIXED)		$27,072	$5,288	$5,288	$4,865	$4,019	$3,173	$2,327	$1,481	$635	$0	$0	$0	$0	$0
SPECIAL TAXES		$134,128	$26,063	$26,063	$23,978	$19,808	$15,950	$11,697	$7,443	$3,128	$0	$0	$0	$0	$0
HOA (FIXED)		$40,320	$7,875	$7,875	$7,245	$5,985	$4,725	$3,465	$2,205	$945	$0	$0	$0	$0	$0
MODEL COSTS (FIXED)		$375,000	$375,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BUILDING PERMITS AND FEES (FIXED)		$2,850,000	$228,000	$456,000	$456,000	$456,000	$456,000	$456,000	$342,000	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$7,652,419	$974,904	$952,597	$1,075,471	$1,068,755	$1,062,660	$1,055,868	$935,116	$527,047	$0	$0	$0	$0	$0
APPRECIATED EXPENSES															
DIRECT CONSTRUCTION COSTS		$11,902,500	$952,200	$1,904,400	$1,904,400	$1,904,400	$1,904,400	$1,904,400	$1,428,300	$0	$0	$0	$0	$0	$0
Quarterly Appreciation Factor	1.00500		1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564	1.0617
APPRECIATED DIRECT CONSTRUCTION COSTS		$12,089,674	$952,200	$1,913,922	$1,923,492	$1,933,109	$1,942,775	$1,952,488	$1,471,688	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$19,742,093	$1,927,104	$2,866,519	$2,998,963	$3,001,864	$3,005,435	$3,008,357	$2,406,805	$527,047	$0	$0	$0	$0	$0
PROJECT RETURN (REVENUE LESS EXPENSES BEFORE PROFIT)			($1,927,104)	($491,419)	$1,810,615	$1,867,834	$1,925,134	$1,983,844	$2,647,799	$3,461,292	$0	$0	$0	$0	$0
DEVELOPER'S INCENTIVE/PROFIT	10.00%	$3,102,009	$0	$237,510	$480,958	$486,970	$493,057	$499,220	$505,460	$398,834	$0	$0	$0	$0	$0
NET INCOME		$8,175,985	($1,927,104)	($728,929)	$1,329,657	$1,380,864	$1,432,077	$1,484,624	$2,142,338	$3,062,458	$0	$0	$0	$0	$0
DISCOUNTED/PRESENT VALUE FACTORS															
DISCOUNT RATE (COST OF FUNDS)	5.50%		0.98644	0.97306	0.95986	0.94684	0.93400	0.92133	0.90883	0.89651	0.88435	0.87235	0.86052	0.84885	0.83733
DISCOUNTED CASH FLOW		$7,371,406	($1,900,966)	($709,290)	$1,276,283	$1,307,457	$1,337,556	$1,367,827	$1,947,027	$2,745,511	$0	$0	$0	$0	$0
VALUE CONCLUSION		**$7,370,000**													
INDICATED VALUE PER LOT		**$98,267**													
IRR ANALYSIS BASED ON A FINISHED LOT CONDITION															
VALUE RELATIVE TO PROJECT RETURN	**25.2%**	($7,371,406)	($1,927,104)	($491,419)	$1,810,615	$1,867,834	$1,925,134	$1,983,844	$2,647,799	$3,461,292	$0	$0	$0	$0	$0
TOTAL LOAN TO AGGREGATE RETAIL	69.16%														
% OF LAND FINANCED	50%	$3,685,000	$3,685,000												
% OF COSTS FINANCED (CASH IN)	90%	$17,767,883	$1,734,394	$2,579,867	$2,699,066	$2,701,677	$2,704,891	$2,707,521	$2,166,124	$474,342	$0	$0	$0	$0	$0
LOAN DRAW		$21,452,883	$5,419,394	$2,579,867	$2,699,066	$2,701,677	$2,704,891	$2,707,521	$2,166,124	$474,342	$0	$0	$0	$0	$0
PRIOR PERIOD BALANCE				$5,587,627	$6,452,548	$5,595,740	$4,686,197	$3,723,365	$2,705,475	$0	$0	$0	$0	$0	$0
LOAN INTEREST	4.50%		$60,968	$91,884	$102,956	$93,346	$83,150	$72,347	$54,805	$5,336	$0	$0	$0	$0	$0
LOAN POINTS	0.50%		$107,264												
LOAN BALANCE + INTEREST + POINTS			$5,587,627	$8,259,378	$9,254,570	$8,390,763	$7,474,238	$6,503,234	$4,926,404	$479,679	$0	$0	$0	$0	$0
LOAN REPAYMENT (CASH OUT)	110%			$1,806,830	$3,658,830	$3,704,566	$3,750,873	$3,797,759	$4,926,404	$479,679	$0	$0	$0	$0	$0
REMAINING BALANCE			$5,587,627	$6,452,548	$5,595,740	$4,686,197	$3,723,365	$2,705,475	$0	$0	$0	$0	$0	$0	$0
EQUITY RETURN (PROJECT RETURN + CASH IN - CASH OUT)	**44.1%**	($3,685,000)	($192,710)	$281,618	$850,851	$864,945	$879,152	$893,606	($112,482)	$3,455,956	$0	$0	$0	$0	$0
NET INCOME AFTER PROFIT LESS INTEREST AND POINTS		$7,503,927	($2,095,337)	($820,813)	$1,226,702	$1,287,518	$1,348,927	$1,412,276	$2,087,533	$3,057,122	$0	$0	$0	$0	$0

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

October [__], 2016

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Natomas Central Community Facilities District No. 2006-02
Special Tax Bonds, Series 2016
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with the issuance of $20,030,000 aggregate principal amount of City of Sacramento Natomas Central Community Facilities District No. 2006-02 Special Tax Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of October 1, 2016 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of October 1, 2016 (the "First Supplemental Indenture" and, together with the Master Indenture as so supplemented, the "Indenture"), each between the City and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. 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. 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, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no 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. Our services did not include financial or other non-legal advice. 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 the valid and binding special tax obligations of the City, payable solely from the Special Tax and certain funds held under the Indenture.

2. The Master Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the "City") and the County of Sacramento (the "County"). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the City, the County, or the State or any of its political subdivisions, and the City, the County, and the State and its political subdivisions are not liable therefor.

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 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

The following table lists population figures for the City, the County and the State as of January 1 for the last five years.

CITY AND COUNTY OF SACRAMENTO
Population Estimates

Calendar Year	*City of Sacramento*	*County of Sacramento*	*State of California*
2011	469,493	1,427,961	37,427,946
2012	469,895	1,431,726	37,680,593
2013	472,679	1,442,993	38,030,609
2014	475,871	1,456,230	38,357,121
2015	480,105	1,470,912	38,714,725

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area ("Sacramento MSA"), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 5.9% in 2015, down from the 2014 estimate of 7.2%. This compares with an unadjusted unemployment rate of 6.2% for California and 5.3% for the nation during the same period. The unemployment rate was 5.7% in El Dorado County, 5.0% in Placer County, 6.0% in Sacramento County and 6.4% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2011 through 2015.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2011 through 2015
Annual Averages

	2011	*2012*	*2013*	*2014*	*2015*
Civilian Labor Force [(1)]	1,047,800	1,051,600	1,046,600	1,049,200	1,060,200
Employment	923,600	942,900	956,400	974,100	998,100
Unemployment	124,200	108,700	90,200	75,100	62,100
Unemployment Rate	11.9%	10.3%	8.6%	7.2%	5.9%
Wage and Salary Employment [(2)]					
Agriculture	8,200	8,600	8,900	9,200	9,300
Natural Resources and Mining	500	400	500	500	600
Construction	36,900	38,400	43,300	45,400	49,900
Manufacturing	33,200	33,900	34,100	35,400	36,300
Wholesale Trade	23,700	25,200	25,000	24,500	24,600
Retail Trade	89,400	91,800	93,800	95,300	97,500
Transportation, Warehousing and Utilities	21,100	22,000	22,900	23,600	24,600
Information	16,300	15,600	14,800	13,900	14,200
Finance and Insurance	34,700	35,700	36,300	35,500	37,100
Real Estate and Rental and Leasing	12,000	12,500	13,100	13,400	13,900
Professional and Business Services	104,400	111,100	114,600	118,200	119,700
Educational and Health Services	122,500	125,600	130,700	134,300	140,300
Leisure and Hospitality	81,700	84,500	88,700	91,800	94,900
Other Services	28,000	28,600	29,000	30,200	30,800
Federal Government	14,000	13,700	13,500	13,600	13,700
State Government	109,700	108,200	109,900	113,400	115,400
Local Government	100,900	99,600	99,200	100,800	102,900
Total, All Industries	837,100	855,300	878,200	898,800	925,400

(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.

Source: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of April 1, 2016 in the community area are shown below.

SACRAMENTO COUNTY
MAJOR EMPLOYERS
(As of Aril 1, 2016)

Employer Name	*Location*	*Industry*
Aerojet Rocketdyne Holdings Inc	Rancho Cordova	Aerospace Industries (Manufacturers)
Aerojet Rocketdyne Inc	Rancho Cordova	Aerospace Industries (Manufacturers)
Air Resources Board Tstg Off	Sacramento	Engineers-Environmental
AMPAC Fine Chemicals LLC	Rancho Cordova	Electronic Equipment & Supplies-Manufacturers
California Prison Industry Authority	Folsom	Government Offices-State
California State University	Sacramento	Schools-Universities & Colleges Academic
Corrections Department	Sacramento	State Government-Correctional Institutions
Delta Dental Plan of Missouri	Rancho Cordova	Insurance
Department-Conservation	Sacramento	Recycling Consultants
Department of Transportation	Sacramento	Government Offices-State
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Employment Development Department	Sacramento	Government-Job Training/Vocational Rehab Services
Environmental Protection Agency	Sacramento	State Government-Environmental Programs
Exposition & Fair	Sacramento	Government Offices-State
Intel Corp	Sacramento	Semiconductor Devices (Manufacturers)
Intel Corp	Folsom	Semiconductor Devices (Manufacturers)
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Center	Carmichael	Hospitals
Municipal Services Agency	Sacramento	Government Offices-County
Sacramento Bee	Sacramento	Newspapers (Publishers)
Sacramento State	Sacramento	Schools-Universities & Colleges Academic
Smud Customer Service Center	Sacramento	Electric Companies
Sutter Memorial Hospital	Sacramento	Hospitals
UC Davis Medical Center	Sacramento	Hospitals
Water Resource Department	Sacramento	Government Offices-State

Source: State of California Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2016 1st Edition.

The following tables show the largest employers located in the City as of Fiscal Year 2014-15.

LARGEST EMPLOYERS
City of Sacramento
Fiscal Year 2014-15

Rank	Name of Business	Employees	Type of Business
1.	State of California	74,329	State Government
2.	Sacramento County	10,598	County Government
3.	UC Davis Health System	9,706	University Medical Center
4.	U.S. Government	9,668	Federal Government
5.	Sutter Health Sacramento Sierra Region	8,817	Medical Center
6.	San Juan Unified School District	7,523	School District
7.	Kaiser Permanente	6,464	Medical Center
8.	Dignity Health	6,285	Medical Center
9.	Intel Corporation	6,200	Semiconductor Manufacturing
10.	Elk Grover Unified School District	5,758	School District
11.	City of Sacramento	4,262	City Government

Source: City of Sacramento 'Comprehensive Annual Financial Report' for the year ending June 30, 2015

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period 2010 through 2014.

COUNTY OF SACRAMENTO
Personal Income
2010 through 2014

Year	*Sacramento County*	*California*	*United States*
2010	$54,673,384	$1,583,446,730	$12,459,613,000
2011	57,564,251	1,691,002,503	13,233,436,000
2012	60,721,694	1,812,314,643	13,904,485,000
2013	62,440,643	1,849,505,496	14,064,468,000
2014	65,126,187	1,939,527,656	14,683,147,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2010-2014. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
County of Sacramento, State of California and the United States
2010-2014

Year	***Sacramento County***	***California***	***United States***
2010	$38,453	$42,411	$40,277
2011	40,098	44,852	42,453
2012	41,913	47,614	44,266
2013	42,676	48,125	44,438
2014	43,944	49,985	46,049

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales tax and use tax permit holders to North American Industry Classification System Codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to those of prior years.

A summary of historic taxable sales within the City for 2009-2014 is shown in the following table.

CITY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

	Retail Stores		***Total All Outlets***	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	7,485	3,371,643	10,910	4,949,165
2010	7,976	3,456,380	11,491	4,947,448
2011	7,655	3,702,978	11,105	5,291,975
2012	7,862	3,801,126	11,301	5,471,319
2013	8,117	3,951,948	11,511	5,704,121
2014	8,445	4,036,184	11,809	5,863,222

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2009-2014 is shown in the following table.

COUNTY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	22,197	11,252,319	31,644	16,563,853
2010	23,158	11,615,687	32,789	16,904,528
2011	22,198	12,502,808	31,682	18,003,765
2012	22,211	13,366,459	31,507	19,089,848
2013	22,629	14,171,006	31,709	20,097,095
2014	23,147	14,649,693	32,143	21,061,901

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2011 through 2015.

CITY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2011	*2012*	*2013*	*2014*	*2015*
Permit Valuation					
New Single-family	$ 11,615.9	$ 25,833.0	$ 49,592.1	$ 58,116.6	$ 106,772.4
New Multi-family	30,285.8	41,453.6	2,586.5	21,874.1	108,079.3
Res. Alterations/Additions	110,787.5	78,739.6	111,697.7	89,488.5	92,380.4
Total Residential	152,689.2	146,026.2	163,876.3	169,479.2	307,232.1
New Commercial	16,197.1	32,837.5	35,643.2	30,460.2	26,629.2
New Industrial	3,232.4	0.0	379.9	2,178.5	0.0
New Other	1,324.4	2,327.5	13,868.4	29,484.9	39,614.62
Com. Alterations/Additions	140,159.1	115,028.9	137,883.3	153,927.1	222,068.0
Total Nonresidential	160,913.0	150,193.9	187,774.8	216,050.7	288,311.82
New Dwelling Units					
Single Family	65	169	251	257	435
Multiple Family	234	286	31	160	813
TOTAL	299	455	282	417	1,248

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2011	2012	2013	2014	2015
Permit Valuation					
New Single-family	$ 189,634.5	$ 248,826.3	$ 388,935.7	$ 361,339.3	$ 547,340.7
New Multi-family	64,390.8	48,632.8	13,637.4	30,113.7	108,510.6
Res. Alterations/Additions	202,757.1	143,291.7	201,418.7	179,206.9	241,507.7
Total Residential	456,782.4	440,750.8	603,991.8	570,659.9	897,359.0
New Commercial	77,164.9	155,651.6	94,629.4	114,813.2	155,624.2
New Industrial	3,232.4	648.1	1,360.6	2,178.5	0.0
New Other	3,290.1	3,788.0	48,822.1	145,465.8	101,500.5
Com. Alterations/Additions	287,939.6	248,426.0	279,323.9	261,776.1	394,304.5
Total Nonresidential	371,627.0	408,513.7	424,136.0	524,233.6	651,429.2
New Dwelling Units					
Single Family	727	1,290	1,764	1,547	2,358
Multiple Family	606	343	145	226	815
TOTAL	1,333	1,633	1,909	1,773	3,173

Source: Construction Industry Research Board, Building Permit Summary.

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 Route 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional 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 has passenger and package-service stations in the City.

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS 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 full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

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

"Acquisition and Construction Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Act" means collectively 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 Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Reserve Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Year" means the twelve-month period ending 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 first Series issued under the Master Indenture.

"Bonds" means the City of Sacramento Natomas Central Community Facilities District No. 2006-02 Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. "Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

"City" means the City of Sacramento, a California municipal corporation.

"City Council" means the City Council 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 Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Act.

"Community Facilities Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Costs of Issuance Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

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

"Event of Default" means an event described as such in the Master Indenture.

"Expense Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Expenses" means all expenses paid or incurred by the City for the cost of planning and designing the Facilities or the facilities to be financed with the Fees, including the cost of environmental evaluations, and 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 costs otherwise 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 and the facilities to be financed with the Fees; all as determined in accordance with Generally Accepted Accounting Principles.

"Facilities" means the public facilities authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on February 9, 2007.

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

"Fiscal Year" 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 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.

"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 Master Indenture.

"Indenture" means the Master Indenture and all Supplemental Indentures.

"Independent Certified Public Accountant" means any nationally recognized certified public accountant or firm of such accountants, 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.

"Master Indenture" means the Master Indenture, dated as of October 1, 2016, between the City and the Trustee entered into under and pursuant to the Act.

"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 all Outstanding Bonds.

"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 securities rating agency selected by the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master 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 of the Master 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 Master Indenture.

“Principal Corporate Trust Office” means the corporate trust 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 the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

“Rebate Fund” means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Master 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; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to “AA” or higher assigned by Fitch or “Aa” or higher assigned by Moody’s or “AA” or higher assigned by S&P, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, 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 “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Series” means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

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

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

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on February 9, 2007.

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax approved at the election held in the Community Facilities District on February 9, 2007.

"Special Tax Fund" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"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 Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

"Tax Certificate" means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

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

"Treasurer" means the Interim City Treasurer of the City or the City Treasurer of the City, as applicable.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Master 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 San Francisco, California which may at any time be substituted in its place as provided in the Master Indenture.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the proceeds of the Special Tax as provided in the Master Indenture on a parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2016 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the Bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial Bonds of such Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the Bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; provided, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

(9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Master Indenture;

(b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(c) After the issuance and delivery of such Series of Bonds either (i) none of the Bonds theretofore issued thereunder will be Outstanding or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

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 Master Indenture, and will be deposited as and when received in the "Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California 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 Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such 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 set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the proceeds of the Special Tax received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Remaining Facilities Amount" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master

Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

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

(2) Bond Reserve Fund. On or before the first (1^{st}) day in September in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as shall be 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 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 or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; 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. In making any valuations under the Master Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) 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; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve; or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the paragraph immediately above 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 Bond Redemption Fund.

(3) Expense Fund. On September 1 in each year, 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 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 Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master 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.

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

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 Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures 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 as provided in the Master Indenture, and will not create, nor 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 Master 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 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 Master 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 this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions of the Master Indenture. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer 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 "Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of each 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 Master Indenture and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in this section to such Series of Bonds.

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

<u>Protection of Security and Rights of Holders</u>. 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.

<u>Levy and Collection of the Special Tax</u>. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Master 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 current Expenses as they become due and payable in accordance with the provisions and terms of the Master 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 Master 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.

<u>Foreclosure of Special Tax Liens</u>. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by five thousand dollars ($5,000) or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than

ninety-five percent (95%) of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the City shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City shall have received one hundred percent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

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 Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master 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 Master Indenture to the fullest extent possible under applicable law of the State of California.

Amendment of or Supplement to the Master Indenture

Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders 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 a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master 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 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 Master 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 on a parity with the Bonds other than as provided in the Master Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of 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. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of this paragraph by virtue of its purchase of such Series of Bonds.

(b) Amendment or Supplement Without Consent of Holders. The Master 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 for any one or more of the following purposes –

(i) To add to the agreements and covenants required in the Master 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 Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) materially 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 Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;

(iv) 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, subject to and in accordance with the provisions of the Master Indenture;

(v) 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;

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

(vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and

(viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

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 the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, 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 Master 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

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

(c) 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 any of the Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption or otherwise;

(d) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master 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

(e) 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 the Trustee may take the following remedial steps --

> (a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master 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 City or its officers and employees to account as the trustee of an express trust.

Application of Proceeds of Special Tax After Default. If an Event of Default shall occur and be continuing, all proceeds of the Special Tax thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all proceeds of the Special Tax and any other funds thereafter received by the Trustee under any of the provisions of the Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

> First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and
>
> Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the

Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

Trustee to Represent Holders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the proceeds of the Special Tax and other amounts and assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Holders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing the Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the proceeds of the Special Tax and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

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

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

(h) 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 paragraph (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which 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 and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on 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 in the case of a deposit pursuant to clause (y) of this paragraph, 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 instructed the Trustee to mail pursuant to the Master Indenture a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Miscellaneous

Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained in the Master 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 Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

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 in the Master 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 Master Indenture or by the Act or by any other applicable provisions of law.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of October 1, 2016 (this "**Certificate**"), is executed and delivered by the City of Sacramento, a California municipal corporation (the "**Issuer**"), in connection with the issuance of the City of Sacramento Natomas Central Community Facilities District No. 2006-02 Special Tax Bonds, Series 2016 (the "**Bonds**"). The Bonds are being issued under Resolution No. 2016-0190 adopted by the Sacramento City Council on May 31, 2016, and a Master Indenture, dated as of October 1, 2016 as supplemented by a First Supplemental Indenture dated as of October 1, 2016 (collectively, the "**Indenture**"), each between the Issuer and U.S. Bank National Association, as trustee (the "**Trustee**").

The Issuer hereby covenants as follows:

1. **Purpose of this Certificate**. This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.

2. **Definitions.** In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

    - "***Annual Report***" means any annual report that meets the criteria in Section 4 and is provided by the Issuer under Section 3.

    - "***Beneficial Owner***" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.

    - "***Business Day***" means any day the Issuer's offices at 915 I Street, Sacramento, California, are open to the public.

    - "***Dissemination Agent***" initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.

    - "***District***" means the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California.

    - "***EMMA***" means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

    - "***Listed Events***" means any of the events listed in Section 5(a) of this Certificate.

    - "***MSRB***" means the Municipal Securities Rulemaking Board.

    - "***Official Statement***" means the Issuer's official statement with respect to the Bonds.

    - "***Participating Underwriter***" means Stifel, Nicolaus & Company, Incorporated.

- "***Rate and Method of Apportionment***" means the Rate and Method of Apportionment of Special Tax for the District approved by the Resolution of Formation.

- "***Resolution of Formation***" means the Resolution adopted by the Sacramento City Council on January 30, 2007, and designated as Resolution No. 2007-056, by which the City formed the District.

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

- "***Tax-exempt***" means that interest on the Bonds is excluded from gross income for federal income-tax purposes, whether or not the interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

3. **Provision of Annual Reports**.

(a) Not later than March 31 after the end of the Issuer's fiscal year (which currently ends on June 30), beginning with the fiscal year ending June 30, 2016, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to EMMA an Annual Report that is consistent with the requirements of Section 4 of this Certificate. If the Dissemination Agent is other than the Issuer, then not later than 15 business days before the date referred to in the prior sentence, the Issuer shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4 of this Certificate, except that the Issuer's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) will apply. Not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the date for providing the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with Section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer's certification and will have no duty or obligation to review the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in Section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—

(1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and

(2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. **Content of Annual Reports**. The Issuer's Annual Report must contain or include by reference all of the following:

(a) *Financial Statements*. The Issuer's audited financial statements for the Issuer's most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) *Financial and Operating Data*. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

(1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:

(A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).

(B) The Bond Reserve Fund.

(2) The assessed valuation of the Taxable Parcels within the District in the aggregate, which may be in a form similar to Table 3 (Historic Assessed Values) in the Official Statement.

(3) A statement of the debt-service requirements for the Bonds for the prior fiscal year.

(4) A statement of the actual Special Tax collections for the District for the prior fiscal year, which may be in a form similar to Table 9 in the Official Statement.

(5) An update of the information in Table 6 of the Official Statement based on the assessed valuation of the Taxable Parcels within the District for the current fiscal year, except that the information with respect to overlapping land-secured debt and value to overlapping land-secured debt need not be included.

(6) If any single property owner is responsible for 10% or more of the Special Tax levy for the current fiscal year, an update of the information in Table 7 of the Official Statement based on the assessed valuation of the Taxable Parcels within the District for the current fiscal year, except that the information with respect to overlapping land-secured debt and value to overlapping land-secured debt need not be included.

(7) 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):

(A) The Required Bond Reserve for the prior fiscal year.

(B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

(C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.

(c) Any or all of the items listed in Section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

5. **Reporting of Significant Events**.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt-service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.

(6) Defeasances.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership, or similar proceedings.

(9) Ratings changes.

(b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, of the occurrence of any of the following events with respect to the Bonds, if material:

(1) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.

(2) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.

(3) Nonpayment related defaults.

(4) Modifications to the rights of Bondholders.

(5) Bond calls.

(6) Release, substitution, or sale of property securing repayment of the Bonds.

(c) If the Issuer's fiscal year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as Listed Event would be reported under this Section 5.

(d) The undertaking set forth in this Certificate is the Issuer's responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the Rule.

6. **Termination of Reporting Obligation.** The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under Section 5.

7. **Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

8. **Amendment.**

(a) The parties may amend this Certificate by written agreement of the parties without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

(1) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts.

(2) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.

(3) The amendment or waiver either (A) 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 (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the impact of the change on the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information.** This Certificate does not prevent the Issuer from disseminating any other information, from using the means of dissemination set forth in this Certificate or any other means of communication, or from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

11. **Duties, Immunities, and Liabilities of Dissemination Agent.** Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all loss, expense, and liabilities they may incur that arises out of, or in the exercise or performance of, their powers and duties under this Certificate, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Issuer shall pay any Dissemination Agent (a) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (b) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate. The Dissemination Agent will have no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By: ______________________________

John Colville, Interim City Treasurer

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Bonds representing their ownership interests in 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds 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 District or the 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, the Trustee, or the District, 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 District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

CITY OF SACRAMENTO • NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02 SPECIAL TAX BONDS, SERIES 2016

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