NEW 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.

$3,570,000
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02 (IMPROVEMENTS) SPECIAL TAX BONDS, SERIES 2017

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 Creamery Community Facilities District No. 2015-02 (Improvements), City of Sacramento, County of Sacramento, State of California (the "District"). The City of Sacramento Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017 (the "Bonds") are being issued by the City to (a) pay the cost and expense of the 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, 2017 as supplemented by a First Supplemental Indenture dated as of October 1, 2017, 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, 2018. 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 H — "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 and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 11, 2017.

STIFEL

Dated: September 28, 2017

$3,570,000
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2017
MATURITY SCHEDULE

Base *CUSIP No.*[†]: 786071

Serial Bonds

Maturity Date (September 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP No.*[†]**
2018	$ 40,000	2.00%	1.01%	100.873	MC1
2019	25,000	2.00	1.22	101.451	MD9
2020	30,000	2.00	1.43	101.606	ME7
2021	35,000	2.00	1.70	101.123	MF4
2022	40,000	2.00	1.97	100.138	MG2
2023	45,000	2.00	2.18	99.009	MH0
2024	45,000	4.00	2.39	110.168	MJ6
2025	50,000	4.00	2.60	109.925	MK3
2026	60,000	4.00	2.78	109.547	ML1
2027	65,000	4.00	2.93	109.075*	MM9
2028	70,000	4.00	3.03	108.232[C]	MN7
2029	75,000	4.00	3.11	107.523[C]	MP2
2030	85,000	4.00	3.20	106.733[C]	MQ0
2031	90,000	4.00	3.27	106.122[C]	MR8
2032	100,000	4.00	3.34	105.516[C]	MS6
2033	105,000	4.00	3.41	104.914[C]	MT4
2034	115,000	4.00	3.47	104.401[C]	MU1
2035	125,000	4.00	3.52	103.976[C]	MV9
2036	135,000	4.00	3.57	103.553[C]	MW7
2037	145,000	4.00	3.61	103.216[C]	MX5

Term Bonds

$2,090,000 3.875% Term Bonds due September 1, 2047, Yield: 4.00% Price: 97.828 CUSIP No.[†] 786071 MZ0

* Priced to the optional redemption date of September 1, 2025 at 102%.
[C] Priced to the optional redemption date of September 1, 2027 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 IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.*

CITY OF SACRAMENTO

CITY COUNCIL

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

ADMINISTRATIVE OFFICES

Howard Chan, City Manager
Fran Halbakken, Assistant City Manager
Arturo Sanchez, Assistant City Manager
John Colville, City Treasurer
Matthew D. Ruyak, Interim City Attorney
Mindy Cuppy, 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
San Francisco, California

Special Tax Consultant

Economic & Planning Systems, Inc.
Sacramento, California

Appraiser

BBG, Inc.
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


Downtown Sacramento
Creamery CFD
No. 2015-02
INTERSTATE 5
HIGHWAY 160
BUSINESS 80
HIGHWAY 50
CFD Boundary
N
W
E
S
0
0.125
0.25
0.5
Miles

$3,570,000
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2017

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 Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017 (the "Bonds") in the aggregate principal amount of $3,570,000. The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities and to finance certain governmental fees required in connection with the development of the District (as defined below); (b) fund a reserve fund securing the Bonds; and (c) pay costs of issuance of the Bonds. See "THE FINANCING PLAN."

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, 2017 (the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of October 1, 2017, 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 Special Tax (as defined in this Official Statement) levied on taxable parcels within Creamery Community Facilities District No. 2015-02 (Improvements), City of Sacramento, County of Sacramento, State of California (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 Contract 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 8.3 gross acres and encompasses the former site of the Crystal Cream & Butter Company production facility. The District is located in the northwestern portion of the City on the corner of 10th Street and D Street and is in close proximity to the downtown area. In July 2014, Lewis Land Developers, LLC ("Lewis Land") acquired a portion of the property within the District from CC&B Holdings. In November 2014, BlackPine City Flats LLC, a Delaware limited liability company ("BlackPine"), acquired the portion of the property within the District from Lewis Land. In February 2015, BlackPine acquired the remaining property in the District from CC&B Holdings. BlackPine plans to construct 117 single family detached homes within the District in a project marketed as "The Creamery at Alkali Flat." BlackPine also owns five lots adjacent to the District which are part of The Creamery at Alkali Flat project but not a part of the District. As of April 28, 2017, there were 35 completed homes owned by individual homeowners within the District. As of such date, BlackPine owned three completed model homes, 32 homes under various stages of construction and 47 lots (consisting of 22 mostly finished lots and 25 mostly unimproved lots). See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." In August 2017, the Special Tax on one lot within the District was prepaid in full by the homeowner in accordance with the Rate and Method (as defined below) (see "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax*"). As a result of such prepayment, there are currently 116 lots subject to the Special Tax levy within the District. After the issuance of the Bonds, any prepayments of the Special Tax will be applied to the redemption of Bonds in accordance with the Indenture. See "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments.*"

As part of a developed urban area, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. Lewis Land completed the construction of roadway improvements, water and wastewater improvements and connections to existing mains to serve the property within the District. BlackPine is responsible for the in-tract infrastructure for the development within the District, which primarily consists of streets for individual lot access and associated gutters and landscape improvements. The in-tract infrastructure associated with the 35 homes owned by individuals is complete and the in-tract infrastructure associated with the homes under construction is partially complete. BlackPine expects to commence construction of the in-tract improvements associated with the remaining lots that it owns within the District as home construction on such lots is anticipated to commence. 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 March 17, 2015, the City Council adopted Resolution No. 2015-0070 (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 March 17, 2015, the City Council also adopted Resolution No. 2015-0071 stating its intention to incur bonded indebtedness in an aggregate principal amount not-to-exceed $5,000,000 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. 2015-0099 and 2015-0100 on April 23, 2015 (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 May 11, 2015, 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 $5,000,000. 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 May 28, 2015 in Book No. 20150528 on Page No. 0691. On May 26, 2015, the City Council adopted Ordinance No. 2015-0013 (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 May 11, 2015 election (the "Rate and Method"), a copy of which is attached hereto as APPENDIX A.

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 AND UPDATE APPRAISAL REPORT."

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.

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 and subject to the conditions set forth in the Indenture, 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 constitutes a lien on the property subject to taxation in the District, it does 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 or special obligations of the City but are special obligations of the City payable solely from the Special Tax and 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 by the Trustee in the Bond Reserve Fund and the Bond Redemption Fund under the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

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 this Official Statement and 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 AND UPDATE 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 NOR 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 for Refunding Only; 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 Holders. 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 BBG, Inc., Sacramento, California (the "Appraiser"). The Appraisal Report has an effective date of value of April 28, 2017 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT AND UPDATE APPRAISAL REPORT." The Appraisal Report provides an estimate of aggregate value for the properties in the District that are subject to the lien of the Special Tax. The aggregate value is the sum of the market value of properties owned by BlackPine, and the individual retail values of sold homes with individual owners. The value is subject to a hypothetical condition that capital improvements to be financed by the Bonds were in place on the Date of Value. As currently planned, development in the District is expected to consist of 117 residential units. As of the Date of Value, the Appraiser estimates that the value of all of the Taxable Parcels (as defined in the Rate and Method) within the District subject to the Special Tax was not less than $33,770,000. In August 2017, the Special Tax on one lot within the District was prepaid in full by the owner of such lot in accordance with the Rate and Method. As a result of such prepayment, there are currently 116 lots subject to the Special Tax levy within the District securing the Bonds. The appraised value of the 116 lots which remain subject to the Special Tax levy is $33,215,000.

The Appraiser has prepared an Update Appraisal Report with an effective date of August 18, 2017 (the "Update Appraisal Report"). In the Update Appraisal Report, the Appraiser concludes that the value of the appraised properties as of the date of the Update Appraisal Report, is not less than the conclusion of value for such property set forth in the Appraisal Report.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City makes 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 AND UPDATE 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 H. 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 H — "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 description 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 legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. 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, and for the Trustee by its counsel. Other professional services have been performed by BBG, Inc., Sacramento, California, as the Appraiser, FirstSouthwest, a Division of Hilltop Securities, Inc., Oakland, California as Municipal Advisor to the City and Economic & Planning Systems, Inc., Sacramento, 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 "City 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 City 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. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings.

The Underwriter does not consider BlackPine to be an "obligated person" with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, BlackPine has agreed to provide, or cause to be provided, on EMMA, updated information with respect to the development within the District (the "Developer Reports" and together with the City Reports, the "Reports"), on a semiannual basis for a limited period of time and notices of certain events.

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

Bond Owners' 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 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.

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 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

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities and to finance 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, roadways and traffic improvements, landscaping and park improvements. 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	$ 3,570,000.00
Plus Net Original Issue Premium	29,770.40
Total Sources	$ 3,599,770.40
Uses of Funds:	
Acquisition and Construction Fund	$ 2,933,247.00
Costs of Issuance[(1)]	397,679.18
Bond Reserve Fund	268,844.22
Total Uses	$ 3,599,770.40

(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.
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, payable semiannually on each March 1 and September 1, commencing on March 1, 2018 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates, all as 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 15^{th} 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 of 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 of 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 H — "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2025, 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, 2024, from any source of available funds, 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 thereon to the date of redemption:

Redemption Dates	***Redemption Price***
September 1, 2024 through August 31, 2025	103%
September 1, 2025 through August 31, 2026	102
September 1, 2026 through August 31, 2027	101
September 1, 2027 and any date thereafter	100

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***
Any interest payment date through March 1, 2025	103%
September 1, 2025 and March 1, 2026	102
September 1, 2026 and March 1, 2027	101
September 1, 2027 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2047, are subject to mandatory redemption by the City before their stated 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:

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2038	$ 155,000
2039	165,000
2040	175,000
2041	190,000
2042	200,000
2043	215,000
2044	225,000
2045	240,000
2046	255,000
2047 (maturity)	270,000

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 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*
03/01/18	--	$ 52,845.14	--
09/01/18	$ 40,000	67,943.75	$ 160,788.89
03/01/19	--	67,543.75	--
09/01/19	25,000	67,543.75	160,087.50
03/01/20	--	67,293.75	--
09/01/20	30,000	67,293.75	164,587.50
03/01/21	--	66,993.75	--
09/01/21	35,000	66,993.75	168,987.50
03/01/22	--	66,643.75	--
09/01/22	40,000	66,643.75	173,287.50
03/01/23	--	66,243.75	--
09/01/23	45,000	66,243.75	177,487.50
03/01/24	--	65,793.75	--
09/01/24	45,000	65,793.75	176,587.50
03/01/25	--	64,893.75	--
09/01/25	50,000	64,893.75	179,787.50
03/01/26	--	63,893.75	--
09/01/26	60,000	63,893.75	187,787.50
03/01/27	--	62,693.75	--
09/01/27	65,000	62,693.75	190,387.50
03/01/28	--	61,393.75	--
09/01/28	70,000	61,393.75	192,787.50
03/01/29	--	59,993.75	--
09/01/29	75,000	59,993.75	194,987.50
03/01/30	--	58,493.75	--
09/01/30	85,000	58,493.75	201,987.50
03/01/31	--	56,793.75	--
09/01/31	90,000	56,793.75	203,587.50
03/01/32	--	54,993.75	--
09/01/32	100,000	54,993.75	209,987.50
03/01/33	--	52,993.75	--
09/01/33	105,000	52,993.75	210,987.50
03/01/34	--	50,893.75	--
09/01/34	115,000	50,893.75	216,787.50
03/01/35	--	48,593.75	--
09/01/35	125,000	48,593.75	222,187.50
03/01/36	--	46,093.75	--
09/01/36	135,000	46,093.75	227,187.50
03/01/37	--	43,393.75	--
09/01/37	145,000	43,393.75	231,787.50
03/01/38	--	40,493.75	--
09/01/38	155,000	40,493.75	235,987.50
03/01/39	--	37,490.63	--
09/01/39	165,000	37,490.63	239,981.26
03/01/40	--	34,293.75	--
09/01/40	175,000	34,293.75	243,587.50
03/01/41	--	30,903.13	--
09/01/41	190,000	30,903.13	251,806.26
03/01/42	--	27,221.88	--
09/01/42	200,000	27,221.88	254,443.76
03/01/43	--	23,346.88	--
09/01/43	215,000	23,346.88	261,693.76
03/01/44	--	19,181.25	--
09/01/44	225,000	19,181.25	263,362.50
03/01/45	--	14,821.88	--
09/01/45	240,000	14,821.88	269,643.76
03/01/46	--	10,171.88	--
09/01/46	255,000	10,171.88	275,343.76
03/01/47	--	5,231.25	--
09/01/47	270,000	5,231.25	280,462.50
Totals	**$3,570,000**	**$2,858,363.95**	**$6,428,363.95**

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 May 11, 2015. 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 "—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 April 23, 2015 for the purpose of financing the various public improvements required in connection with the proposed development within the District. On May 11, 2015, 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 $5,000,000, 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 same 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, except as described below, 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 and any Parity 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 and Parity 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 and Parity 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 and Parity 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 Cost Share" (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Expenses" (as defined in the Rate and Method) 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 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 Parcels 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 the captions "*—Rate and Method of Apportionment of Special Tax*," "*—Prepayment of Annual Special Tax*" and "*—Limitation on Special Tax Levy*" 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.

Classification of Parcels. Each Fiscal Year, the City shall cause (1) each parcel within the District to be classified as a Taxable Parcel or Tax-Exempt Parcel, (2) each Taxable Parcel to be classified as a Developed Parcel, a Final Map Parcel, or an Undeveloped Parcel and (3) each Developed Parcel to be classified as a Residential Use Parcel or Other Land Use Parcel.

Assignment of Maximum Annual Special Tax to New Final Map Parcels. The proposed Final Map Parcels are set forth in Map 1 of the Rate and Method. If a Final Subdivision Map is recorded and the Final Map Parcels match the Final Map Parcels in Map 1, the City shall assign such Final Map Parcels the Maximum Annual Special Tax that corresponds to the lot number shown on Attachment 1 to the Rate and Method.

If a Final Subdivision Map is recorded and does not contain whole Final Map Parcels shown on Map 1 of the Rate and Method, the City shall determine the Maximum Annual Special Tax for such parcels by the following procedure: (1) if the Parcel being subdivided contains all Final Map Parcels shown in Map 1, sum the Maximum Annual Special Tax for the lot numbers shown in Map 1; or (2) if the Parcel being subdivided does not contain whole Final Map Parcels shown in Map 1, multiply the gross Acreage of the Final Subdivision Map (excluding any Tax-Exempt Parcels) times the Maximum Annual Special Tax per acre. The City shall then identify the number of Final Map Parcels within the Final Subdivision Map and divide the Maximum Annual Special Tax identified in steps (1) or (2), as applicable by such number of Final Map Parcels.

If Remainder Parcels are created that are Undeveloped Parcels, the City shall multiply the acreage of each Remainder Parcel by the Maximum Annual Special Tax per acre for Undeveloped Parcels.

Exemptions. No Special Tax shall be levied on Assessor's Parcels of Public Property, Parcels owned by the City, school districts, special districts, or the state or federal government. Certain privately-owned Parcels also may be exempt from the levy of the Special Tax, including common areas owned by homeowner's associations or property-owner associations, wetlands, detention basins, water-quality ponds, and open space, as determined by the City.

Maximum Annual Special Tax. The Maximum Annual Special Tax for Fiscal Year 2017-18 is $2,289 and $2,731 per Final Map Parcel depending on the location of the parcel within the District as set forth in Attachment 1 to the Rate and Method. Each Fiscal Year, the City will compute the Annual Costs for the District which includes: (1) debt service on the Bonds and any Parity Bonds that is due in the subsequent calendar year following the beginning of a Fiscal Year, (2) amounts necessary to replenish the Bond Reserve Fund to the Required Bond Reserve, (3) Administrative Expenses for the Fiscal Year, (4) amounts needed to fund (i) unpaid Special Tax delinquencies from previous Fiscal Years, to the extent not previously levied, and (ii) anticipated delinquencies for the current Fiscal Year on any Parcel which has no outstanding delinquent Special Tax and (5) authorized facilities. The City will then compute the Maximum Annual Special Tax Revenue for Developed Parcels.

If the amount of Maximum Annual Special Tax Revenue from Developed Parcels is greater than the Annual Costs, and the Special Tax levy occurs before the Final Bond Sale and funding of Authorized Facilities up to 100% of the Anticipated Construction Proceeds, the City will levy the Special Tax at 100% of the Maximum Annual Special Tax for all Developed Parcels.

If the amount of Maximum Annual Special Tax Revenue from Developed Parcels is greater than the Annual Costs, and the Special Tax levy occurs after the Final Bond Sale and funding of Authorized Facilities up to 100% of the Anticipated Construction Proceeds, the City will decrease proportionately the Maximum Annual Special Tax Levy for each Developed Parcel until the Special Tax revenue from the levy of the Maximum Annual Special Tax on all Developed Parcels equals the Annual Costs. If such amount of the Maximum Annual Special Tax Revenue from Developed Parcels is less than the Annual Costs, the City will increase proportionately the Maximum Annual Special Tax levy for each Final Map Parcel until either the sum of the Maximum Annual Special Tax Revenue from Developed Parcels plus the levy of the Maximum Annual Special Tax on Final Map Parcels equals the Annual Costs, or the Maximum Annual Special Tax levy for each Final Map Parcel is equal to 100% of the Maximum Annual Special Tax for each Final Map Parcel.

If the amount of Maximum Annual Special Tax Revenue for all Developed Parcels and for all Final Map Parcels is less than the Annual Costs, the City will increase proportionately the Maximum Annual Special Tax levy for each Undeveloped Parcel until either the sum of the Maximum Annual Special Tax Revenue from Developed Parcels plus the levy of the Maximum Annual Special Tax on Final Map Parcels, plus the levy of the Maximum Annual Special Tax Revenue on Undeveloped Parcels equals the Annual Costs, or the Maximum Annual Special Tax levy for each Undeveloped Parcel is equal to 100% of the Maximum Annual Special Tax for each Undeveloped Parcel.

The Maximum Special Tax for Undeveloped Parcels in Fiscal Year 2017-18 is $38,599 per acre. See the Rate and Method attached as APPENDIX A.

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

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 Benefit Share, the Remaining Facilities Cost Share, the redemption premium, fees and expenses incurred with respect to the prepayment and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds (if any), all as specified in Section 6 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 Parcels to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on Undeveloped Parcels.

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 with respect to the District.

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. See "SPECIAL RISK FACTORS" below.

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. See "— Teeter Plan" below.

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 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 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 $268,844.22 from a portion of the proceeds of the Bonds.

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."

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 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 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) Either (i) none of the Bonds or Parity Bonds theretofore issued thereunder will be Outstanding after the issuance and delivery of such Series 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.

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 an 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 2015 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. BlackPine, as the qualified elector of the District, authorized the City to incur bonded indebtedness with respect to the District to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for the District and authorized the levy of the Special Tax.

The District consists of approximately 8.3 gross acres and encompasses the former site of the Crystal Cream & Butter Company facility. The District is located in the northwestern portion of the City on D Street between 10th Street and 11th Street and is in close proximity to the downtown area. In July 2014, Lewis Land acquired a portion the property within the District from CC&B Holdings. In November 2014, BlackPine acquired the portion of the property within the District from Lewis Land. In February 2015, BlackPine acquired the remaining property in the District from CC&B Holdings. BlackPine plans to construct 117 single family detached homes within the District in a project marketed as "The Creamery at Alkali Flat." Approximately 7.5 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 public road right of way. All discretionary entitlements to develop the 117 planned homes within the District have been obtained.

As of the Date of Value, there were 35 completed homes owned by individual homeowners within the District (one of which has prepaid the Special Tax lien in full). As of such date, BlackPine owned three completed model homes, 32 homes under various stages of construction and 47 lots (consisting of 22 mostly finished lots and 25 mostly unimproved lots). As part of a developed urban area, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. There remains in-tract infrastructure to be constructed by BlackPine to complete development of its property in the District.

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 AND UPDATE APPRAISAL REPORT."

Water and sewer service to the property is provided by the City. Electricity is supplied by the Sacramento Municipal Utility 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 fee programs, in accordance with the terms of the Indenture. The facilities, including those facilities which are included in the City's fee programs and are eligible to be financed with the proceeds of the Bonds consist of certain roadways and traffic improvements, water and wastewater improvements and landscaping improvements. Pursuant to a contractual arrangement, approximately $2.9 million of the costs of such facilities or fees included in the City's fee programs are expected to be reimbursed to Lewis Land from Bond proceeds. See "ESTIMATED SOURCES AND USES OF FUNDS."

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"). Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The information in Table 1 has been furnished by California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in Table 1 and does not guarantee its accuracy.

TABLE 1
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02
OVERLAPPING DEBT SUMMARY

Overlapping District	***Percent Applicable***	***Total Outstanding Bonded Debt***[2]
Sacramento Area Flood Control Agency Consolidated Capital Assessment District Bonds	0.005%	$ 1,366
Sacramento Area Flood Control Agency Operations and Maintenance Assessment District Bonds	0.005	143
City of Sacramento Creamery CFD No. 2015-02 Bonds	100.000	3,570,000
Total		**$ 3,571,509**
Total Property Value[1]**: $33,215,000**		
Value-to-Lien Ratio		**9.3:1**

(1) The Appraisal sets forth the appraised value of all 117 parcels within the District. In August 2017, the Special Tax on one lot within the District was prepaid in full by the owner of such lot in accordance with the Rate and Method. As a result of such prepayment, there are currently 116 lots subject to the Special Tax levy within the District. The appraised value of the 116 lots which remain subject to the Special Tax levy is $33,215,000.
(2) Overlapping debt information is as of July 1, 2017.
Source: California Municipal Statistics, Inc.; Appraiser; City.

Projected Fiscal Year 2017-18 Tax Burden

The following table sets forth the estimated 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 2017-18 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. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

TABLE 2
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02
ESTIMATED TAX OBLIGATION
FOR INDIVIDUALLY OWNED SAMPLE SINGLE FAMILY DETACHED UNIT

		Plan 1[(1)]	***Plan 3***[(1)]
Base Sales Prices and Property Taxes [(2)]		$ 547,990	$ 577,990
Less Homeowners Property Tax Exemption		($7,000)	($7,000)
Net Assessed Value		$ 540,990	$ 570,990
	Rate	***Tax Amount***	***Tax Amount***
1% of Net Assessed Value	1.0000%	$ 5,410	$ 5,710
Ad Valorem Property Taxes[(3)]			
Los Rios College GO Bond	0.0141%	$ 76	$ 81
Sacramento USD GO Bond	0.1277%	691	729
Total *Ad Valorem* Property Taxes	1.1418%	$ 6,177	$ 6,520
Assessments, Special Taxes, and Parcel Charges			
Creamery CFD No. 2015-02 (Improvements)		$ 2,289	$ 2,731
Creamery CFD No. 2014-08 [(4)]		350	350
Neighborhood Park Maintenance CFD[(4)]		65	65
SAFCA Consolidated Capital Assessment		55	55
Sacramento Core Library Service Tax		13	13
Sacramento Additional Library Service Tax		32	32
American River Flood Zone C		16	16
Citywide L&L Assessment District		79	79
SAFCA O&M Assessment #1		22	22
Total Assessments, Special Taxes, and Parcel Changes		$ 2,922	$ 3,364
Total Property Taxes		$ 9,099	$ 9,883
Total Effective Tax Rate		1.66%	1.71%

(1) See "PROPERTY OWNERSHIP AND THE DEVELOPMENT— BlackPine— *BlackPine Development Plan*" for a description of the current floorplans proposed for the development within the District.
(2) Based on base sales prices provided by BlackPine.
(3) Reflects Fiscal Year 2017-18 Special Tax levy and Fiscal Year 2016-17 tax and assessment rates for overlapping taxing entities.
(4) Special taxes levied within such services and maintenance districts formed by the City are not available to pay debt service on the Bonds.
Source: Economic & Planning Systems, Inc.; California Municipal Statistics, Inc.; Sacramento County.

Property Values

Assessed Value. The assessed value of the property within the District represents the secured 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 historical assessed values of the property within the District for Fiscal Years 2014-15 through 2017-18. The property within the District was the former site of the facilities of the Crystal Cream & Butter Company. Such facilities have since been demolished and in 2014, the City approved entitlements for 117 lots for residential use. Assessed values prior to Fiscal Year 2014-15 have not been provided as such values are not representative of the currently planned use for the property within the District.

TABLE 3
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02
HISTORICAL ASSESSED VALUES

Fiscal Year	*Assessed Value*[(1)]	*Increase/(Decrease) in Assessed Value*
2014-15	$5,840,387	--
2015-16	9,628,935	64.9%
2016-17	12,194,010	26.6
2017-18	23,097,529	89.4

(1) Includes the assessed value of one parcel for which the Special Tax has been prepaid in full.
Source: The County of Sacramento.

Appraisal. The estimated assessed value of the property within the District, as shown on the County's assessment roll for Fiscal Year 2017-18, is approximately $23,097,529. 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 BBG, Inc., 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 AND UPDATE 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 by ownership, with the sum of values by ownership representing an aggregate value. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value, the aggregate value of the property within the District was $33,770,000 (see the caption "—Value-To-Lien Ratios" below for information with respect to one parcel for which the Special Tax has been prepaid in full). The value is based on a hypothetical condition that capital improvements to be financed by the Bonds were complete. These improvements were partially completed on the Date of Value. In estimating the value for the Taxable Parcels within the District, the

Appraiser used the sales comparison approach and the subdivision development method to derive a value indication for the lots within the District 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 and under the conditions specified in the Appraisal. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the April 28, 2017, Date of Value. The Appraiser has prepared an Update Appraisal Report with an effective date of August 18, 2017. In the Update Appraisal Report, the Appraiser concludes that the value of the appraised properties as of August 18, 2017, is not less than the conclusion of value for such property set forth in the Appraisal Report. The Appraiser did not re-inspect the appraised properties in connection with the preparation of the Update Appraisal Report. 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, that nothing has come to the attention of the Appraiser subsequent to the date of the Update Appraisal Report that would cause the Appraiser to believe that the value of the property in the District is less than the value reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Update Appraisal Report which could result in both positive and negative effects on market value within the District.

Value-To-Lien Ratios

Table 4 below sets forth the estimated value-to-lien ratio for the Taxable Property in the District, based upon the $33,215,000 appraised value of 116 lots subject to the Special Tax levy (which excludes the appraised value of one parcel ($555,000) for which the Special Tax has been prepaid in full (see "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax*")). Dividing the appraised value of the 116 lots which remain subject to the Special Tax levy ($33,215,000) by the principal amount of the Bonds plus all overlapping debt secured by a tax or assessment on the property within the District results in an estimated appraised value-to-lien of approximately 9.3-to-1. This ratio includes other land-secured debt (i.e. other community facilities districts or assessment districts) within the District but does not include an allowance for overlapping general obligation bonds. See "— Direct and Overlapping Indebtedness" above.

The share of Bonds set forth in Table 4 below is allocated based on each property's share of the Fiscal Year 2017-18 Special Tax levy as of the Date of Value. In the City Report provided pursuant to the City Continuing Disclosure Certificate, Table 4 will not be updated based on appraised value, but similar information will be provided based on current assessed value. Based on ownership status within the District as of the Date of Value, BlackPine is expected to be responsible for 54.4% of the Fiscal Year 2017-18 Special Tax levy.

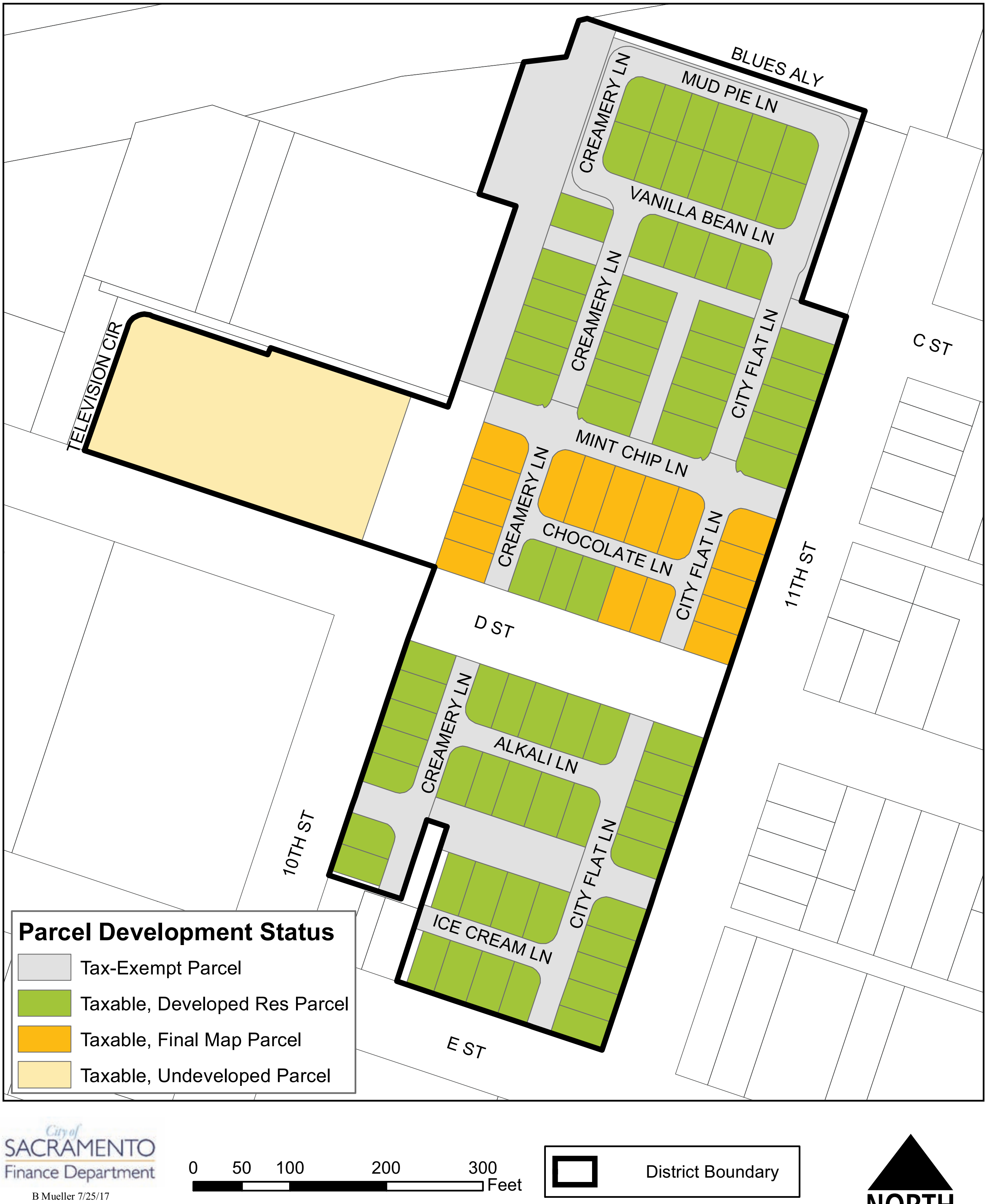
Set forth on page 25 is a map showing the development status within the District as of June 1, 2017.

TABLE 4
CITY OF SACRAMENTO
CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Parcel Classification[1]	*Proposed Parcels*[2]	*Appraised Value*[3]	*Estimated Fiscal Year 2017-18 Tax Levy*	*Percentage Share of Fiscal Year 2017-18 Tax Levy*	*Bonds Outstanding*[4]	*Other Direct and Overlapping Debt*[5]	*Total Direct and Overlapping Debt*	*Value-to-Lien Ratio*
Developed Parcels								
Individually Owned								
Tentative Map Nos. 88-95, 97, 111-117[6]	16	$ 8,880,000	$36,622	19.5%	$ 695,623	$ 400	$ 696,023	12.8:1
Tentative Map Nos. 83-87, 98-110[6]	18	10,095,000	49,159	26.2	933,752	459	934,210	10.8:1
BlackPine Owned								
Model Homes - Tentative Map Nos. 80-82[6]	3	1,746,000	8,193	4.4	155,625	79	155,705	11.2:1
Tentative Map Nos. 37-52[6]	16	2,790,082	36,622	19.5	695,623	127	695,750	4.0:1
Tentative Map Nos. 31-36, 53-67[6]	21	4,392,596	57,352	30.5	1,089,377	200	1,089,577	4.0:1
Developed Parcels Total	**74**	**$ 27,823,678**	**$187,948**	**100.0%**	**$ 3,570,000**	**$ 1,264**	**$ 3,571,264**	**7.8:1**
Final Map Parcels								
BlackPine Owned								
Tentative Map Nos. 26-30, 73-77[6]	10	$ 1,443,801	0	0.0%	$ 0	$ 66	$ 66	N/A
Tentative Map Nos. 68-72, 78-79[6]	7	1,304,199	0	0.0	0	59	59	N/A
Final Map Parcels Total	**17**	**$ 2,748,000**	**$ 0**	**0.0%**	**$ 0**	**$ 125**	**$ 125**	**N/A**
Undeveloped Parcels								
BlackPine Owned								
Tentative Map Nos. 1-25	25	$ 2,643,322	$ 0	0.0%	$ 0	$ 120	$ 120	N/A
Undeveloped Parcel Total	**25**	**$ 2,643,322**	**$ 0**	**0.0%**	**$ 0**	**$ 120**	**$ 120**	**N/A**
Total	**116**	**$ 33,215,000**	**$187,948**	**100.0%**	**$ 3,570,000**	**$ 1,509**	**$ 3,571,509**	**9.3:1**

(1) Based on development status as of June 1, 2017. Pursuant to the Rate and Method, Developed Parcels are Taxable Parcels for which a building permit had been issued as of June 1 of the prior Fiscal Year.
(2) The District is planned to include a total of 117 single family homes. In August 2017, the Special Tax on one lot within the District was prepaid in full by the owner of such lot in accordance with the Rate and Method. As a result of such prepayment, there are currently 116 lots subject to the Special Tax levy within the District. After the issuance of the Bonds, any prepayments of the Special Tax will be applied to the redemption of Bonds in accordance with the Indenture. See "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments.*"
(3) Based on Appraisal Report as of the Date of Value. Excludes the appraised value of one parcel ($555,000) for which the Special Tax has been prepaid in full. See footnote 2 above.
(4) Allocated based on share of projected Fiscal Year 2017-18 Special Tax levy.
(5) As of July 1, 2017. See "— Direct and Overlapping Indebtedness" above.
(6) Final subdivision tract maps have been recorded for such parcels. "Tentative Map" numbers correspond to the tax categories set forth in Attachment 1 to the Rate and Method.
Source: Economic & Planning Systems, Inc.

Creamery Community Facilities District No. 2015-02 (Improvements)



City of SACRAMENTO Finance Department

B Mueller 7/25/17

Delinquency History

Fiscal Year 2017-18 is the first fiscal year in which the Special Tax is being levied within the District. The first installment of the Fiscal Year 2017-18 Special Tax levy will become delinquent after December 10, 2017. Based on property ownership as of the Date of Value, BlackPine will be responsible for approximately 54.4% of the Fiscal Year 2017-18 Special Tax levy.

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 "SECURITY FOR THE BONDS—Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

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 BlackPine or any affiliate thereof or any other property owner will or will not retain ownership of its respective property within the District. Neither the Bonds nor any of the Special Taxes are personal obligations of BlackPine, or its affiliates or any other property owner within the District and, in the event that a property owner defaults in the payment of its Special Taxes, the City may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. 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.

BlackPine

General. As previously defined in this Official Statement, "BlackPine" refers to BlackPine City Flats, LLC, a Delaware limited liability company. BlackPine is indirectly owned by BlackPine Builders Inc., a California corporation ("BlackPine Builders"), a real estate development company based in Sacramento, California, and a fund controlled by Merced Capital. Presidio Residential Capital, headquartered in San Diego, California, is the asset manager of Merced Capital's interests.

BlackPine Builders develops residential projects under the trade name "BlackPine Communities." BlackPine Communities was founded by Michael E. Paris, who serves as the company's president and has over 28 years of homebuilding experience in both custom and production home projects. Mr. Paris previously held management and executive positions at Kimball Hill Homes and other commercial and residential real estate development companies. Additional information regarding BlackPine Communities and its active developments may be found on its website at blackpinecommunities.com.

Founded in 1988, Merced Capital has raised seven lock-up funds since 2005 with aggregate committed capital of over $2.5 billion. The firm has 41 employees in Minnetonka, Minnesota. Seven partners average over 27 years of experience and have worked together for over a decade. Eleven investment professionals average fifteen years of experience and eight years at Merced Capital. Limited partners include endowments, foundations, state and corporate pension plans, family offices, and fund of funds. Additional information regarding Merced Capital may be found on its website at mercedcapital.com.

The foregoing internet addresses are included for reference only and the information on such internet sites are not a part of this Official Statement and are 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 such internet sites.

BlackPine Communities is actively developing several projects in Northern California. The below table lists BlackPine Communities' other active developments in Northern California.

BLACKPINE COMMUNITIES
DEVELOPMENT PROJECTS

Project	***Anticipated Number of Units at Completion***	***Location***	***Status***
The Cottages at Curtis Park Village	12	Downtown Sacramento	Under Construction and Actively Selling
The Brownstones at Curtis Park Village	45	Downtown Sacramento	Under Construction and Actively Selling
The Estates at Curtis Park Village	29	Downtown Sacramento	Under Construction and Actively Selling
Molly's Walk at Diamond Creek	84	Roseville	Under Construction and Actively Selling
California Brownstones	12	Midtown Sacramento	Site Development and Under Construction
Farmhouse at Willow Creek	126	Folsom	Pre-Construction
East Sacramento (custom homes)	8	East Sacramento	Under Construction and Actively Selling

Source: BlackPine

Neither BlackPine nor BlackPine Communities has any obligation to develop any property in the District.

BlackPine Development Plan. BlackPine had divided the "The Creamery at Alkali Flat" project into north, south and west blocks. In the north and south blocks, as of the April 28, 2017, Date of Value, there were 35 completed homes owned by individual homeowners (one of which has prepaid the Special Tax lien in full), three completed model homes, 32 homes under construction and 22 finished lots. Of the 32 homes that were under construction as of the Date of Value, 18 homes were under contract to be sold to individual homeowners. In the west block, there were 25 unimproved lots with tentative tract map approval. BlackPine expects to record a final map for the remaining 25 unimproved lots in the west block and to commence site development thereon in the first quarter of 2018. BlackPine expects to complete construction of all of its planned homes within the District by the end of 2018.

Lots sizes within The Creamery at Alkali Flat project range from approximately 1,360 square feet to approximately 1,755 square feet with home sizes ranging from approximately 1,745 square feet to approximately 2,305 square feet. BlackPine's project within the District consists of tri-level homes with three floor plans offered. The following table summarizes BlackPine's proposed product mix within the District and the estimated base sales price of such homes:

The Creamery at Alkali Flat
As of August 1, 2017

Plan No.	*Estimated Square Feet*	*Estimated Number of Bedrooms*	*Estimated Number of Units*	*Base Sales Price* [(1)]
1	1,745	2 to 3	45	$547,990
2	1,818	2 to 3	43	$552,990
3	2,305	2 to 4	29	$577,990
Total			**117**	

(1) As of August 1, 2017. Base sales prices are subject to change and exclude upgrades, options, and premiums, as well as incentives. There can be no assurance that actual base sales prices of the homes will equal or exceed the base sales prices set forth above.
Source: BlackPine.

There can be no assurance that BlackPine's development plans described in this Official Statement will be completed or that the development plans will not be modified in the future. Additionally, there can be no assurance of the absorption rate of the homes remaining to be built and sold. In changing market conditions, builders will often revise their product lines and prices and the rate of sales can fluctuate. BlackPine continuously evaluates its product lines and prices in light of the then current market conditions. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.

BlackPine Financing Plan. As part of a developed urban area, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. Lewis Land completed the construction of roadway improvements, water and wastewater improvements and connections to existing mains to serve the property within the District. BlackPine is responsible for the in-tract infrastructure for the development within the District, which primarily consists of streets for individual lot access and associated gutters and landscape improvements. Such in-tract infrastructure associated with the 35 homes (including the parcel for which the Special Tax has been prepaid in full) owned by individuals (south block) is complete and those associated with the homes under construction is partially complete (north block). BlackPine expects to commence construction of the in-tract improvements associated the 25 unimproved lots (west block) that it owns within the District as home construction on such lots is anticipated to commence.

BlackPine has provided estimates that its site development costs, home construction costs and payment of permit fees related to its planned development within the District will total approximately $51,437,116. As of September 8, 2017, BlackPine had expended approximately $37,506,473 on project costs related to its planned development within the District. BlackPine expects to expend approximately an additional $13,930,644 to complete the remaining site improvements and home construction within the District.

To date, BlackPine has financed its land acquisition and various site development and home construction costs related to its property in the District through internal sources, including capital contributions from its sole member. BlackPine expects to use home sales, internal funding, and funding under its revolving credit facility (described below) to complete its development activities in the District, including carrying costs for the property (including property taxes and the Special Tax) until full sell-out of its proposed development.

As of August 1, 2017, BlackPine was a party to a $13.5 million secured revolving credit facility with Farmers and Merchants Bank (the "Revolving Facility") which matures in May 2019. The Revolving Facility contains certain covenants and conditions that may limit the amount that BlackPine may borrow or have outstanding at any time. As of August 1, 2017, BlackPine satisfied the conditions that would allow it to borrow up to $13.5 million under the Revolving Facility, of which $9.1 million in borrowings was outstanding, leaving $4.4 million available under the Revolving Facility to be drawn as of such date.

BlackPine believes that it will have sufficient funds to complete both the planned remaining site development and home construction within the District.

Notwithstanding BlackPine'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 BlackPine will be sufficient to complete the property development and home construction as currently anticipated. For example, borrowings under the Revolving Facility may not be available. While BlackPine 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 BlackPine nor any affiliate thereof, has any legal obligation of any kind to make any such funds available or to obtain loans. Any contributions by BlackPine or its sole member to fund the costs of such development and home construction are entirely voluntary. If and to the extent that internal financing, home sales revenues and borrowings under the Revolving Facility are inadequate to pay the costs to complete BlackPine's planned development within the District and other financing by BlackPine is not put into place, there could be a shortfall in the funds required to complete the proposed development by BlackPine and portions of the project may not be developed.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy. BlackPine has represented to the District as follows (capitalized terms used in the following summary but not previously defined have the meanings given them below):

1. Except as disclosed in this Official Statement, no proceedings are pending (based upon service of process upon BlackPine having been accomplished) or, to the Actual Knowledge of BlackPine, are threatened in writing in which BlackPine or any of its members may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay their respective debts or a reorganization or readjustment of their respective debts.

2 No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, public board or public body, that in any way seeks to restrain or to enjoin the development by BlackPine of the Property, is either pending against BlackPine (based upon service of process upon BlackPine having been accomplished) or, to the Actual Knowledge of BlackPine, threatened in writing in any way seeking to restrain or to enjoin the development by BlackPine of the Property.

3. None of the Property owned by BlackPine is currently delinquent in the payment of any ad valorem property taxes, special taxes, including the Special Taxes, or assessments.

4. To the Actual Knowledge of BlackPine, except for any licenses, certificates, approvals, variances, and permits that may be necessary for the construction and operation of BlackPine's development project within the District as described in this Official Statement, there is no consent, approval, authorization, or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over BlackPine, other than those that have been obtained and are in full force and effect, that is required for the consummation by BlackPine of the actions to be consummated by BlackPine with respect to the development within the District as described in this Official Statement.

5. To the Actual Knowledge of BlackPine, BlackPine is not in violation of any provision of, or in default under, its limited-liability-company agreement or any other relevant and material agreement, lease, or contract to which BlackPine is a party or is otherwise subject, the violation of or default under which could reasonably be expected to materially and adversely affect BlackPine's ability to own and develop the Property as described in this Official Statement or to pay the Special Tax due with respect to the Property and for which BlackPine is responsible prior to delinquency.

As used in the above representations of BlackPine, the following defined terms and phrases have the following meanings:

"Actual Knowledge of BlackPine" shall mean the actual knowledge of the authorized officer or representative of BlackPine (the "Authorized Officer") signing the certificate containing the above representations (the "BlackPine Certificate") currently has as of the date of the BlackPine Certificate or has obtained through either or both of the following: (1) interviews with such current officers and responsible employees of BlackPine as the Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the BlackPine Certificate; and (2) a review of documents that were reasonably available to the Authorized Officer and that the Authorized Officer has reasonably deemed necessary to obtain knowledge of the matters set forth in the BlackPine Certificate. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of BlackPine's current business and operations. The Authorized Officer has not contacted any individuals who are no longer employed by, or associated with, BlackPine.

"Property" means the real property in the District held in the name of BlackPine.

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 any current or future homeowners within the District will pay the Special Tax in the future or that they will be able to pay the 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 additional transfer of property within the District, approximately 54.4% of the Fiscal Year 2017-18 Special Tax levy would be payable by BlackPine. As of the Date of Value, BlackPine had entered into contracts to sell

18 additional homes within the District to individual homeowners, however no assurances can be made that all such sales will close.

Failure of BlackPine, 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 BlackPine or its successors will complete the remaining intended construction and development in the District. See "— Failure to Develop Properties."

The City is not levying the Special Tax in Fiscal Year 2017-18 on property within the District classified as Final Map Parcels which is owned by BlackPine. However, in the event of significant delinquencies in the payment of the Special Taxes by individual homeowners, the Special Tax would be levied on the remaining lots, certain of which are classified as Final Map Parcels and Undeveloped Parcels and are currently owned by BlackPine. No assurance can be given that BlackPine, its successors, or any future merchant builders will pay the Special Tax 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 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 Parcels in the District will generally be based on the lot designation of the Developed Parcel. 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 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 of the Special Tax 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 Parcels 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 Parcels 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 Public Parcels and Parcels owned by the City, school districts, special districts, or the state or federal government. Certain privately owned Parcels also may be exempt from the levy of the Special Tax, including common areas owned by homeowner's associations or property-owner associations, wetlands, detention basins, water-quality ponds, and open space, as determined by the City. See 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 BlackPine, or any future 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.

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to complete development within the District has been completed. BlackPine will be required to construct the remaining in-tract improvements within the District. 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 Bondowners 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.

Bondowners 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 is not levying the Special Tax in Fiscal Year 2017-18 on property within the District classified as Final Map Parcels which is owned by BlackPine. However, in the event of significant delinquencies in the payment of the Special Taxes by individual homeowners, the Special Tax would be levied on the remaining lots, certain of which are classified as Final Map Parcels and Undeveloped Parcels and are currently owned by BlackPine. Undeveloped property is less valuable per unit of area than Developed Parcels, especially if there are no plans to develop such property or if there are severe restrictions on the development of such land. The Final Map Parcels without improvement value and the Undeveloped Parcels also provide less security to the Bondowners should it be necessary for the City to foreclose on such parcels due to the nonpayment of the Special Tax. Furthermore, an inability to develop the property within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Tax levied on

Final Map Parcels and if necessary, on Undeveloped Parcels. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of BlackPine or any future merchant builders to make Special Tax payments on Final Map Parcels and Undeveloped Parcels and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Land Values."

No Representation as BlackPine or any Future Merchant Builders

No representation is made as to the experience, abilities or financial resources of BlackPine or of any other purchaser or potential purchaser of property in the District or the likelihood that BlackPine, any 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 BlackPine in this Official Statement is based on information provided to the City by BlackPine and the Appraiser. In making an investment decision, purchasers of the Bonds should not assume that BlackPine or any 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 BlackPine.

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.

According to the Appraisal Report, the District is located in a 500-year floodplain and flood insurance is not required.

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. BlackPine has represented to the City that it is not aware of any substance located on or within the property in the District currently classified as hazardous by the Federal government or State of California. The City has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. 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 a Taxable Parcel 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 Parcel. If the value of a Taxable Parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District 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, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B —

"APPRAISAL REPORT AND UPDATE 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 from 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 has 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 even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, 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, at the time of such a levy, has the ability 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 City wishes to foreclose on the parcel as a result of delinquencies in the payment of 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. 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—*Proceeds of Foreclosure Sales*." 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 date of 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, an owner is given the right for the equal benefit and protection of all owners 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 Bondowners 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 District 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, et al.* (D063997) (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 Community Facilities District approved the Special Tax and the issuance of bonds on May 11, 2015. 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 BlackPine or any future 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

City Continuing Disclosure

The City will execute a continuing disclosure certificate (the "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 District and to provide notices of the occurrence of certain Listed Events. The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY." The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file the City 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, which will be due on March 31, 2018, shall consist of this Official Statement and the City's audited financial statements for the fiscal year ended June 30, 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; and, in certain instances, the City failed to link annual filing documents to all CUSIP numbers to which the filings were applicable. 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 City determined that it would not have audited financial statements for fiscal year 2013 until after the due date; accordingly, the City filed unaudited financial statements before the due date and the audited financial statements as soon as they were available (10 business days after the due date). In addition, certain filings were made after the required filing date, such as the City's audited financial statements for fiscal year 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 notices 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 the notice to all CUSIP numbers to which the 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 City 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.

Developer Continuing Disclosure

In connection with the issuance of the Bonds, and to provide updated information with respect to the development within the District, BlackPine will execute a Continuing Disclosure Certificate of the Developer (the "Developer Continuing Disclosure Certificate"), pursuant to which it will agree to provide semiannual reports no later than June 15 and December 15 of each year beginning with the semiannual report due by December 15, 2017, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The semiannual reports to be provided by BlackPine will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as Appendix G. In addition to providing semiannual reports, BlackPine will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate.

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. 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 to 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 public 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. (the "Municipal Advisor"), as municipal advisor in connection with the issuance and sale of the Bonds. Although the Municipal Advisor has assisted in the preparation of this Official Statement, the Municipal Advisor 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 this Official Statement or any of the other legal documents, and further the Municipal Advisor 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 $3,537,295.40, being $3,570,000.00 aggregate principal amount thereof, plus net original issue premium of $29,770.40 and less Underwriter' discount of $62,475.00). 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. The Underwriter 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, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Appraiser and the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel may represent the Underwriter on matters unrelated to the Bonds and Underwriter's Counsel represents the City on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District 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 Owners 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 P. Colville Jr.
City Treasurer

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 Creamery Community Facilities District No. 2015-02 (Improvements), City of Sacramento, County of Sacramento (the "District"). A 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.

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (Act) applicable to the land in the Creamery Community Facilities District No. 2015-02 (Improvements) of the City of Sacramento, California (CFD) shall be levied and collected according to the tax liability determined by the City of Sacramento (City) through the application of the appropriate amount or rate, as described below.

2. Definitions

"**Acre**" or "**Acreage**" means the land area of a County Assessor's Parcel as shown on an Assessor's Parcel Map.

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"**Administrative Expenses**" means the actual or reasonably estimated costs related to the administration of the CFD, including, but not limited to, these:

a. Costs of computing Special Taxes and preparing annual Special Taxes collection schedules (whether by the City or any City designee).

b. Costs of collecting, auditing, and accounting for the Special Taxes (whether by the County, the City, or otherwise), including costs related to collection of delinquent Special Taxes and foreclosure proceedings.

c. Costs of remitting the Special Taxes to the Trustee.

d. Costs of any Trustee (including its legal counsel) in the discharge of the duties required of it under any indenture for any Bonds.

e. Costs to the City or to any City designee of complying with arbitrage rebate requirements.

f. Costs to the City or to any City designee of complying with ongoing continuing-disclosure requirement with respect to the Bonds for the City or any obligated persons.

g. Costs associated with preparing disclosure statements for any Bonds.

h. Costs incurred in responding to public inquiries regarding the Special Tax.\

i. Costs to the City or to any City designee related to any appeal of the Special Tax.

j. Costs associated with the release of funds from an escrow account, if any.

k. Costs to the City for the issuance and sale of Bonds authorized by the CFD that are not recovered through the proceeds of the Bond sale. Such costs may include some of the cost of services provided by City staff.

l. Costs to the City for any other administrative purposes, including attorney's fees for legal advice and attorney's fees and other costs related to collection of the Special Taxes and commencing and pursuing to completion any foreclosure of delinquent Special Taxes. Such costs include the cost of services provided by City staff.

"**Administrator**" means the official of the City, or designee thereof, responsible for determining the Special Tax requirement and providing for the levy and collection of the Special Tax.

"**Annual Costs**" means, for any Fiscal Year, the total of the following after excluding any capitalized interest; any available earnings on, or surplus balances in, the reserve fund for Bonds or the Special Tax fund for the CFD; and any other available revenues of the City that relate to the CFD and may be lawfully used to pay Annual Costs:

a. Debt Service that is due in the subsequent calendar year (i.e., January 1 to December 31) following the beginning of a Fiscal Year (i.e., July 1).

b. The amount needed to replenish the reserve fund for Bonds to the level required under any indenture for any Bonds, to the extent not included in a computation of Annual Costs in a previous Fiscal Year.

c. Administrative Expenses for the Fiscal Year.

d. To the extent permitted by the Act, the amount needed to fund (i) unpaid Special Tax delinquencies from previous Fiscal Years, to the extent not previously levied, and (ii) anticipated delinquencies for the current Fiscal Year on any Parcel which has no outstanding delinquent Special Taxes. Collections from prior delinquencies should be used to offset the amount needed for current and future delinquencies if available.

e. Authorized Facilities funded on a Pay-As-You-Go Basis.

"**Anticipated Construction Proceeds**" means for the purposes of a Full Prepayment, that amount that is anticipated to be available through the CFD for acquiring or constructing Authorized Facilities. Anticipated Construction Proceeds is equal to $3.5 million at formation of the CFD. Anticipated Construction Proceeds amount is increased by the average increase in the by ENR-CCI for the prior calendar year on July 1 of the current Fiscal Year.

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

"**Assessor's Parcel Number**" means the Parcel and Parcel Number as assigned by the County Assessor on the equalized tax roll.

"**Authorized Facilities**" means those facilities and fees to be financed as identified in the resolution forming the CFD.

"**Base Year**" means the Fiscal Year beginning July 1, 2015, and ending June 30, 2017.

"**Benefit Share**" means the Maximum Annual Special Tax for a Parcel divided by the Maximum Annual CFD Special Tax Revenue.

"**Bond(s)**" means any bond(s) issued by the City for the CFD under the Act and any other debt, as defined in the Act, the City incurs to further the CFD's purposes.

"**Bond Share**" means the share of Outstanding Bonds assigned to a Parcel as specified in Section 6 hereof.

"**Building Permit**" means a permit issued by the City for the construction of a Residential Use or other permitted use on an Other Land Use Parcel.

"**CFD**" means the Creamery Community Facilities District No. 2015-02 (Improvements) of the City of Sacramento, California.

"**City**" means the City of Sacramento in the County of Sacramento, California.

"**Council**" means the City Council of the City acting for the CFD under the Act.

"**County**" means the County of Sacramento, California.

"**County Assessor's Parcel**" means a lot or Parcel with an assigned Assessor's Parcel Number in the maps used by the County Assessor in preparing the tax roll.

"**Debt Service**" means, for any period, the total amount of principal of, interest on, scheduled sinking fund payments for, and other regularly scheduled payments on the Outstanding Bonds for the period.

"**Developed Parcel**" means, in any Fiscal Year, a Parcel for which a Building Permit for Residential Use or other permitted use on an Other Land Use Parcel has been issued prior to June 1 of the preceding Fiscal Year. Once a Parcel is classified as a Developed Parcel it shall remain a Developed Parcel.

"**Dwelling Unit**" means a residential unit assigned to a Parcel.

"**ENR-CCI**" means the Engineering News Record—Construction Cost Index for the San Francisco in the prior calendar year, as determined on July 1 of the current Fiscal Year.

"**Final Bond Sale**" means the last bond sale or issuance of Bonds after which no more bond sales generating net new CFD bond proceeds shall occur, as determined by the Administrator.

"**Final Map Parcel**" means a Parcel designated for new development, which is part of a Final Subdivision Map. Once a Parcel is classified as a Final Map Parcel it shall remain a Final Map Parcel.

"**Final Subdivision Map**" means a recorded map designating the final Parcel Subdivision for individual Parcels.

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

"**Full Prepayment**" means the complete fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 6**.

"**Maximum Annual Special Tax**" means the greatest amount of Special Tax that can be levied against a Parcel in the Base Year, as shown in **Attachment 1**, increased by the Tax Escalation Factor following the Base Year.

“**Maximum Annual Special Tax Revenue**” means the maximum amount of Special Tax that may be levied against a group of Taxable Parcels, such as Developed Parcels.

“**Maximum Annual CFD Special Tax Revenue**” means the sum of the Maximum Annual Special Tax that may be levied on all Taxable Parcels in the CFD in a Fiscal Year.

“**Other Land Use Parcel**” means a Developed Parcel with a land use that is not a Residential Use Parcel or a Tax-Exempt Parcel. For example, Parcels rezoned after the formation of the CFD to permit other uses such as retail, office, mixed use, and industrial property would be Other Land Use Parcels.

“**Outstanding Bonds**” means the total principal amount of Bonds that have been issued and not fully repaid or legally defeased.

“**Parcel**” means any County Assessor’s Parcel in the CFD based on the equalized tax rolls of the County as of July of each Fiscal Year.

“**Pay-As-You-Go Basis**” means the use of annual Special Tax revenues to directly fund administration or to fund the cost of constructing, improving, or acquiring Authorized Facilities, on a first-in first-out basis.

“**Prepayment**” means the complete or partial fulfillment of a Parcel’s Special Tax obligation, as determined by following the procedures in **Section 6**.

“**Proportionately**” means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Developed Parcels. For Final Map Parcels, “Proportionately” means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Final Map Parcels. For Undeveloped Parcels, “Proportionately” means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Undeveloped Parcels.

“**Public Parcel**” means any Parcel that is or is intended to be publicly owned, as designated in any recorded map or Irrevocable Offer to Dedicate (IOD) that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; and public drainageways, landscaping, wetlands, greenbelts, and open space.

“**Remainder Parcel**” means a Parcel that is created as the result of the recordation of a Final Subdivision Map, which results in a Parcel that has not been mapped for final development approval. Such Remainder Parcel may contain taxable and tax-exempt uses, such as Residential Uses, and Public Parcels, such as park sites.

“**Remaining Facilities** Costs” means the amount of Anticipated Construction Proceeds less construction proceeds from previous CFD Bond issuances and costs of Authorized Facilities funded on a Pay-As-You-Go Basis from the levy of the Special Tax.

“**Remaining Facilities Cost Share**” means the Remaining Facilities Costs multiplied by the Benefit Share.

“**Reserve Fund**” means any debt service reserve fund established pursuant to the Bonds.

“**Reserve Fund Requirement**” means the amount required to be held in any Reserve Fund.

“**Reserve Fund Share**” means the amount on deposit in any Reserve Fund, but in any event not to exceed the Reserve Fund Requirement, multiplied by the Benefit Share for a given Parcel.

“**Residential Use**” means residential use, such as single-family, multi-family, townhome, or condominium residential units.

"**Residential Use Parcel**" means, in any Fiscal Year, all Parcels in the CFD for which a Final Subdivision Map was recorded identifying Parcels designated for Residential Uses.

"**RMA**" means the Rate and Method of Apportionment of the Special Tax.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD.

"**Subdivision**" or "**Subdivided**" means a division of a Parcel into two or more Parcels through the Subdivision Map Act process. A Subdivision also may include the merging of two or more Parcels to create new Parcels.

"**Tax Category**" means the Parcel designations and the Residential Use categories by tentative map lot numbers, as shown in **Attachment 1** and **Map 1**.

"**Tax Collection Schedule**" means the document prepared by the Administrator for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

"**Tax Escalation Factor**" means a factor of two-percent in each Fiscal Year following the Base Year by which the Maximum Annual Special Tax for the previous Fiscal Year will be increased.

"**Taxable Parcel**" means any Parcel that is not a Tax-Exempt Parcel.

"**Tax-Exempt Parcel**" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include (a) Public Parcels and (b) Parcels owned by the City, school districts, special districts, or the state or federal government. Certain privately owned Parcels also may be exempt from the levy of the Special Tax, including common areas owned by homeowner's associations or property-owner associations, wetlands, detention basins, water-quality ponds, and open space, as determined by the CFD Administrator. A Taxable Parcel that is acquired by a public agency shall remain a Taxable Parcel as per the provisions of **Section 4.f**, unless the Special Tax Obligation is permanently satisfied through a Full Prepayment.

"**Total Facility Cost Share**" means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

"**Trustee**" means any fiscal agent or trustee appointed by the City pursuant to any indenture for any Bonds.

"**Undeveloped Parcel**" means a Taxable Parcel that is not a Developed Parcel or a Final Map Parcel.

3. Duration of the Special Tax

The Special Tax will be levied and collected for as long as it is needed to pay Annual Costs; however, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2055-56.

When all Authorized Facilities and other Annual Costs incurred by the CFD have been paid, the Special Taxes shall cease to be levied subject to the appropriation limit for the CFD. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. In addition, the Notice of Cessation of Special Tax shall identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

4. Administrative Tasks

Tasks required annually of the Administrator are discussed below:

a. Classification of Parcels. By July 31 of each Fiscal Year, using the Parcel records of the Assessor's Secured Tax Roll as of June 1 of the preceding Fiscal Year, and other City development approval records, the Administrator shall cause:

1. Each Parcel to be classified as a Taxable Parcel or Tax-Exempt Parcel.
2. Each Taxable Parcel to be classified as a Developed Parcel, a Final Map Parcel, or an Undeveloped Parcel.
3. Each Developed Parcel to be classified as a Residential Use Parcel or Other Land Use Parcel.

b. Annual Special Tax Escalation. The Administrator shall increase the Maximum Annual Special Tax by the Tax Escalation Factor in each Fiscal Year following the Base Year.

c. Assignment of the Maximum Annual Special Tax to New Final Map Parcels. The proposed Final Map Parcels are shown in **Map 1**. For a new Final Map Parcel for Residential Uses, the Administrator shall:

1. If a Final Subdivision Map is recorded and the Final Map Parcels match the Final Map Parcels in **Map 1**, perform the following instructions.

   A. Identify the lot number of the Final Map Parcel on the Final Subdivision Map recorded for such a Parcel or by the County records maintained for the Assessor's Parcel Number for the Parcel.

   B. Identify the Tax Category in **Attachment 1** that corresponds to the lot number on the Final Subdivision Map recorded for such Parcel or by the County records maintained for the Assessor's Parcel Number for the Parcel.

   C. Assign the Maximum Annual Special Tax for the appropriate Tax Category to the Final Map Parcel, as shown in **Attachment 1**.

   D. If the Final Subdivision Parcel creates one or more Remainder Parcel that is a Undeveloped Parcel, multiply the Acreage of each Remainder Parcel times the Maximum Annual Special Tax per Acre for Undeveloped Parcels.

2. If a Final Subdivision Map is recorded and the Final Map Parcels do not match the Final Map Parcels in **Map 1**, perform the following instructions.

   A. Determine the Maximum Annual Special Tax (as increased by the Tax Escalation Factor) for the Parcel being Subdivided using one of the procedures below.

      i. If the Parcel being Subdivided contains all Final Map Parcels shown in **Map 1** (there are no Parcels that are partially contained within the boundaries of the Final Subdivision Map) sum the Maximum Annual Special Tax for the lot numbers shown in **Map 1**.

      ii. If the Parcel being Subdivided does not contain whole Final Map Parcels shown in **Map 1** (some Parcels that are partially contained within the boundaries of the Final Subdivision Map) multiply the gross Acreage of the Final Subdivision map (excluding any Tax-Exempt Parcels) times the Maximum Annual Special Tax per Acre.

   B. Identify the number of Final Map Parcels in the Final Subdivision Map.

C. Divide the Maximum Annual Special Tax identified in **Section 4.c.2.A.i** or **4.c.2.A.ii** by the number of Final Map Parcels identified in **Section 4.c.2.B**.

If the Final Subdivision Parcel also creates one or more Remainder Parcel that is an Undeveloped Parcel, multiply the Acreage of the Remainder Parcel times the Maximum Annual Special Tax per Acre for Undeveloped Parcels.

The calculations in **Section 4.c.2** are intended to ensure that the Maximum Annual CFD Special Tax Revenue is sufficient to maintain 110% coverage on the Bonds' Debt Service plus Administrative Expenses. If the calculations result in a Maximum Annual CFD Special Tax Revenue insufficient to maintain 110% coverage on the Bonds' Debt Service plus Administrative Expenses, a mandatory Prepayment will be required from the Parcels affected by the Final Subdivision Map in an amount sufficient to retire a portion of the Bonds and maintain a 110% coverage on the Bonds' Debt Service plus Administrative Expenses, as determined by the Administrator.

d. Assignment of the Maximum Annual Special Tax to new Other Land Use Parcels and new Undeveloped Parcels. For a new Other Land Use Parcel or a new Undeveloped Parcel, the Administrator shall:

1. Identify the Acreage for the Other Land Use Parcel or Undeveloped Parcel.

2. Identify the Maximum Annual Special Tax per Acre for the Tax Category shown in **Attachment 1**.

3. Multiply the Maximum Annual Special Tax per Acre times the Acreage to determine the Maximum Annual Special Tax for such a Taxable Parcel.

4. Assign the Maximum Annual Special Tax for the appropriate Tax Category to the Other Land Use Parcel or Undeveloped Parcel, as shown in **Attachment 1**.

e. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a taxable use or transferred to a private owner as a Residential Use Parcel or an Other Land Use Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for the newly assigned Tax Category for such a Parcel shall be determined using the provisions of **Section 4.c** or **Section 4.d**.

f. Taxable Parcels Acquired by a Public Agency or a Not-For-Profit Entity. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Act. An exception to this may be made if a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Administrator.

5. Calculating Annual Special Tax Levy

The Administrator shall determine the tax levy for each Taxable Parcel using the following process:

a. Compute the Annual Costs.

b. Compute 100 percent of the Maximum Annual Special Tax Revenue for all Developed Parcels.

c. If the amount from **Step 5.b** is greater than the Annual Costs in **Step 5.a** and the Special Tax levy will occur **BEFORE** the Final Bond Sale and funding of Authorized Facilities up to 100 percent of the Anticipated Construction Proceeds, levy the 100 percent of the Maximum Annual Special Tax on all Developed Parcels.

d. If the amount from **Step 5.b** is greater than the Annual Costs in **Step 5.a** and the Special Tax levy will occur **AFTER** the Final Bond Sale and funding of Authorized Facilities up to 100 percent of the Anticipated Construction Proceeds, decrease Proportionately the Maximum Annual Special Tax levy for each Developed Parcel until the Special Tax revenue from the levy of the Maximum Annual Special Tax on all Developed Parcels equals Annual Costs calculated in **Step 5.a.**

e. If the amount from **Step 5.b** is less than the amount in **Step 5.a**, increase Proportionately the Maximum Annual Special Tax levy for each Final Map Parcel until either the sum of the amount computed in **Section 5.b** for all Developed Parcels plus the levy of the Maximum Annual Special Tax on Final Map Parcels equals Annual Costs, or the Maximum Annual Special Tax levy for each Final Map Parcel is equal to 100 percent of Maximum Annual Special Tax for each Final Map Parcel.

f. If the amounts from **Steps 5.b** for all Developed Parcels and **5.e** for all Final Map Parcels together are less than Annual Costs in **Step 5.a**, increase Proportionately the Maximum Annual Special Tax levy for each Undeveloped Parcel until either the sum of the amounts computed in Steps **5.b, 5.e**, plus the levy of Maximum Annual Special Tax on Undeveloped Parcels equals Annual Costs, or the Maximum Annual Special Tax levy for each Undeveloped Parcel is equal to 100 percent of the Maximum Annual Special Tax for each Undeveloped Parcel.

g. Using the amounts calculated above for each Taxable Parcel, prepare the Tax Collection Schedule and, unless an alternative method of collection has been selected pursuant to **Section 8**, send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

6. Prepayment of the Special Tax Obligation

A property owner may permanently or partially satisfy the Maximum Annual Special Tax for a Taxable Parcel by a Prepayment as permitted under Government Code Section 53344. An owner of a County Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 45 days of receipt of such written notice, the City or its designee shall notify such owner of the Prepayment amount for such Parcel. Prepayment must be made not less than 75 days before any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

Full Prepayment is permitted only under the following conditions:

- The City determines that the Full Prepayment of the Special Tax does not jeopardize its ability to make timely payments of Debt Service on Outstanding Bonds and maintain a 110-percent Special Tax coverage of Debt Service plus Administrative Expenses, in all years where there will be Outstanding Bonds.

- The property owner prepaying the Special Tax on a Parcel has paid any delinquent Special Tax and penalties on that Parcel before Full Prepayment.

- Amounts in the Reserve Fund are equal to or greater than the Reserve Fund Requirement,

When permitted, the Administrator shall calculate Full Prepayments using the following steps:

a. The Full Prepayment amount before any issuance of CFD Bonds shall be calculated using following procedures (See **Table 1** for a sample Full Prepayment):

1. Determine the Maximum Annual Special Tax for the Developed Parcel for which the Special Tax is to be prepaid using the provisions of **Sections 4 and 5**.

2. Divide the amount from **Step 6.a.1** by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Full Prepayment Parcel.

3. Multiply the Remaining Facilities Costs, as increased by ENR-CCI from the Base Year, times the Benefit Share to determine the Full Prepayment amount.

4. Add to the amount determined in **Step 6.a.3** any costs to the City associated with the preparation of the Full Prepayment calculation.

b. The Full Prepayment amount after all issuances of CFD Bonds shall be calculated using the following procedures (See **Table 2** for a sample Full Prepayment)

1. Determine the Maximum Annual Special Tax for the Developed Parcel for which the Special Tax is to be prepaid using the provisions of **Sections 4** and **5**.

2. Divide the amount from **Step 6.b.1** by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Parcel.

3. Multiply the Benefit Share by the total amount of Outstanding Bonds to determine the Bond Share for the Full Prepayment Parcel.

4. Multiply the Benefit Share by the Remaining Facilities Costs, as increased by ENR-CCI from the Base Year, to determine the Remaining Facilities Cost Share for the Full Prepayment Parcel.

5. Sum the Bond Share and Remaining Facilities Cost Share from **Steps 6.b.3** and **6.b.4**.

6. Determine the total amount of Bonds to be called by rounding the amount summed in **Step 6.b.5** down to the nearest $5,000.

7. Multiply the amount calculated in in **Step 6.b.6** by the call premium for the next available call date.

8. Determine the Reserve Fund Share for the Full Prepayment Parcel by multiplying the Reserve Fund Requirement times the Benefit Share.

9. Reduce the amount calculated in **Step 6.b.5** by the amount of the Reserve Fund Share in **Step 6.b.8**, provided the amount in the Reserve Fund equals the Reserve Fund Requirement after reduction.

10. Determine the Full Prepayment amount by adding to the amount calculated in **Step 6.b.9** any fees, call premiums, and interest to the next Bond call date not covered by Special Taxes already levied and collected for the prepaying Parcel, and expenses incurred by the CFD in connection with the Full Prepayment calculation or the application of the proceeds of the Full Prepayment to the call of Outstanding Bonds.

11. If the amount calculated in **Step 6.b.10** is greater than the amount calculated in **Step 6.b.6**. reduce the amount calculated in **Step 6.b.6** by $5,000 and repeat **Steps 6.b.7-10**.

12. If the Special Taxes have already been levied, but not collected, the Parcel shall not become a Full Prepayment Parcel until the owner of the Parcel has paid the Special Taxes included on the current property tax bill in addition to the Full Prepayment amount.

c. Partial Prepayments are only allowed for Parcels owned by a property owner prior to the issuance of the initial Building Permit. A partial Prepayment can occur only once per Assessor's Parcel. The City may allow a partial Prepayment if it is determined that the partial Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110% Special Tax coverage of Debt Service plus Administrative Expenses in all years where there will be Outstanding Bonds. Partial Prepayments can only occur after the Final Bond Sale. Partial Prepayments will be calculated as described below.

The amount of any partial Prepayment must be either of 25-percent or 50-percent of the Full Prepayment amount determined in or **6.b.11**. A Partial Prepayment may be made in an amount equal to 25-percent or 50-percent of the Full Prepayment desired by the party making a Partial Prepayment, except that the full amount of administrative fees and expenses determined in **Section 6.b.10** shall be included in the partial Prepayment. The Maximum Annual Special Tax that can be levied on a Parcel after a Partial Prepayment is made is equal to the Maximum Annual Special Tax that could have been levied before the Prepayment, reduced by the percentage of the Full Prepayment that the Partial Prepayment represents, all as determined by or at the direction of the Administrator. For example, if the partial Prepayment is equal to 25-percent, the Maximum Annual Special Tax applied to the Parcel would be 75-percent of the Maximum Annual Special Tax.

7. Interpretation, Application , and Appeal of Special Tax Formula and Procedures

Any taxpayer who feels the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Administrator appealing the levy of the Special Tax. The Administrator then will promptly review the appeal and, if necessary, meet with the applicant. If the Administrator verifies that the tax should be modified or changed, the Special Tax levy will be corrected and, if applicable, a credit or refund will be granted.

Interpretations may be made by the City, without resolution or ordinance of the Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CFD.

Without Council approval, the Administrator may make minor, non-substantive administrative and technical changes to the provisions of this Exhibit that do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

8. Records Maintained for the CFD

As development occurs in the CFD, the Administrator will maintain a file containing records of the following information for each Parcel:

- The current County Assessor's Parcel Number
- The designated and existing uses for each parcel
- The total number of Units assigned to each Parcel
- The Maximum Annual Special Tax assigned to each Parcel
- Prepayments

9. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes, provided, however, that the Administrator or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet the City's financial obligations and the Administrator may covenant to foreclose and actually foreclose on delinquent Parcels as permitted by the Act.

Attachment 1
Creamery CFD No. 2015-02 (Improvements)
Maximum Annual Special Tax (Base Year)

Tax Category	No. of Parcels	Maximum Annual Special Tax	Maximum Annual Special Tax Revenue
		[1] [2]	[1] [2]
Final Map Parcels		Per Parcel	
<u>Tentative Map Lot Numbers</u>			
Lots 1-30, 37-52, 73-77 Lots 88-97, 111-117	68	$2,200	$149,600
Lots 31-36, 53-72, 78-87 Lots 98-110	49	$2,625	$128,625
Totals	117		**$278,225**
		Per Acre	
Other Use Parcels		$37,100	
Undeveloped Parcels		$37,100	

"att1"

Sources: Lewis Communities and EPS.

[1] The Maximum Annual Special Tax per Unit is increased by the Tax Escalation Factor in each Fiscal Year following the Base Year.

[2] The Maximum Annual Special Tax per Parcel may increase pursuant to the provisions of Section 4.c.2 of the RMA.

THE CREAMERY
TENTATIVE SUBDIVISION MAP
SHOWING A MERGER AND RE-SUBDIVISION OF A PORTION OF THE BLOCKS BOUNDED BY "B" AND "E" AND 10TH AND 11TH STREETS, A PORTION OF THE BLOCK BOUNDED BY "C" AND "D" AND 9TH AND 10TH STREETS, AND A PORTION OF 10TH STREET PREVIOUSLY ABANDONED, IN THE CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP THEREOF.
CITY OF SACRAMENTO, SACRAMENTO COUNTY, CALIFORNIA
MAY 1, 2014
VICINITY MAP
PROJECT
"C" Street
"D" Street
"E" Street
10th Street
11th Street
RECORD OWNER: CC/B HOLDINGS INC. 550 HOWE AVENUE #110 SACRAMENTO, CA 95825
DEVELOPER: LEWIS LAND DEVELOPERS, LLC 9216 KIEFER BLVD. SACRAMENTO, CA 95826
ENGINEER: MEREDITH ENGINEERING INC. PO BOX 4390 EL DORADO HILLS, CA 95762
ASSESSOR PARCEL NUMBERS:
EXISTING ZONING: C-2, R-3A
EXISTING USE: VACANT
PROPOSED ZONING: PUD
PROPOSED USE: SINGLE FAMILY RESIDENTIAL
SITE SUMMARY: GROSS ACRES 8.51 ACRES
NET ACRES 7.50 ACRES
DENSITY 14 UNITS/ACRE
MIN. LOT SIZE:
MINIMUM SETBACKS
FRONT 5' BLDG / 2' PORCH
BACK (GARAGE)
SIDE
DISTRICTS: WATER CITY OF SACRAMENTO
SEWER CITY OF SACRAMENTO
DRAINAGE: CITY OF SACRAMENTO
ELECTRICITY: S.M.U.D.
GAS: PACIFIC GAS & ELECTRIC
TELEPHONE: PACIFIC BELL
SCHOOL DISTRICT: SCUSD
FIRE DISTRICT: CITY OF SACRAMENTO
PARK DISTRICT: CITY OF SACRAMENTO
FLOOD ZONE: AR
THE FINAL MAP MAY BE PHASED
Note:
Date:
THE CREAMERY
TENTATIVE MAP
MAY 1, 2014
Michael Dequine and Associates, Inc.
MEREDITH ENGINEERING
SHEET 1 OF 7

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

APPRAISAL REPORT AND UPDATE APPRAISAL REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

BBG

BBG, Inc.
Sacramento

Appraisal of Real Property

Creamery Community Facilities District No. 2015-02
Residential Subdivision
D Street at 10th and 11th
Sacramento, Sacramento County, California 95814

Prepared For:
City of Sacramento

Effective Date of the Appraisal:
April 28, 2017

Report Format:
Appraisal Report - Standard Format

BBG, Inc. - Sacramento
File Number: 145-2016-0262

VALUATION ADVISORY ASSESSMENT

Creamery Community Facilities District No. 2015-02
D Street at 10th and 11th
Sacramento, California

BBG
1708 Q Street
Sacramento, CA 95811
T 916.949.7360
F 916.554.6493
www.bbgres.com

May 31, 2017

Mr. Richard Sanders, Program Manager
Facilities & Real Property Management
City of Sacramento
915 I St.
Sacramento, CA 95814

SUBJECT: Market Value Appraisal
Creamery Community Facilities District No. 2015-02
D Street at 10th and 11th
Sacramento, Sacramento County, California 95814

Dear Mr. Sanders:

BBG, Inc. – Sacramento is pleased to submit the accompanying appraisal of Creamery Community Facilities District No. 2015-02 (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. The bonds for CFD No. 2015-02 (the "Bonds") will assist with the financing of capital improvements and fees.

The CFD boundaries encompass 117 lots of a planned 122 lot project called The Creamery, which is being developed and built by Blackpine Communities ("Blackpine"). The project has an urban location in Sacramento, California. As of the date of value, Blackpine has constructed and sold 35 homes, completed three models, and has commenced construction on 32 additional homes (various stages of completion). Final subdivision map has recorded for 92 of the 117 lots; the remaining 25 lots are tentatively mapped and primarily unimproved. The subject property does not include properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land. Moreover, the project contains 5 additional planned single-family lots that are not part of the CFD.

The values estimated herein are based on hypothetical conditions. 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 and Special Taxes had not been levied. The 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 value estimates account for the impact of the lien of the Special Tax securing the Bonds.

Moreover, per CDIAC guidelines, it is a hypothetical condition of this appraisal that the capital improvements to be financed by bond proceeds were completed on the date of value. As of the date of value, these facilities were partially completed.

The majority portion of bond proceeds will reimburse for building impact fees. Blackpine is contractually obligated to pass through fee reimbursements to Lewis Land Developers LLC, who procured entitlements and sold the property to Blackpine. Therefore, this portion of bond proceeds does not “run with the land” and does not create additional property value.

As a result of our analysis, it is our opinion the aggregate value of the subject property as of April 28, 2017 and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not less than:

Value Conclusion

Ownership	Description	Value by Ownership (1)	
Blackpine City Flats LLC	3 Model Homes and 79 Lots	$14,320,000	(not-less-than bulk market value)
Individual Home Owners	35 Homes	$19,450,000	(not-less-than aggregate value)
	Total:	**$33,770,000**	(not-less-than aggregate value)

(1) Based on hypothetical condition that capital improvements to be financed by Bonds are in place

Our analysis assigns no value to upgrades and lot premiums for the 35 homes that have transferred to individuals. Moreover, no value is assigned to partially completed construction. For these reasons, the aggregate value is a not-less-than estimate.

The estimated value is 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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

BBG, INC. - SACRAMENTO

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

Scott Beebe, MAI, FRICS
Certified General Real Estate Appraiser
CA Certificate # AG015266
Telephone: 916-949-7360
Email: sbeebe@bbgres.com

Table of Contents

Summary of Salient Facts and Conclusions

Property	The subject property is 35 completed and sold production homes, 3 completed model homes, 32 partially completed homes and 47 lots within Community Facilities District No. 2015-02 (the "CFD").
Location	The CFD is bisected by D Street, and is located mostly between 10th and 11th Streets, within the city of Sacramento, Sacramento County, California 95814.
Census Tract No.	6.00
Assessor Parcel Numbers	Please refer to the *Property Analysis* section for a complete list of Assessor parcel numbers.
Ownership	35 completed homes have transferred to individual buyers. All other property is owned by Blackpine City Flats LLC dba Blackpine Communities. Please refer to the *Property Analysis* section for a complete list of property owners.
Zoning	C-2 & R-3A
Entitlements	The subject is zoned for commercial and multifamily development but is approved for 117 single-family lots. Final map has recorded for 92 lots. The balance (25 lots) has tentative map approval.
Flood Zone	Zone X500 – Areas determined to be within 500-year floodplain.
Highest and Best Use	Single-family residential development, as currently approved.
Exposure Time	6 months
Marketing Time	6 months
Property Rights Appraised	Fee Simple Estate
Effective Date of Value:	April 28, 2017

Not-Less-Than Value:

Value Conclusion

Ownership	Description	Value by Ownership (1)	
Blackpine City Flats LLC	3 Model Homes and 79 Lots	$14,320,000	(not-less-than bulk market value)
Individual Home Owners	35 Homes	$19,450,000	(not-less-than aggregate value)
	Total:	**$33,770,000**	(not-less-than aggregate value)

(1) Based on hypothetical condition that capital improvements to be financed by Bonds are in place

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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

General Information

Identification of Subject

Northwesterly view of the CFD

The CFD boundaries encompass 117 lots of a planned 122 lot project called The Creamery, which is being developed and built by Blackpine Communities ("Blackpine"). The project has an urban location in Sacramento, California. As of the date of value, Blackpine has constructed and sold 35 homes, completed three models, and has commenced construction on 32 additional homes (various stages of completion). Final subdivision map has recorded for 92 of the 117 lots. The subject property does not include properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land. Moreover, the project contains 5 additional planned single-family lots that are not part of the CFD.

Project History

The subject project is the former production site of Crystal Creamery. On October 28, 2008, the City approved entitlements for 217 residential units and 121,837 square feet of commercial space. All prior structures were demolished. In 2013, an application to revise entitlements to the current configuration was submitted, with approvals for 117 lots (Mitigated Negative Declaration, Mitigated Monitoring Plan, Tentative Map, Site Plan and Design Review) obtained on May 29, 2014. The project at that time included 8.31 gross acres and 7.47 net acres (net of 0.84 acre pf public road right of way). On December 2015, Blackpine acquired two additional parcels comprising 0.23-acre, which are planned for 5 additional single-family lots. These lots are not part of the CFD.

Project Characteristics

The subject property consists of 117 lots planned for detached three story homes. Some units have front porches that front public or private streets, and some units have front porches that front paseo common areas (which, along with end-cap units, will generate lot premiums). Each unit features a two-car wide garage accessed from an alley or private street extending behind the rear of the unit. The standard minimum lot sizes are 1,360 and 1,755 square feet, albeit many lots are slightly wider and/or longer. Homes are being constructed approximately 3.5 feet apart from another, with firewalls installed on one side. All homes have mid-level exterior porches with options for additional porches and roof-top patios, which feature local views of downtown Sacramento. Three plan options are offered, ranging from 1,745 to 2,305 square feet.

Project To Date

The project is divided into north, south and west blocks. Site development for the north and south blocks is complete with final map recorded for 92 lots. The south block contains 35 homes, all of which have been built, sold and closed to individual buyers. In the north block, three models are complete and 32 additional homes are under construction (various stages of completion). Of the 20 homes released for sale, 18 have sold. The west block is planned for 25 lots and is mostly unimproved. The 79 lots owned by the Developer are summarized below.

Project Summary

79 Lots	32 lots have home construction underway with various stages of completion	20 have been released for sale, with 18 having sold
		12 not yet released for sale
	47 lots have not vertical construction	22 lots have a mostly finished condition and 25 lots are mostly unimproved
35 Homes	Transferred to individual owners	

Between the 35 homes that have sold and closed and the 18 homes that are sold and pending, 53 total sales have occurred. The subject project has averaged 2.7 sales per month since project sales commenced, but sales have been tempered by limited releases. The Developer has slowed releases so that homes can be built and occupied before the project generates too many sales (as a strategy to reduce risk and keep construction costs down). A higher sales rate for the subject project is possible if homes were to be released at a faster rate.

Of homes sold to date, approximately 60% of the buyers are 55+ years or older and still working (not-yet retired professionals). Some buyers are professionals seeking second homes for when in Sacramento. Sales to date have captured mostly affluent households, with selected home options averaging approximately $80,000 per home. The majority of buyers have elected to add the option of installing a roof-top deck.

Prices have increased since project inception. The first sales occurred in December 2015 with base prices of $466,990, $487,990 and $499,990 for the three plans offered. The first 25 homes released sold out in a single weekend. Blackpine rapidly responded and increased prices thereafter. The same plans have current asking prices of $547,990, $552,990 and $577,990. Moreover, the project initially offered incentives of $5,000 for using a preferred lender and/or $5,000 for using the design studio for home upgrades. Buyers typically elect to have incentives paid as closing cost credits. Due to strong home sales, the preferred lender incentive was discontinued in March 2017 and the design studio incentive was reduced to $3,500.

Neighborhood Characteristics

The site is located in the Alkali Flat neighborhood of Sacramento, which is just north of downtown. The project's close proximity to major employers and entertainment venues is a strong draw. The Capitol building and the Golden 1 Center (completed October 2016, home to the Sacramento Kings) are both within one mile of the subject project. Additionally, the site is located just southeast of the 240-acre Railyards development project, which is one of the largest infill projects in the country. The Railyards project is at the land development stage with backbone infrastructure mostly complete. The project is currently proposed for around 6,100 homes and 2.1 million square feet of commercial space, which includes a new Kaiser Permanente Hospital. Kaiser Permanente committed to an 18-acre site within the Railyards in 2015. Current proposals call for a 12 to 14-story medical facility with 1.2 million of square feet. The medical facility will replace Kaiser's Morse Avenue medical complex in east Sacramento, and likely would not open until at least 2022.

Kaiser is the first commercial entity to commit to buying land in the Railyards. Another major potential occupant looking at the site is Sacramento Republic FC, the minor-league soccer team that would build a $125 million stadium if Sacramento gains admission to Major League Soccer. The proposed site is just north of the subject, across the railroad tracks.

Nearby land uses are mixed. The north block of the subject project has railroad tracks on the north; the western block is bordered by a television station building; an industrial use (Burnett & Sons Planning Mill and Lumber Company) and Globe Mills apartments border the project to the east; and residential apartments border the property to the southwest, south and southeast. A portion of the north block will have homes that abut the existing lumber mill. An enclosure will be constructed to reduce noise and mitigate potential future impacts. The adjacent is being disclosed to buyers. Moreover, the railroad tracks to the north are utilized frequently for freight transport and will generate noise. The adjacent lumber mill and railroad tracks will affect pricing for a minority of homes, but due to ample demand for homes near downtown Sacramento, the overall impact on the subject is minor.

Current Ownership and Sales History

The subject is owned by Blackpine City Flats LLC, which acquired the subject via two separate transactions. Blackpine acquired the subject for a total consideration of $11,110,500 for 8.31 acres (7.47 net acres), with the sales price negotiated in early 2014. The total price equates to $34.14/net SF. Lewis Land Developers LLC contracted to purchase the entire property from CC&B Holdings in March 2013 for an undisclosed sum. Lewis acquired 7.2± gross acres of this property on July 7, 2014 and subsequently sold this property to Blackpine on November 20, 2014 for approximately $8,846,500. The sales was contracted several months prior. On February 13, 2015, CC&B Holdings transferred the remaining 1.1± gross acres directly to Blackpine for $2,264,000. The 1.1± acres had an industrial building which was demolished prior to sale.

Blackpine arrived at a purchase price by using a land residual model that considered home prices relative to all anticipated costs. Since acquiring the property, significant site development and home construction costs have been incurred. Accounting for costs incurred, the underlying land value estimated herein is higher than the purchase price due to market appreciation which has occurred since the 2014 purchase date.

We are not aware of, nor do public records reflect, any other transfers of the subject within the last three years. Besides ongoing home sales, the subject property is not being marketed for sale in bulk.

Below we summarize the approximate sale prices and dates for the 35 homes that have transferred to individuals. The sale prices sum to $20,179,000, which exceeds the not-less-than aggregate value of $19,450,000 estimated in this report (with the not-less-than estimate not accounting for upgrades and lot premiums).

Completed and Transferred Homes

Tax ID	Owner	Plan	Sale Price	Date Closed
002-0230-001	David Wang	2	$597,500	4/18/17
002-0230-002	Caylyn Wright	1	$520,000	4/14/17
002-0230-003	Akbar Khan	2	$583,500	4/21/17
002-0230-004	Nikolay/Irene Shaposhnikov	2	$496,000	4/14/17
002-0230-005	Sonia Sanga	1	$594,500	4/18/17
002-0230-006	William Delaney and Tara Delaney	2	$624,000	4/3/17
002-0230-007	Chloe Parra	1	$511,000	3/30/17
002-0230-008	Miriam Ferhut	1	$527,000	1/25/17
002-0230-009	William Huser	2	$597,500	1/27/17
002-0230-010	HOA/Emily Nguyen	1	$488,000	2/2/17
002-0230-011	Anne Geraghty	2	$532,000	2/1/17
002-0230-012	Hayes Hyde	1	$669,500	2/10/17
002-0230-013	Erica/Eduardo Zeiter	3	$697,000	3/3/17
002-0230-014	John/Sheri Aguirre	3	$681,500	2/28/17
002-0230-015	Richard/Tna Wilks	2	$586,000	3/1/17
002-0230-040	Ronald Vargas	3	$662,500	3/6/17
002-0230-041	Philip Schaaf	1	$549,500	3/20/17
002-0230-018	Jewell Ortega Revocable Trust	3	$675,500	3/16/17
002-0230-019	Kelly Oshea	1	$566,000	3/10/17
002-0230-020	Diel Family 2012 Revocable Trust	2	$537,000	3/10/17
002-0230-021	Ma Ruzyl Delasverlas/Lalas Gilbey	1	$503,000	12/30/16
002-0230-022	Meeker Family Trust	2	$549,500	12/22/16
002-0230-023	Dailey Revocable Trust	2	$575,000	12/28/16
002-0230-024	Reid Allison	1	$575,000	12/9/16
002-0230-025	Robin Ikegami/Kujubu Stephen	2	$603,000	12/16/16
002-0230-026	Matthew Sean Ayson	2	$544,000	12/22/16
002-0230-027	Tommy Abeyta/Ryan Greenleaf	1	$526,000	12/7/16
002-0230-028	Amir Atabaki/Richard Argento	1	$532,000	12/2/16
002-0230-029	May 2013 Revocable Trust	2	$532,000	11/4/16
002-0230-030	Juie Horstman	1	$483,500	10/24/16
002-0230-031	James and Diane Dyer	3	$648,000	11/2/16
002-0230-032	Alan and Cheryl McNabb	1	$590,000	4/18/17
002-0230-033	Gerald and Janel Agustin	3	$669,500	10/26/16
002-0230-034	Andrew Powers/Crystal Smith	1	$569,000	10/20/16
002-0230-035	Okuno Satoshi and Jeffrey Paradis Rev. Trust	3	$584,000	10/7/16
Total			$20,179,000	

Facilities to be Financed by the District

Bonds issued by Community Facilities District No. 2015-02 will assist with the financing of capital improvements and building impact fees. Specifically, the eligible facilities, including those facilities which are included in the City's fee programs, consist of certain roadways and traffic improvements, water and wastewater improvements and landscaping improvements. Of the total bond proceeds, approximately $1.1 million will directly fund capital improvements and the balance (approximately $1.6 million) will fund fees on eligible facilities.

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

Moreover, it is a hypothetical condition of this appraisal that the capital facilities to be financed by bond proceeds were completed on the date of value. As of the date of value, these facilities were partially completed.

The majority portion of bond proceeds will reimburse for building impact fees. Blackpine is contractually obligated to pass through fee reimbursements to Lewis Land Developers LLC, who procured entitlements and sold the property to Blackpine. Therefore, this portion of bond proceeds does not “run with the land” and does not create additional property value.

Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

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

Strengths

- 35 completed, sold and closed homes now owned by individual households (diversified ownership)
- Partially completed home construction on 32 additional lots
- Numerous contracts signed
- Mostly complete site development with final map recorded for 92 lots
- Proximity to downtown Sacramento, major employers, the Golden 1 Center, the Railyards project, and future Kaiser Permanente Hospital

Weaknesses

- Neighborhood has mixed uses, including older apartments and industrial uses

Opportunities

- Limited to no directly competing projects
- Urban market area is more insulated and resistant to market downturns than the regional overall
- Ongoing expansionary phase of the residential cycle; good market timing for the subject product type with adequate time remaining in the cycle to allow for majority build out

Threats

- Macroeconomic factors
- Unforeseen delays/costs/risks before construction occurs

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.

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.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2016-2017 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the BBG, Inc. internal standards for an Appraisal Report – Standard Format. This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Addendum B – Comparison of Report Formats.

Purpose of the Appraisal

The purpose of the appraisal is to estimate the market value of the subject property. The effective date of value is . The date of inspection is April 28, 2017. The date of the report is May 31, 2017. The appraisal is valid only as of the stated effective date or dates.

Definition of Market Value

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)

Definition of 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)

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 completed an appraisal of the subject property in 2016. Besides this one prior appraisal, we have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report 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 property, 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, the sales comparison approach, and the 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 35 completed production homes and three completed model homes, where the sales comparison approach is the most applicable approach and sufficient sales data is available. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and the subject. The adjusted values are reconciled into final conclusions of 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 lots intended for production homes being sold individually on a retail basis (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we 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 area bulk lot sales, with adjustments applied accordingly relative to the subject. 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.

Research and Analysis

In preparing this appraisal, the appraisers:

- Researched the legal and physical attributes of the subject property including: a physical inspection of the property was completed and serves as the basis for the site description contained in this report; the City of Sacramento provided us the Rate and Method of Apportionment and bond sizing information; Blackpine provided us their proprietary cost information, as well as fee and site costs; the sales history was verified by consulting the public records (Parcelquest); zoning and entitlement information was obtained from the City of Sacramento Planning Department; 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 subject's 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 property 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 of the subject property is for single-family residential homes (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, MAI, conducted an on-site inspection of the property on April 28, 2017. Scott Beebe inspected the property on a prior date.

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 Sacramento MSA includes the counties of Sacramento, Placer, El Dorado and Yolo, with a combined population in excess of 2.25 million. 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 485,000, making it the sixth largest city in California and the 35th largest in the United States.

Economic Overview

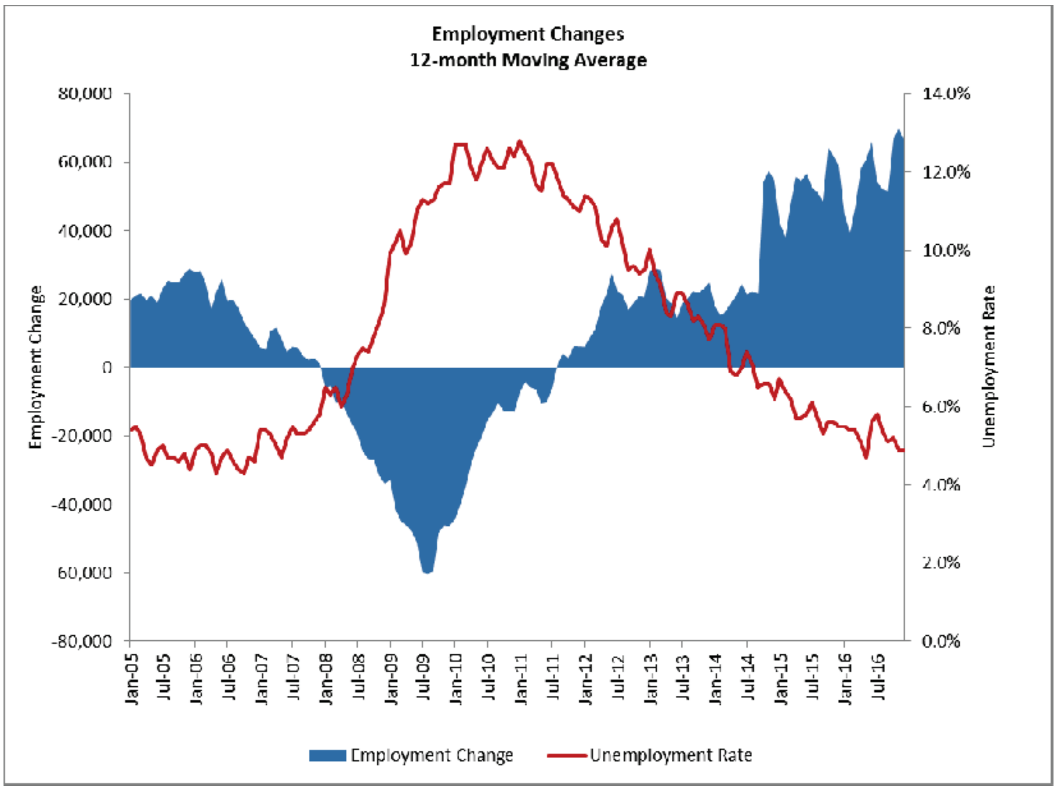
While the national labor market has continued to improve over the past year, the pace of employment growth has slowed and become more uneven across national regions. Buoyed by strong employment trends in California, the western United States has continues to lead the nation in both employment and labor force growth. The post-recession labor market recovery started later in the Sacramento region; however, the region has recently experienced strong employment growth, in-line with state averages and outpacing the national average for post-2008 labor market and employment growth. Key points relating to the regional economy include the following.

- The regional unemployment rate is declining with net job gains of nearly 30,000 reported over the past 12 months. Total regional employment is about 40,000 above the level recorded during the prior peak in mid-2007. The health care and construction sectors are leading the Sacramento MSA labor market growth.
- Business confidence indexes from various groups suggest high levels of optimism going into 2017. In addition, recent surveys indicate that consumer sentiment in the region is generally positive.
- Aggregate loans for the region's banks and credit unions increased by more than 15% (combined) during 2016. Additionally, total SBA lending for the Sacramento MSA reached its highest level since 2005 and stands at 21% higher than the previous peak in 2007.
- Commercial real estate fundamentals continue to trend in a positive direction, with vacancy rates declining and rental rates increasing in all property sectors. Investor demand remains high, as out of town buyers continue to scout the region in search of better yields relative to core markets.
- The regional single family residential real estate market continued to trend positive in 2016, with increases in median prices and sales activity. Construction starts and sales of new homes continue to increase, but remain well below historic averages.
- The new Golden 1 Center arena (completed October 2016) is bringing more people downtown, boosting new and existing businesses in the area. The project has, and is expected to continue to act as a significant redevelopment catalyst in the downtown area.

- Recent population growth has been close to 1% annually. This is down from the early to mid-2000's when the region was growing in excess of 2% annually.

Employment

Total employment in Sacramento MSA was 958,500 as of December 2016. This represents an increase of 29,300 in comparison to one year earlier. The current employment for the MSA is now about 40,000 above the peak employment level in mid-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 following table provides an overview of the major industry sectors within the region.

Major Industry Sectors - Sacramento MSA - Dec. 2016						
	Employment	% of Total	1 Year Change		2 Year Change	
Sector	by Sector	Employment	Jobs	% Chg.	Jobs	% Chg.
Construction	55,900	5.8%	3,600	6.9%	10,900	24.2%
Manufacturing	36,700	3.8%	200	0.5%	900	2.5%
Trade, Transportation and Utilities	157,600	16.4%	4,000	2.6%	7,000	4.6%
Information	13,800	1.4%	-300	-2.1%	-400	-2.8%
Financial Activities	53,000	5.5%	1,200	2.3%	3,100	6.2%
Professional and Business Services	126,900	13.2%	6,300	5.2%	7,600	6.4%
Education and Health Services	151,400	15.8%	8,900	6.2%	14,400	10.5%
Leisure and Hospitality	97,400	10.2%	2,800	3.0%	5,400	5.9%
Other Services	29,300	3.1%	-700	-2.3%	-700	-2.3%
Government	236,000	24.6%	3,400	1.5%	7,500	3.3%

Between December 2014 and December 2016, the total number of jobs located in the region increased by 55,600 or 6.2%. Over the past 12 months the increase was 29,300 or 3.2%. Trends over the past 12 months have been:

- Construction increased by 3,900 jobs (6.9%).
- Education and Health Services increased by 8,900 jobs (6.2%)
- Professional and Business Services increased by 6,300 jobs (5.2%)

As indicated above most industry sectors have rebounded in job growth over the past two years and the region remains heavily reliant on the government, health care and construction sectors. Looking forward, the possible repeal of the Affordable Care Act is an area of concern as it could reduce payments to in-patient and out-patient health care providers, which have been an important source of employment growth in recent years. The construction sector is another potential area of concern. As evidenced during the last recession, the region's labor market tends to be less stable when it is dependent on construction jobs for employment growth.

Given Sacramento's role as the capital city of California, government employment, well known for contributing to general stability, accounts nearly 25% 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

Major private-sector employers in the Sacramento MSA are shown in the following table.

Largest Private Sector Employers - Sacramento MSA

Rank	Company	Local FTE	Business Type
1	Sutter Health	15,014	Health Care
2	Kaiser Permanente	14,368	Health Care
3	Dignity Health	7,853	Health Care
4	Intel Corp.	6,000	Tech./Mfg.
5	Raley's Inc.	5,597	Retail - Grocery
6	Apple, Inc.	4,000	Tech./Mfg.
7	Safeway, Inc.	3,917	Retail - Grocery
8	VSP Global	2,906	Optical Care
9	Wells Fargo & Co.	2,891	Financial Services
10	Health Net of California	2,715	Health Insurance
11	Squaw Valley Alpine Meadows	2,500	Ski Resort
12	Cache Creek Casino Resort	2,400	Casino Resort
13	Hewlett-Packard	2,100	Tech./Mfg.
14	Costco	1,951	Retail - Whse./Club
15	Pride Industries	1,926	Mail/Logistics
16	Thunder Valley Casino Resort	1,915	Casino Resort
17	Verizon Wireless	1,684	Telecom/Wireless
18	Walgreens	1,636	Retail - Pharmacy
19	Aerojet Rocketdyne	1,520	Aerospace/Defense
20	Blue Shield of California	1,374	Health Insurance

Source: Sacramento Business Journal 7/22/16

The top 20 private sector employers in the region employ just over 84,000. Six of the top 20 employers (including the top three) are in the health service sector and employ over 44,000. By way of comparison, total government employment in the region is in excess of 230,000 (comprised of 50% State, 44% Local, and 6% Federal).

Population

The Sacramento MSA has an estimated January 2016 population of 2,277,602, which represents an annual increase of 1% over the 2010 census. This is down from the early to mid- 2000's when the region was growing in excess of 2% annually. Population growth trends within the region are summarized as follows:

Population Trends

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

Source: The Nielsen Company

Looking forward, Sacramento MSA's population is projected to increase at a 1% annual rate from 2016-2021, equivalent to the addition of an average of approximately 23,000 residents per year.

Household Income

The median household income for the overall Sacramento MSA is about 5% below the statewide average. Within the region, median household income is the highest in Placer and El Dorado Counties. The 2016 median income levels are summarized in the following table.

Household Income - 2016

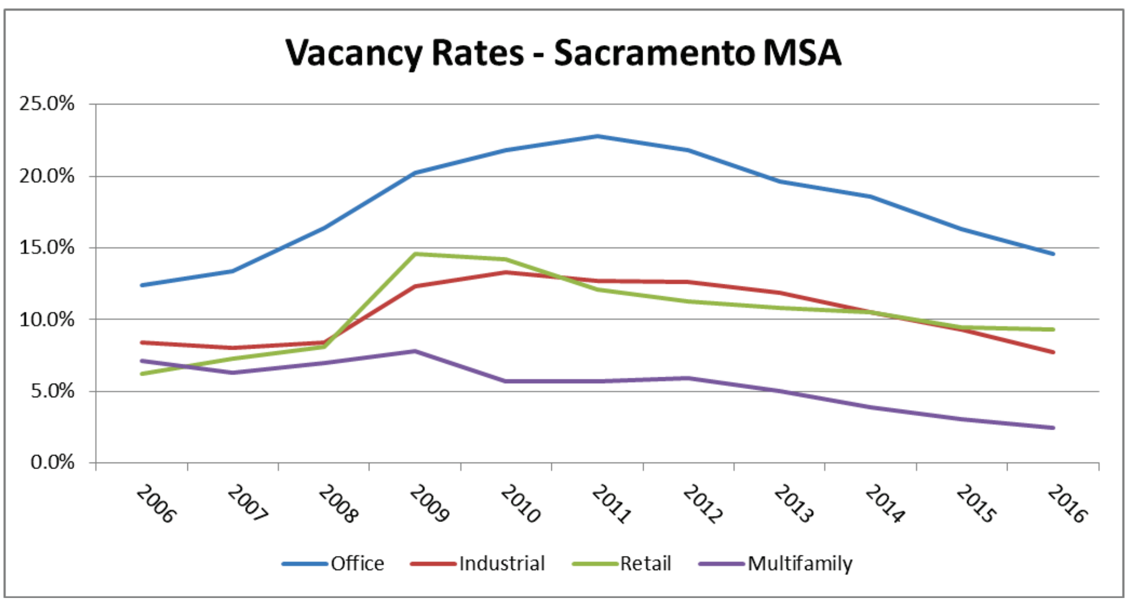
	Median	Vs. Sate
California	$63,566	--
Sacramento MSA	$60,270	-5.2%
Sacramento County	$56,286	-11.5%
Placer County	$77,182	21.4%
El Dorado County	$64,687	1.8%
Yolo County	$55,466	-12.7%

Source: The Nielsen Company

Areas of concern for the Sacramento region are the slower pace of income growth and an increase in income inequality. Since 2004, income growth for California as a whole outpaced that of the Sacramento region. As job growth in the region in generally on par with the state, this is likely a sign that the region is attracting lower-income jobs. With respect to inequality, households with incomes below $25,000 have increases by 13.6% over the past five years while households with incomes in excess of $100,000 have increased by 9.6%.

Commercial Real Estate

Commercial real estate fundamentals continue to trend in a positive direction, with vacancy rates declining and rental rates increasing in all property sectors.



The Sacramento multifamily market is poised for continued success as the region is thriving with rising employment, increasing population, continued rent growth, minimal vacancy, and limited new multifamily supply. Bucking the national trend of moderating rent growth, the Sacramento region was recently ranked first nationally in several surveys, which indicate year-over-year growth near 12%. While rent growth is expected to continue, it will likely moderate to a more sustainable level at some point in the foreseeable future.

Construction activity for all property types has remained at historically low levels since the downturn. New speculative construction is needed for all property types; however, current rental rates are still below feasibility levels in most cases, most notably in the office and industrial sectors. During 2017, new construction is expected to follow a similar pattern as in 2016 and limited to apartments, high identity retail and a few distribution warehouses. Office construction will likely continue to be limited to build-to-suit or owner-user projects.

Investor demand remains high, as out of town buyers continue to scout the region in search of better yields relative to core markets. Below is an overall view of the investment conditions for major property classes for the Sacramento region.

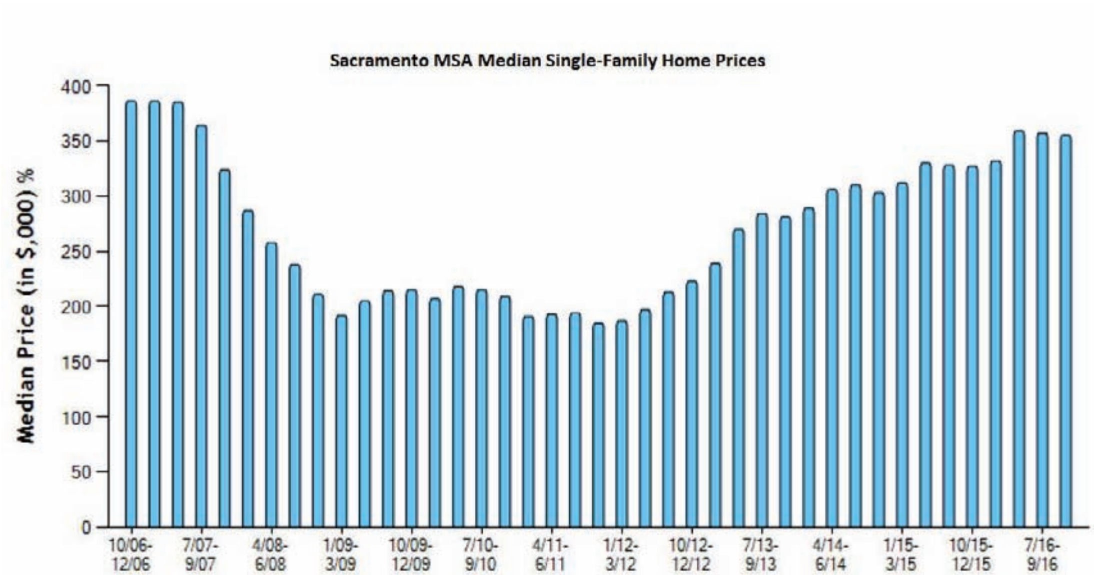
Real Estate Investment Conditions - Sacramento MSA

Property Type	Investor Demand Trends	Avg. Class A Cap Rates Sacramento MSA
CBD Office	↑	6.50%
Suburban Office	↖	7.00%
Community Retail	↖	6.50%
Neighborhood Retail	↖	6.50%
Industrial-Warehouse	↖	6.50%
Industrial-Flex/R&D	↔	7.75%
Urban Apartments	↑	4.75%
Suburban Apartments	↑	5.00%

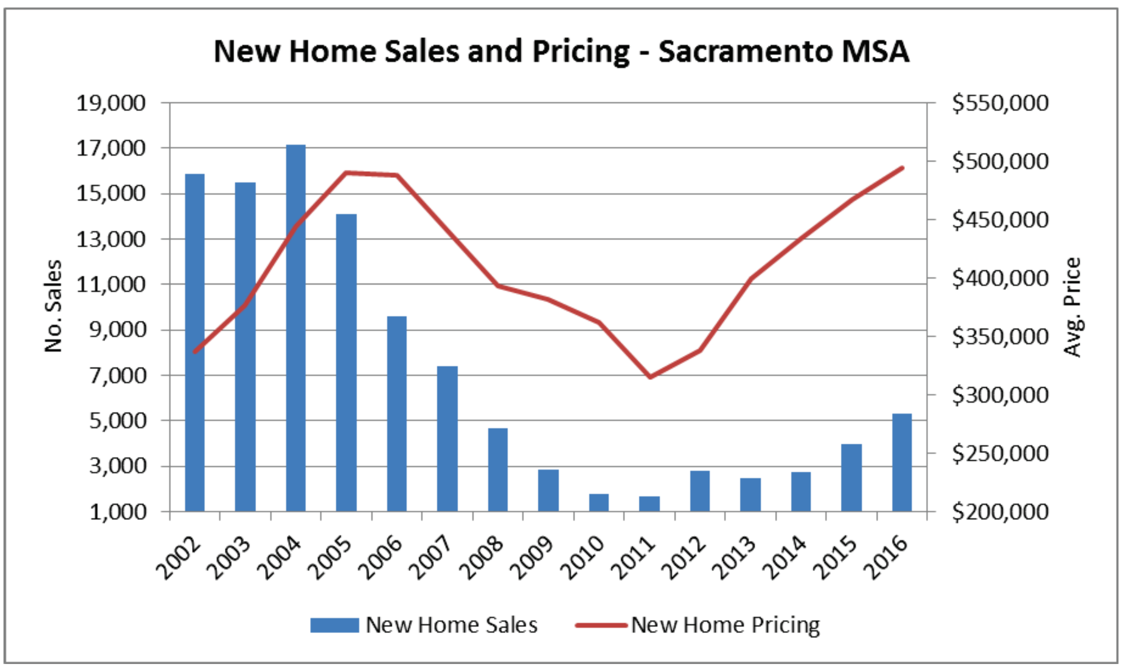
Source: Viewpoint 2017, published by Integra Realty Resources

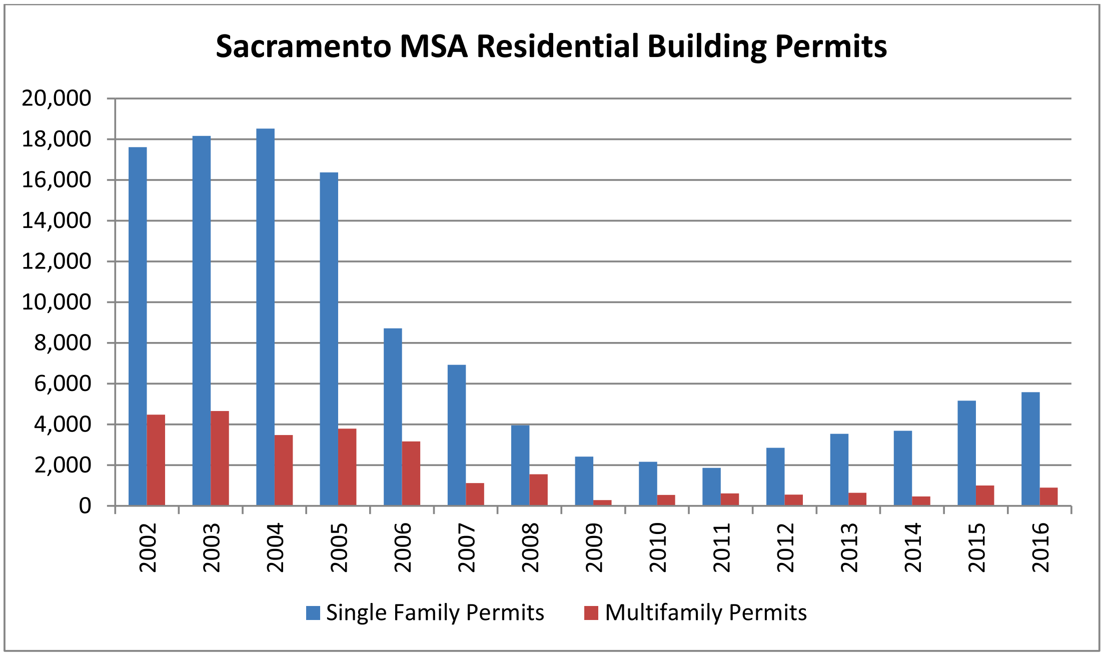
Residential Real Estate

The region's single family residential real estate market continued to trend positive in 2016, with increases in median prices and sales activity for existing homes. The median sale price for existing homes was approximately $350,000 ($209 per square foot) during the 4th quarter of 2016, nearly 9% above the year-ago level. Median home price trends over the past decade are summarized as follows.



New home pricing, sales and construction starts also continue to trend positive, although sales and building permits remain well below historic averages. These trends are summarized in the following graphics.



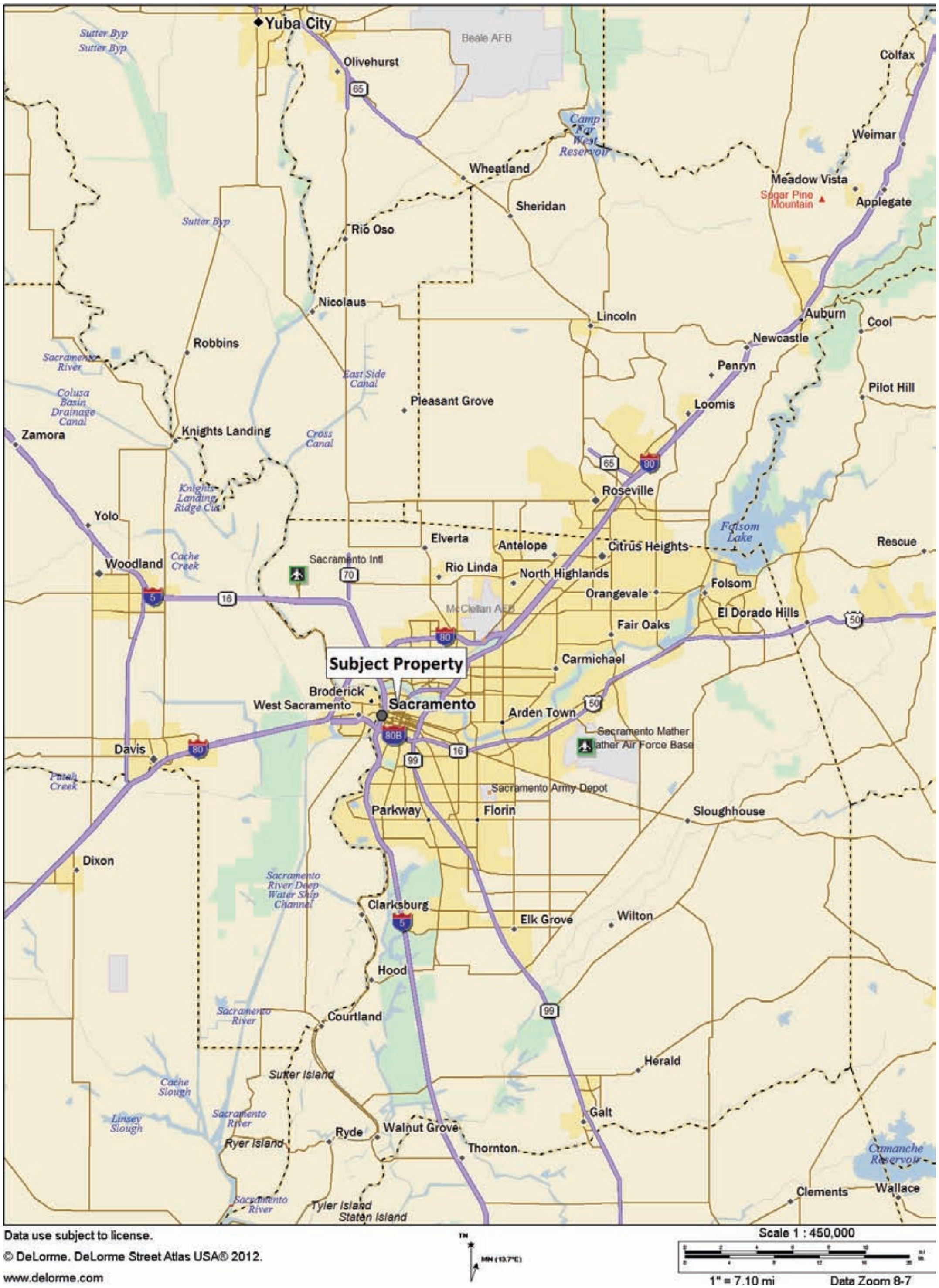


Conclusion

The region has experienced several economic cycles over the past 25 years. The growth periods were largely 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.

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. The Sacramento region experienced growth in the number of jobs over the past five years, and it is reasonable to assume that growth in employment as well as population will continue to occur in the future. On a short-term basis, the economic outlook for Sacramento remains positive, consistent with trends experienced during 2016. 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


Yuba City
Beale AFB
Sutter Byp
Olivehurst
Colfax
Camp Far West Reservoir
Weimar
Wheatland
Meadow Vista
Sugar Pine Mountain
Applegate
Sheridan
Rio Oso
Nicolaus
Lincoln
Auburn
Cool
Newcastle
Robbins
Penryn
East Side Canal
Sacramento River
Colusa Basin Drainage Canal
Pleasant Grove
Pilot Hill
Loomis
Zamora
Knights Landing
Cross Canal
Roseville
Knights Landing Ridge Cut
Yolo
Folsom Lake
Elverta
Antelope
Citrus Heights
Rescue
Woodland
Cache Creek
Sacramento Intl
Rio Linda
North Highlands
Folsom
Orangevale
McClellan AFB
El Dorado Hills
Fair Oaks
Subject Property
Carmichael
Broderick
West Sacramento
Sacramento
Arden Town
Sacramento Mather
Mather Air Force Base
Davis
Putah Creek
Sacramento Army Depot
Parkway
Florin
Sloughhouse
Dixon
Sacramento River Deep Water Ship Channel
Clarksburg
Elk Grove
Wilton
Hood
Sacramento River
Courtland
Herald
Cache Slough
Sutter Island
Linsey Slough
Sacramento River
Galt
Ryde
Walnut Grove
Ryer Island
Thornton
Camanche Reservoir
Clements
Wallace
Sacramento River
Tyler Island
Staten Island
Data use subject to license.
© DeLorme. DeLorme Street Atlas USA® 2012.
www.delorme.com
Scale 1 : 450,000
1" = 7.10 mi
Data Zoom 8-7

BBG

Surrounding Area Analysis

Location and Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject is located in the Alkali Flat neighborhood of Sacramento, which is situated between downtown to the south and Boulevard Park to the east, between H Street and North B Street and 7th to 13th Street.

Access and Linkages

The primary north-south streets are 10th and 12th Streets, and the primary east-west street is D Street, which bisects the subject. 10th Street provides dual-direction access, while 12th Street is one way (south only), terminating at the Capitol.

Just to the west, 5th, 6th and 7th Streets have recently been extended over or under the railroads tracts to provide access into the Railyards development project. The primary arterial in the Railyards has been constructed and will soon open to traffic and be connected with Jibboom Street and Bercut Drive, each which lead to on/off ramps for Interstate 5. Interstate 5 access is currently available to the subject via surface streets through downtown Sacramento (less than one mile of travel distance).

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	Sacramento MSA	California
Population 2010	12,968	140,615	318,709	466,488	2,149,127	37,253,956
Population 2016	13,900	144,780	332,461	492,181	2,277,602	39,356,473
Population 2021	14,536	149,292	345,807	515,453	2,391,116	41,248,721
Compound % Change 2010-2016	1.2%	0.5%	0.7%	0.9%	1.0%	0.9%
Compound % Change 2016-2021	0.9%	0.6%	0.8%	0.9%	1.0%	0.9%
Households 2010	6,321	61,126	128,761	174,695	787,667	12,577,498
Households 2016	7,044	63,732	134,475	183,142	831,909	13,272,794
Households 2021	7,589	66,261	140,342	191,964	873,954	13,926,693
Compound % Change 2010-2016	1.8%	0.7%	0.7%	0.8%	0.9%	0.9%
Compound % Change 2016-2021	1.5%	0.8%	0.9%	0.9%	1.0%	1.0%
Median Household Income 2016	$32,126	$46,516	$45,852	$49,676	$60,270	$63,566
Average Household Size	1.5	2.2	2.4	2.6	2.7	2.9
College Graduate %	31%	33%	30%	29%	31%	31%
Median Age	39	37	35	35	37	36
Owner Occupied %	10%	38%	43%	49%	61%	56%
Renter Occupied %	90%	62%	57%	51%	39%	44%
Median Owner Occupied Housing Value	$371,618	$305,704	$276,032	$263,814	$321,066	$432,066
Median Year Structure Built	1969	1963	1967	1974	1982	1976
Avg. Travel Time to Work in Min.	22	23	24	26	28	30

Source: The Nielsen Company

As shown above, household sizes and income levels are significantly lower in the subject's immediate surrounding vicinity than for the area overall, reflecting the urban atmosphere and lack of available housing for more affluent buyers.

Surrounding Land Uses

Alkali Flat is the oldest standing residential neighborhood in Sacramento, with homes and businesses that date back to the early 1850s. Named for the alkali residue left when the streets used to flood annually before the re-channeling of the American River, Alkali Flat has been a part of this city from the beginning. Early development consisted mostly of Victorian style homes and mansions. With the rise of the Central Pacific Railroad in the mid-1880s, and later the Southern Pacific Railroad, the neighborhood became increasingly industrial. By the 20th century, Crystal Cream and Butter Co and Globe Mills were the main industries in the area. With the growing industrialization of Alkali Flat, many of the elite moved out, and the mansions they used to occupy were divided into apartments for the working class. By the 1970s, the neighborhood was aged and was slated for redevelopment. Efforts have continued over the years while industrial uses gradually left the area. Globe Mills operated until 1968. The facility was later converted into loft apartments. Crystal Creamery operated until 2007. The site is now planned for the subject project. Between the years 2000 and 2009 alone, approximately $60 million in private and public funding was invested in the neighborhood in an effort to restore its charm and rebuild a sense of safety for locals.

The project's close proximity to major employers and entertainment venues is a strong draw. The Capitol building and the Golden 1 Center (completed in October 2016, which is home to the Sacramento Kings) are both within one mile of the subject project. Additionally, the site is located just southeast of the 240-acre Railyards development project, which is one of the largest infill projects in the country. The Railyards project is at the land development stage with backbone infrastructure mostly complete. The project is currently proposed for around 6,100 homes and 2.1 million square feet of commercial space, which includes a new Kaiser Permanente Hospital. Kaiser Permanente committed to an 18-acre site within the Railyards in 2015. Current proposals call for a 12 to 14-story medical facility with 1.2 million of square feet. The medical facility will replace Kaiser's Morse Avenue medical complex in east Sacramento, and likely would not open until at least 2022.

Kaiser is the first commercial entity to commit to buying land in the Railyards. Another major potential occupant looking at the site is Sacramento Republic FC, the minor-league soccer team that would build a $125 million stadium if Sacramento gains admission to Major League Soccer. The proposed site is just north of the subject, across the railroad tracks.

Nearby land uses are mixed. The north block of the project has railroad tracks to the north; the western block is bordered by a television station building; an industrial use (Burnett & Sons Planning Mill and Lumber Company) and Globe Mills apartments border the project to the east; and residential apartments border the property to the southwest, south and southeast. A portion of the north block will have homes that abut the existing lumber mill. An enclosure will be constructed to reduce noise and mitigate potential future impacts. The adjacent use is being disclosed to buyers. Moreover, the railroad tracks to the north are utilized frequently for freight and will generate noise. The adjacent lumber mill and railroad tracks will affect pricing for a minority of homes, but due to ample demand for homes in near Sacramento, the overall impact on the subject is minor.

Community Services

The subject benefits from its close proximity to community services. Numerous major hospitals are located within 5 miles. As stated the Golden 1 Center is located within one mile to the south; and a proposed professional major league soccer stadium is located to the north. The location provides access to numerous restaurants and entertainment venues (Sacramento Convention Center, Sacramento Auditorium, etc.), all within walking or cycling distance.

Also, note that "Loaves & Fishes" is located 0.5 mile northeast of the subject. This facility provides services for homeless persons. Homelessness is a significant issue in the downtown area of Sacramento. With a sizeable homeless population, at times 12th Street serves a busy pedestrian corridor for homeless persons. The subject project is located one block west of 12th Street. In light of the subject's large project size and location one block removed from 12th Street, as well as its target household (older buyers without children), we do not expect the nearby homeless population to have a material impact the subject.

A primary drawback of the neighborhood is the lack of high-performing public schools, which is a contributing factor why the subject project will not capture younger households. However, private school options are available nearby for those buyers that can afford it.

Schools for the subject are summarized below. The subject is part of the Sacramento Unified School District. Washington Elementary opened in the fall of 2016.

Schools

Grade Level	Public School	Grade Level	Distance from Subject	Students (approx.)	3-Year Avg. API Score (State Goal of 800)*	Academic Performance Based on API
Elementary	Washington	K-6	< 0.75 Mile	-	-	New School for '16/17
Middle	Sutter	7-8	< 2.0 Miles	1,400	862	Above Target
High School	McClatchy	9-12	< 2.0 Miles	2,400	753	Below Target

Source: Greatschools.org; and California Department of Education

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

Conclusion

The subject is located in an urban area with limited new residential construction. Over the last few decades, industrial uses in the vicinity have slowly been converted to residential uses. Major employment and entertainment venues are nearby, and new jobs are coming to the area (Kaiser Hospital). Based on initial project sales, there appears to be pent up demand for executive level detached housing in this neighborhood. As construction continues and project identity is established, into the foreseeable future we expect land and home prices to trend upward at a slow and steady rate. In the long term, the downtown location and limited supply create a more insulated residential climate relative to the region overall, making it less prone to extreme declines during recessionary periods.

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 property. The current condition of the single-family market in terms of inventory, demand, and sales performance of residential properties is examined in the following section.

National Housing Market Comments

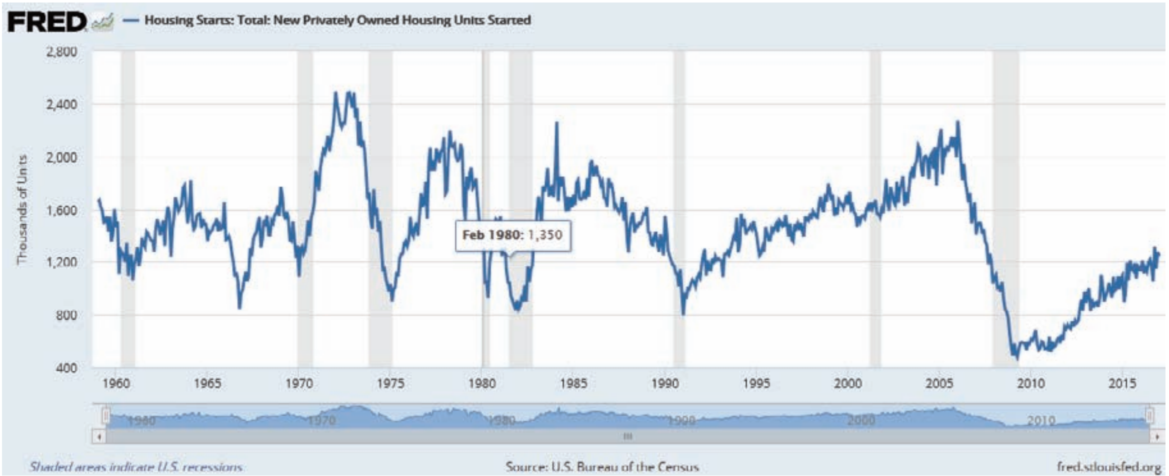
S&P/Case-Schiller: The S&P/Case-Schiller Index tracks housing prices for 20 U.S. metro areas going back to 1890, and is based on existing—not new—construction. The April 25, 2017 press release from the S&P Dow Jones showed that in February 2017, S&P/Case-Shiller home prices continued to rise.

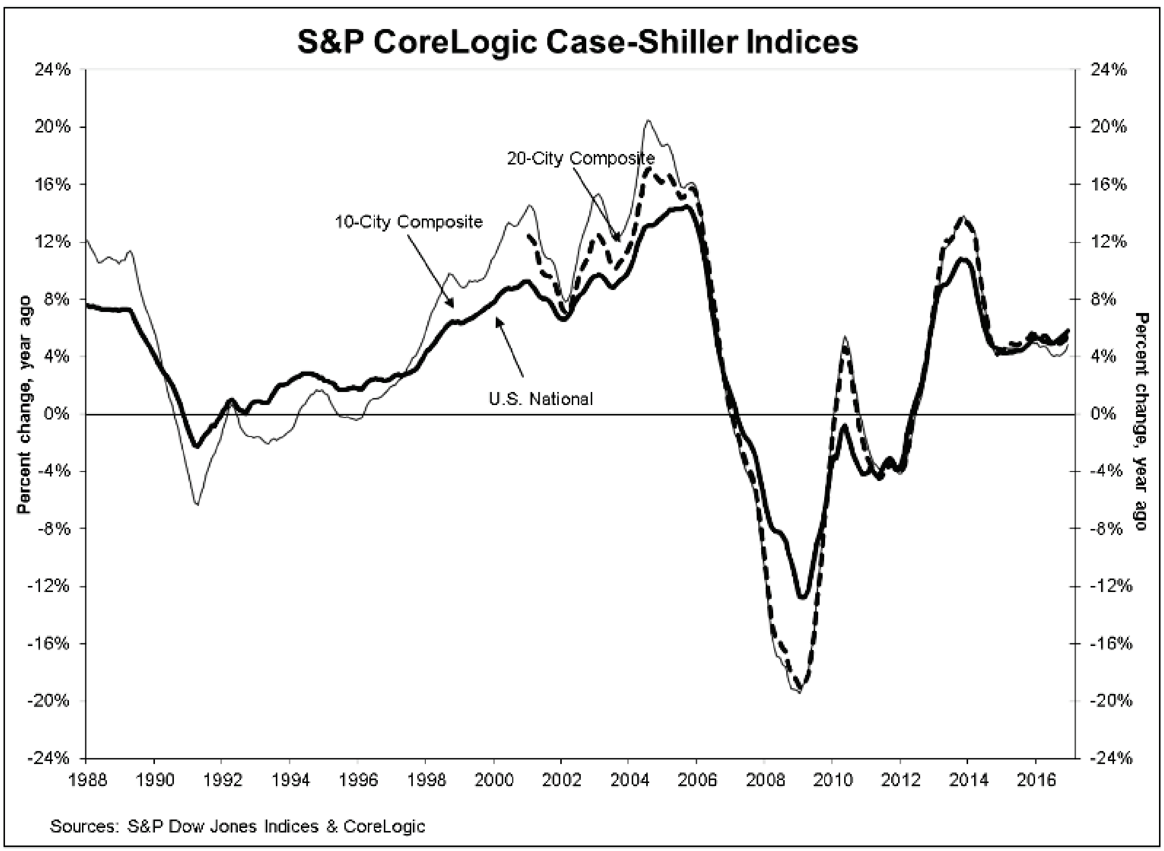
The S&P/Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions, recorded a 5.8% annual gain in February 2017, up from 5.6% the prior month. The 10-City Composite increased 5.2% year over year, up from 5.0% the prior month. The 20-City Composite gained 5.9% year-over-year, up from 5.7% from January.

Seattle, Portland and Dallas reported the highest year-over-year gains (12.2%, 9.7% and 8.8%, respectively). From the release:

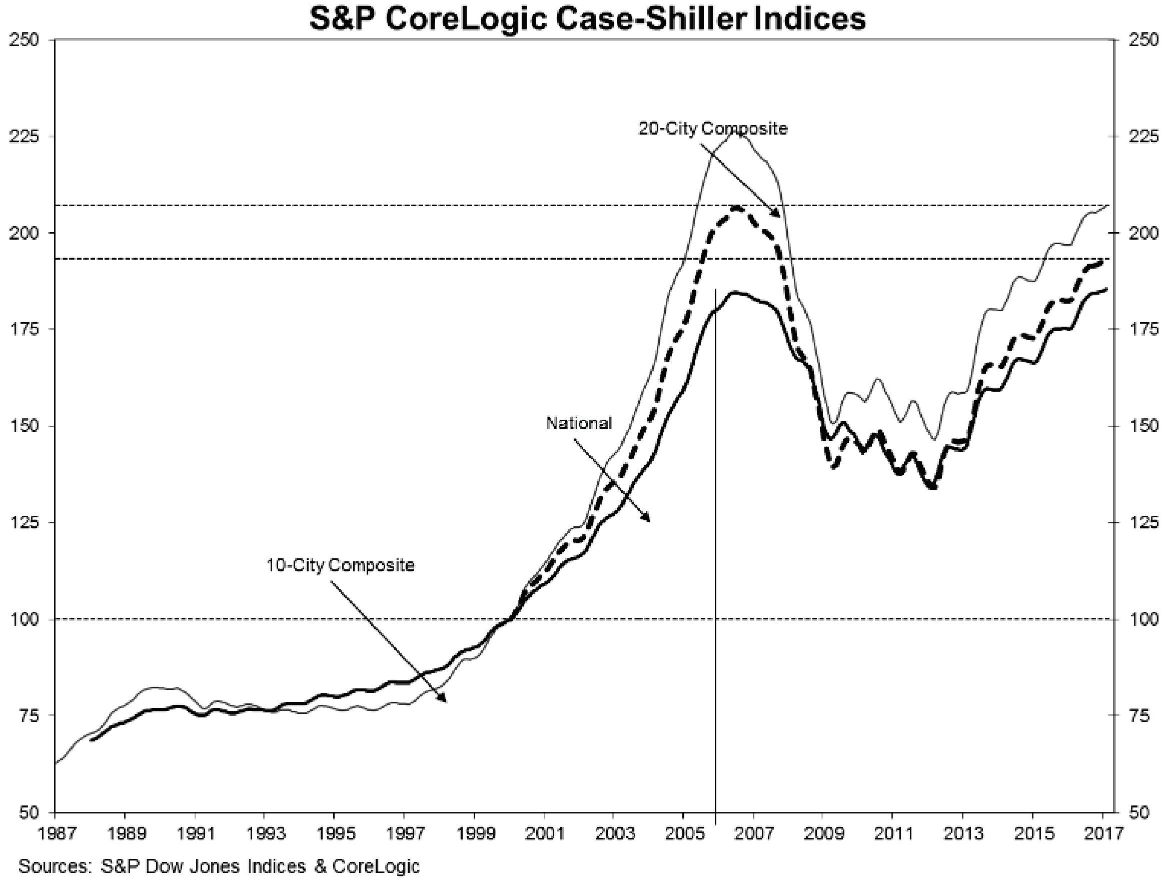
"Housing and home prices continue to advance," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "The S&P Corelogic Case-Shiller National Home Price Index and the two composite indices accelerated since the national index set a new high four months ago. Other housing indicators are also advancing, but not accelerating the way prices are. As per National Association of Realtors sales of existing homes were up 5.6% in the year ended in March. There are still relatively few existing homes listed for sale and the small 3.8 month supply is supporting the recent price increases. Housing affordability has declined since 2012 as the pressure of higher prices has been a larger factor than stable to lower mortgage rates.

"Housing's strength and home building are important contributors to the economic recovery. Housing starts bottomed in March 2009 and, with a few bumps, have advanced over the last eight years. New home construction is now close to a normal pace of about 1.2 million units annually, of which around 800,000 are single family homes. Most housing rebounds following a recession only last for a year or so. The notable exception was the boom that set the stage for the bubble. Housing starts bottomed in 1991, drove through the 2000-2001 recession, and peaked in 2005 after a 14-year run."


FRED
Housing Starts: Total: New Privately Owned Housing Units Started
Thousands of Units
Feb 1980: 1,350
Shaded areas indicate U.S. recessions
Source: U.S. Bureau of the Census
fred.stlouisfed.org


S&P CoreLogic Case-Shiller Indices
20-City Composite
10-City Composite
U.S. National
Percent change, year ago
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 February 2017, 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%	185.56	38.5%	0.5%
20-City	206.52	Jul-06	134.07	Mar-12	-35.1%	193.49	44.3%	-6.3%
10-City	226.29	Jun-06	146.45	Mar-12	-35.3%	207.25	41.5%	-8.4%

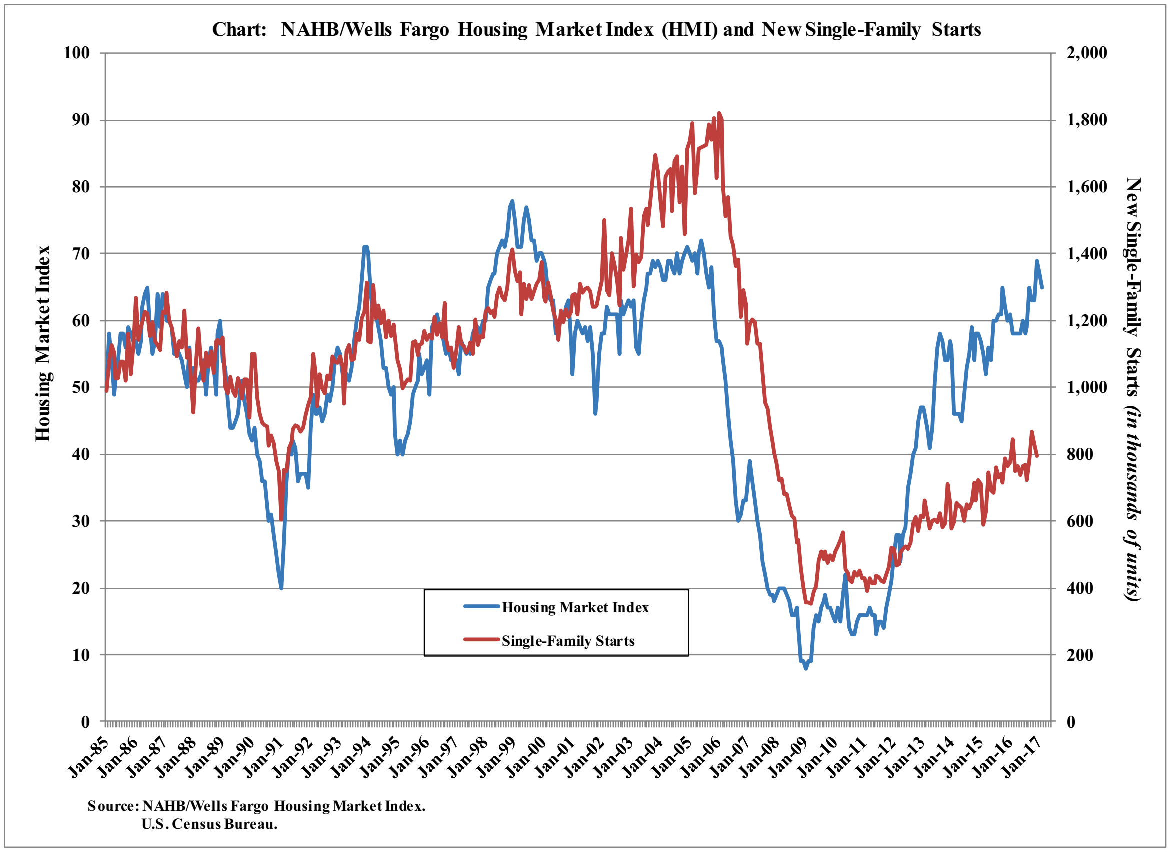
Metropolitan Area	February 2017 Level	February/January Change (%)	January '17/December '16 Change (%)	1-Year Change (%)
Atlanta	133.49	0.4%	-0.3%	5.6%
Boston	195.65	0.4%	0.4%	7.6%
Charlotte	143.98	0.5%	0.3%	6.1%
Chicago	136.60	0.2%	0.1%	6.2%
Cleveland	112.78	-0.3%	-0.2%	4.5%
Dallas	171.31	1.1%	0.3%	8.8%
Denver	191.45	0.4%	0.5%	8.5%
Detroit	109.60	0.3%	-0.5%	6.2%
Las Vegas	155.30	0.4%	0.6%	6.3%
Los Angeles	255.19	0.4%	0.4%	5.1%
Miami	220.62	0.0%	0.2%	6.7%
Minneapolis	154.08	0.1%	-0.7%	5.9%
New York	184.87	0.0%	0.3%	3.2%
Phoenix	165.38	0.4%	0.1%	5.3%
Portland	210.93	0.8%	0.1%	9.7%
San Diego	233.31	1.0%	0.8%	6.5%
San Francisco	232.88	1.2%	-0.4%	6.4%
Seattle	211.49	1.9%	0.6%	12.2%
Tampa	190.20	-0.5%	0.0%	6.9%
Washington	216.69	0.2%	0.1%	4.1%
Composite-10	207.25	0.3%	0.2%	5.2%
Composite-20	193.49	0.4%	0.2%	5.9%
U.S. National	185.56	0.2%	0.1%	5.8%

Sources: S&P Dow Jones Indices and CoreLogic
Data through February 2017

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 February 2017 NAHB/Wells Fargo Housing Market Index (HMI) declined two points to a level of 65, off slightly from a recent high of 70 in December 2016. From the release:

> "While builders remain optimistic, we are seeing the numbers settling back into a normal range," said NAHB Chairman Granger MacDonald, a home builder and developer from Kerrville, Texas. "Regulatory burdens remain a major challenge to our industry, and NAHB looks forward to working with the new Congress and administration to help alleviate some of the pressures that are holding small businesses back and making homes less affordable."
>
> "With much of the decline this month resulting from a decrease in buyer traffic, builders continue to struggle to minimize costs while dealing with supply side challenges such as a lack of developed lots and labor shortages," said NAHB Chief Economist Robert Dietz. "Despite these constraints, the overall housing market fundamentals remain strong and we expect to see continued growth this year as some of these concerns are addressed."

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.



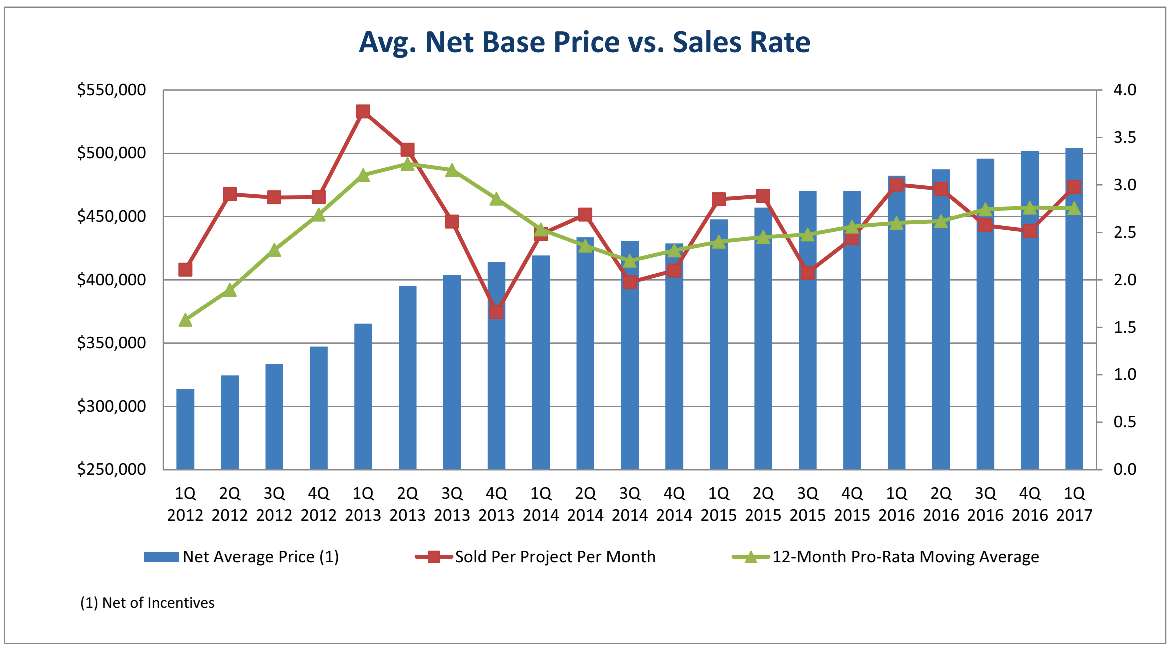
Regional Analysis

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

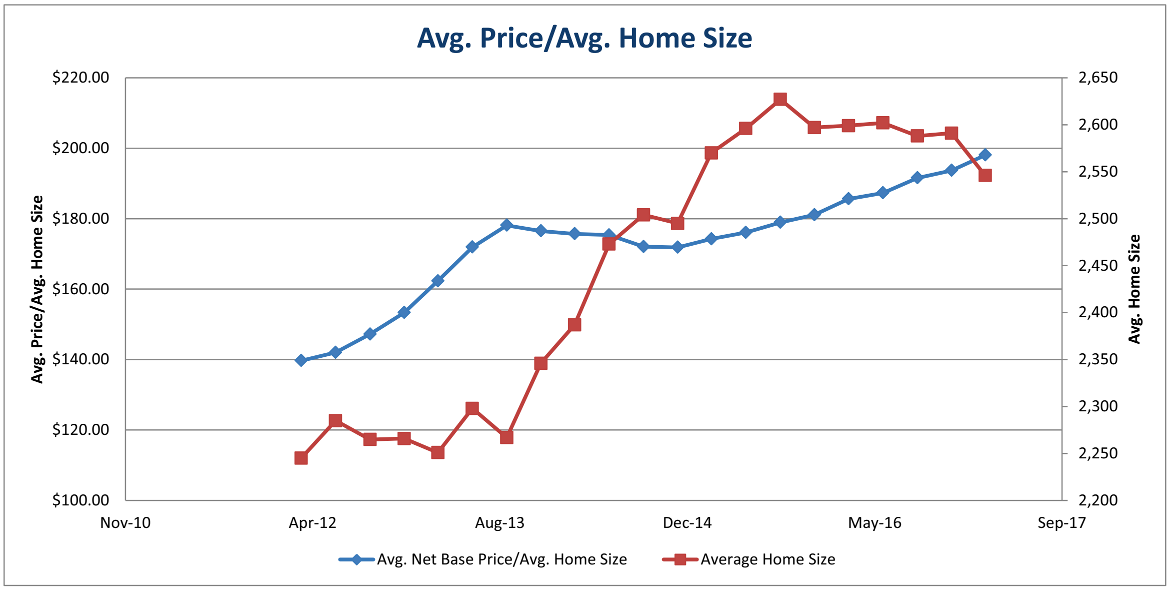
Quarter	Number of Projects	Average Home Size	Net Average Price (1)	Average Incentive	% Change Net Average Price	% Change Net Average Price - 12 Month Moving Average	Quarter Sold	Unsold Inventory (2)	Unoffered Inventory (3)	Sold Per Project Per Quarter	Sold Per Project Per Month	12-Month Pro-Rata Moving Average
1Q 2012	99	2,245	$313,616	$7,307	2.1%	0.5%	626	532	4,522	6.3	2.1	1.6
2Q 2012	86	2,285	$324,484	$7,473	3.5%	1.0%	749	382	3,460	8.7	2.9	1.9
3Q 2012	81	2,265	$333,412	$6,798	2.8%	2.1%	697	403	2,912	8.6	2.9	2.3
4Q 2012	75	2,266	$347,393	$5,715	4.2%	3.1%	646	431	2,510	8.6	2.9	2.7
1Q 2013	68	2,251	$365,385	$4,869	5.2%	3.9%	770	306	2,474	11.3	3.8	3.1
2Q 2013	71	2,298	$395,044	$4,220	8.1%	5.1%	718	313	2,419	10.1	3.4	3.2
3Q 2013	75	2,267	$403,726	$5,022	2.2%	4.9%	588	409	2,480	7.8	2.6	3.2
4Q 2013	77	2,346	$414,108	$6,596	2.6%	4.5%	383	601	2,511	5.0	1.7	2.9
1Q 2014	88	2,387	$419,371	$6,309	1.3%	3.5%	655	504	3,447	7.4	2.5	2.5
2Q 2014	99	2,473	$433,653	$6,151	3.4%	2.4%	798	790	4,245	8.1	2.7	2.4
3Q 2014	102	2,504	$430,826	$6,133	-0.7%	1.6%	604	994	4,596	5.9	2.0	2.2
4Q 2014	102	2,495	$428,750	$6,167	-0.5%	0.9%	642	973	4,945	6.3	2.1	2.3
1Q 2015	121	2,570	$447,797	$5,643	4.4%	1.7%	1,034	814	5,371	8.5	2.8	2.4
2Q 2015	126	2,596	$457,059	$6,172	2.1%	1.3%	1,090	1,048	5,499	8.7	2.9	2.5
3Q 2015	129	2,627	$470,019	$6,071	2.8%	2.2%	803	1,185	5,232	6.2	2.1	2.5
4Q 2015	134	2,597	$470,277	$6,595	0.1%	2.4%	980	1,189	5,372	7.3	2.4	2.6
1Q 2016	144	2,599	$482,362	$6,092	2.6%	1.9%	1,297	1,160	5,162	9.0	3.0	2.6
2Q 2016	145	2,602	$487,385	$5,947	1.0%	1.6%	1,286	1,157	4,788	8.9	3.0	2.6
3Q 2016	153	2,588	$495,720	$5,330	1.7%	1.3%	1,181	1,067	5,612	7.7	2.6	2.7
4Q 2016	156	2,591	$501,793	$5,362	1.2%	1.6%	1,177	1,106	5,599	7.5	2.5	2.8
1Q 2017	167	2,546	$504,231	$5,066	0.5%	1.1%	1,493	1,090	5,513	8.9	3.0	2.8

(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



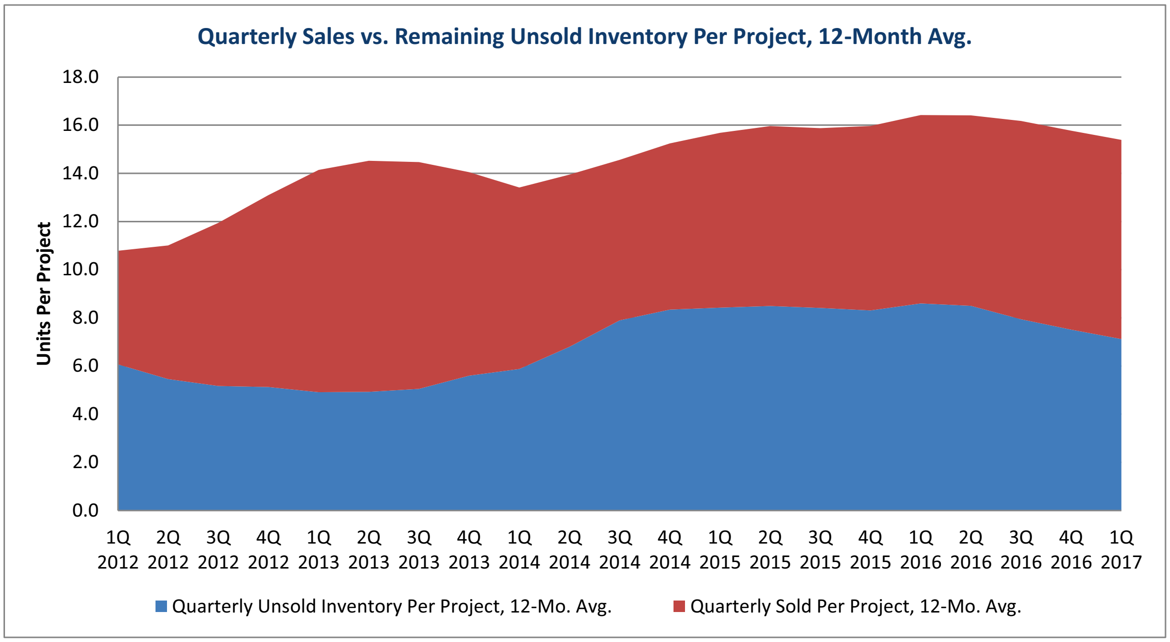
The net average new home price bottomed in the 4th Quarter 2011 at $307,259. The net average price increased significantly through 2012 and early 2013 before price increases began to slow. In the 1st Quarter 2017, the net average price ($504,231) increased 0.5% from the prior quarter and was up 4.5% from one year prior. Average prices have risen in part due to larger homes being offered for sale.

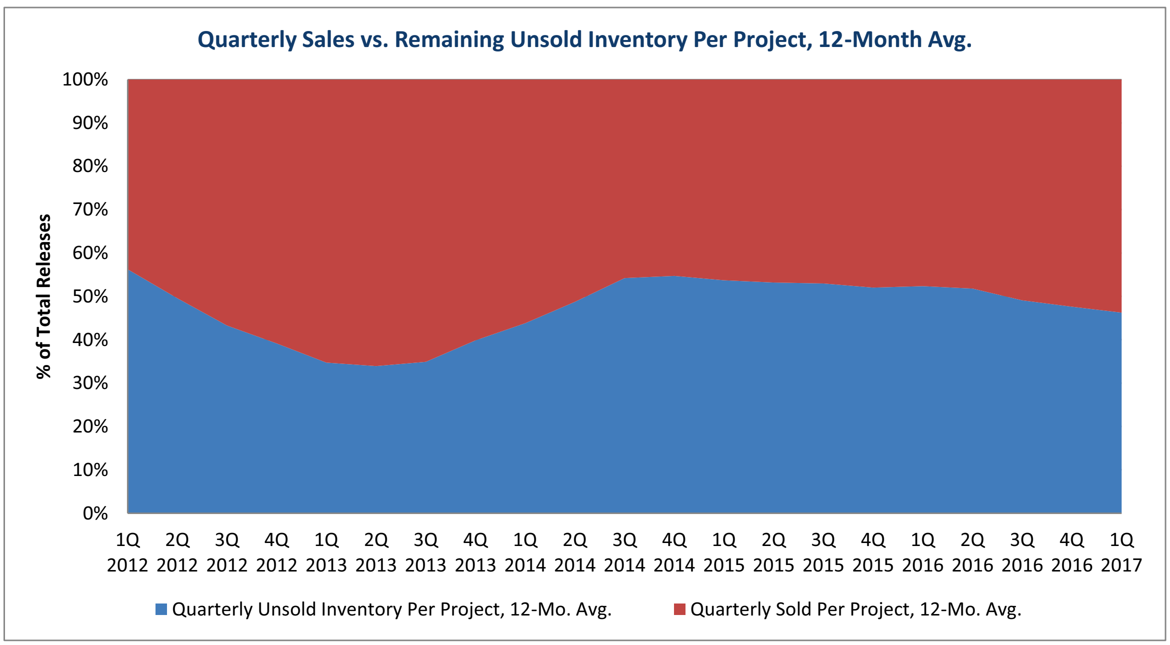
However, as shown below average project sizes have steadied as of late, yet home prices per square foot continue to increase.



During the 1st Quarter 2017, projects averaged around 3.0 sales per month for the quarter and around 2.8 sales per month over the last 12 months The 12-month moving average has increased slightly over the last 12 months.

Below, 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. In recent quarters, releases have been steady with sales strengthening slightly. For every 15 homes released per quarter per project, approximately 46% will unsold at the end of the quarter.



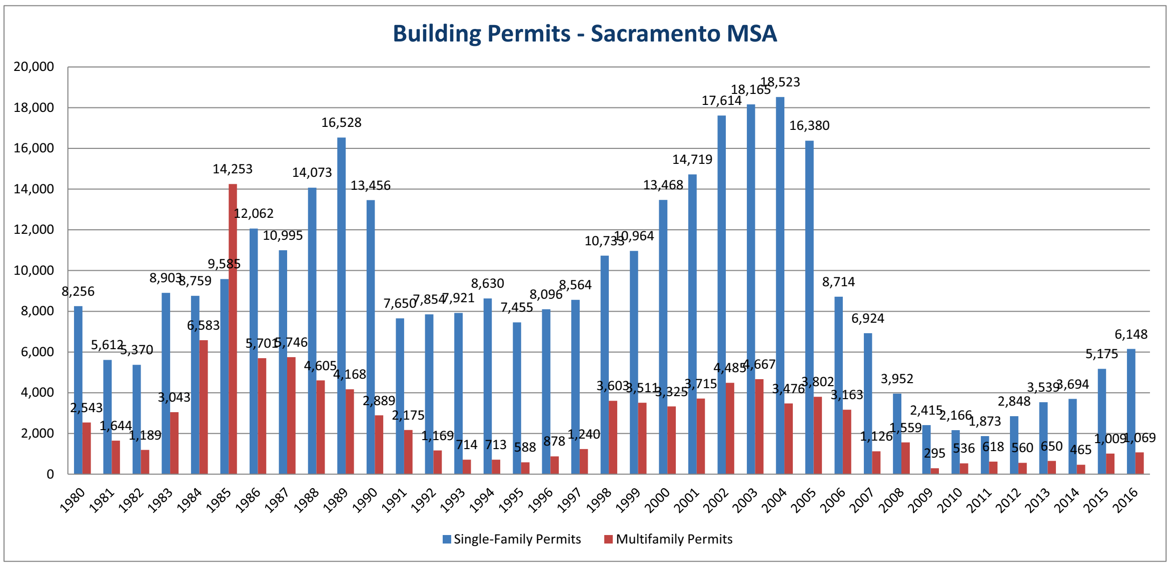


Market Participant Forecasts and Interviews

We speak with market participants on a weekly basis. Included in our regular interviews are discussions with key *land only* brokerage professionals in the Sacramento area, Bay Area and north Central Valley. Our regular interviews include professionals with Land Advisors, Hoffman Land Company, 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 2017 will be a good year for homebuilding for most northern California. The Bay Area is experiencing steadying for some move up projects, but most affordable projects are expected to continue seeing increases throughout the year. Meanwhile, Sacramento and the north Central Valley are positioned for significant growth in 2017 due to their relative affordability to the Bay Area.

In the Sacramento area, permit levels increased year-over-year in 2015 and 2016. A similar increase is expected in 2017. Single-family permits in 2016 came in just above 6,000 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.



Source: SOCDS

Participants and investor-money expect the cycle to continue through *at least* 2018 (some say 2019). Meanwhile, home price appreciation in the San Francisco region is peaking, so for the next two to three years, Bay Area workers are expected to migrate along the Interstate 205 corridor (and some via Interstate 80 to Sacramento) in search of affordable housing. 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 are targeting 4 sales per month along the Interstate 205 corridor and 3 sales per month in Sacramento. Medium density, affordable projects will achieve stronger sales rates.

Outlook and Conclusions – Regional

For 2017, the near term outlook is for steady residential expansion and "more of the same," like 2016. 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 through 2019, before peaking with possible price declines by year end 2020.

Submarket Trends – Sacramento (Urban and Quasi Suburban)

The subject is located in the Alkali Flat neighborhood area, which is on the "Grid." The Grid refers to the area of Sacramento with numerical and alphabetical street delineations, which encompasses downtown Sacramento ("Downtown"), Midtown, Alkali Flat, Mansion Flats, Boulevard Park, Southside Park and other areas. The Grid is an urban area. The Capital City Freeway/Business 80 and Highway 50/Business 80 separate the Grid area the nearby quasi-suburban areas of East Sacramento to the east and Upper Land Park, Land Park and Curtis Park to the south.

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 emphasis 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 Grid area appeals to a range of buyers, from executives to millennial buyers. The area has been mostly built out for several decades. Executives generally seek out renovated single-family homes, lofts or mid- and high-rise condominiums, while younger households generally seek out older single-family and attached townhomes, many of which are rented. The Grid area generally does not include many families with children due to the urban atmosphere and lack of high quality public schools.

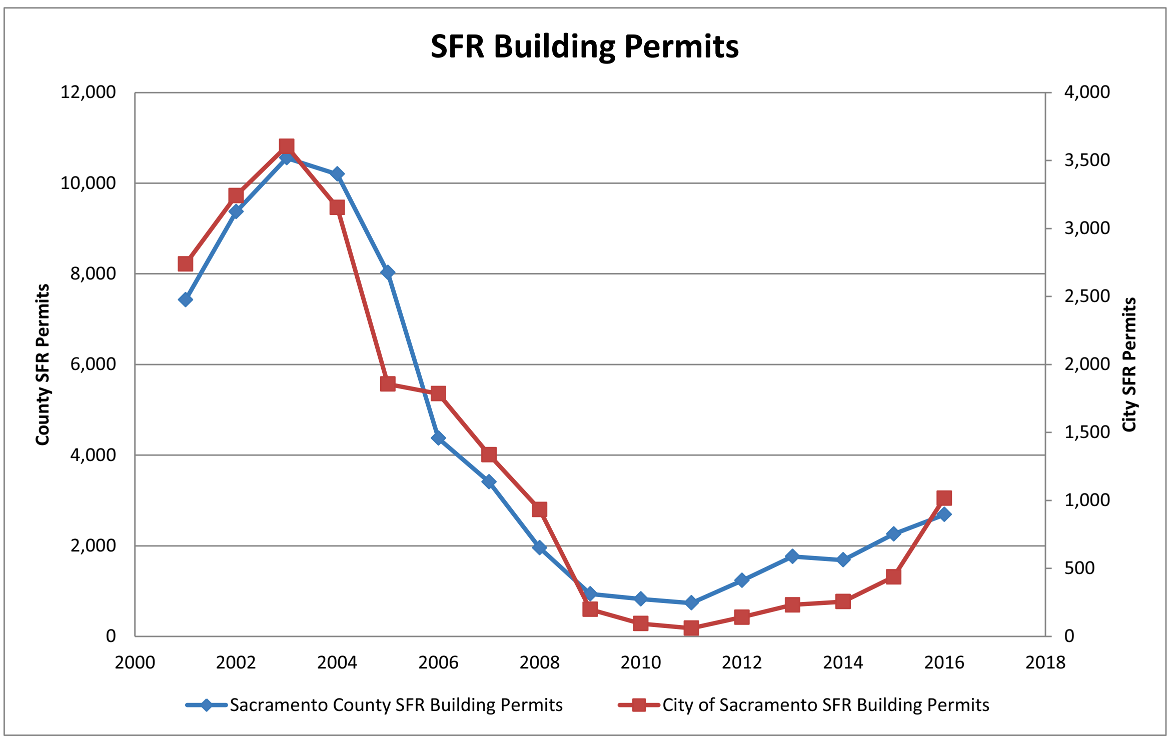
Of homes sold to date, approximately 60% the buyers are 55+ years or older and working (not-yet-retired professionals). Some buyers are professionals seeking 2nd homes for when in Sacramento. Sales to date have captured mostly affluent households, with selected home options generally averaging $80,000 per home. The majority of buyers have elected to add the option of installing a roof-top deck.

Building Permit Data

Below we summarize single-family permits pulled in Sacramento County and the city of Sacramento since 2000. The data shows a sharp decline after 2004 due to the recession. Current permit levels remain significantly below pre-recession levels. The building permit levels for the City generally follow the same trend as the County overall. In 2016, permit levels in the City of Sacramento increased significantly due to the end of a building moratorium in the Natomas area (which is outside of the subject neighborhood).

Sacramento County and City of Sacramento SFR Permits		
Year	Sacramento County SFR Building Permits	City of Sacramento SFR Building Permits
2001	7,423	2,739
2002	9,368	3,242
2003	10,556	3,605
2004	10,198	3,155
2005	8,025	1,856
2006	4,369	1,785
2007	3,409	1,337
2008	1,953	934
2009	936	199
2010	824	95
2011	737	61
2012	1,231	142
2013	1,762	232
2014	1,685	256
2015	2,259	438
2016	2,686	1,017

Source: SOCDS



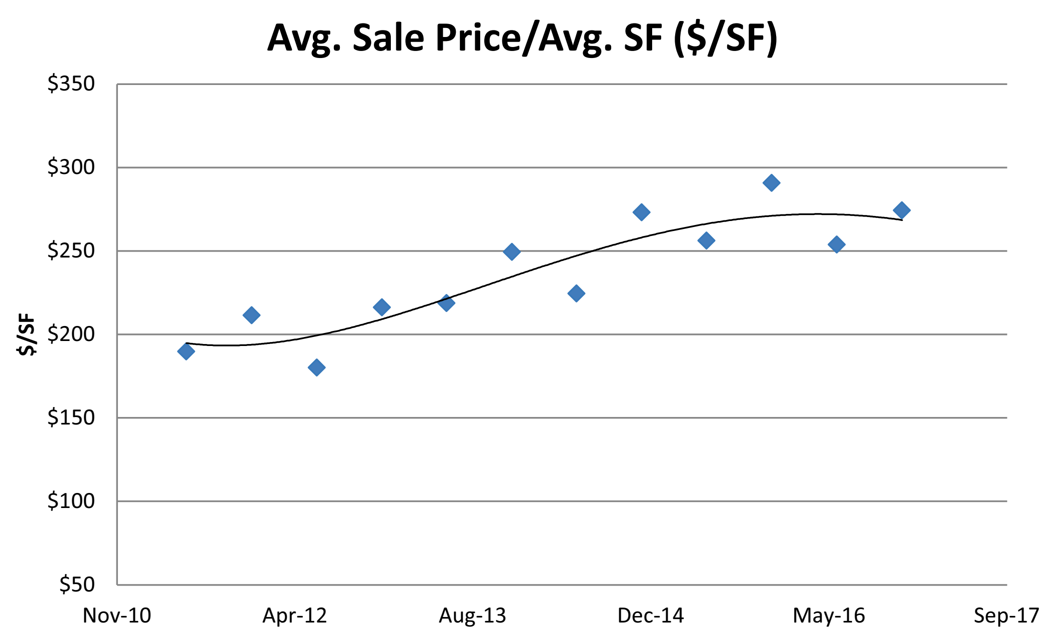
Resale Market

Resale price trends are summarized below on the following page. Our survey included all detached sales from the MLS in the 95811 and 95814 zip codes. Prices began increasing in 2012. The latest quarterly data shows a continuing upward price trend. Market participants expect prices in the region will trend upward at least through 2018.

Resale Market Trends

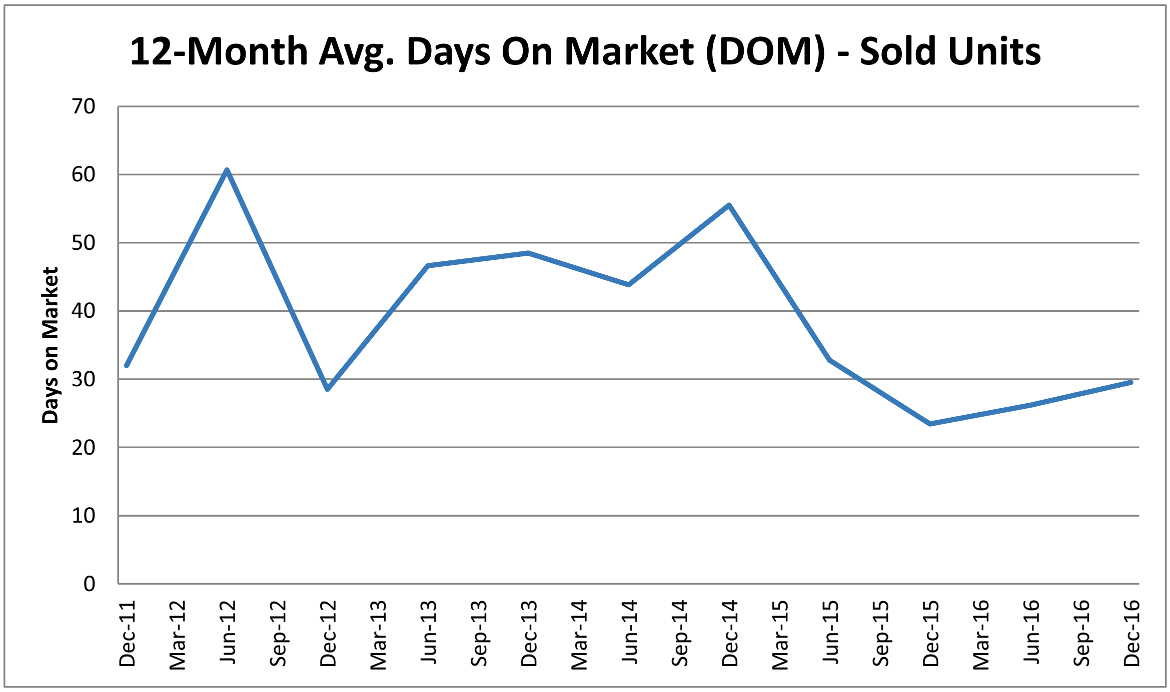
Period Ending	Total Sales	Average Size	Average List Price	Average $/SF	Average Sale Price	Average $/SF	Average DOM	12-Month DOM Avg.	% Change (1) YOY
Jun-11	13	1,587	$320,366	$202	$300,953	$190	81	-	-
Dec-11	8	1,621	$346,975	$214	$342,500	$211	84	32	-
Jun-12	7	1,573	$284,793	$181	$282,929	$180	34	61	-5.2%
Dec-12	15	1,541	$340,007	$221	$332,894	$216	26	29	2.2%
Jun-13	16	1,632	$360,352	$221	$356,681	$219	66	47	21.5%
Dec-13	16	1,528	$387,409	$254	$380,950	$249	31	49	15.4%
Jun-14	12	1,754	$406,092	$232	$393,475	$224	61	44	2.6%
Dec-14	12	1,664	$460,929	$277	$454,242	$273	50	56	9.5%
Jun-15	21	1,832	$467,123	$255	$468,919	$256	23	33	14.1%
Dec-15	18	1,456	$427,539	$294	$423,094	$291	24	23	6.4%
Jun-16	14	2,004	$518,543	$259	$508,179	$254	29	26	-0.9%
Dec-16	16	1,656	$461,506	$279	$454,056	$274	30	30	-5.6%

(1) Percent change in average sale price per SF



Source: MLS

For sold units, the average days on the market (12-month average) is currently at 30 days, which is near a low point for the current residential cycle.

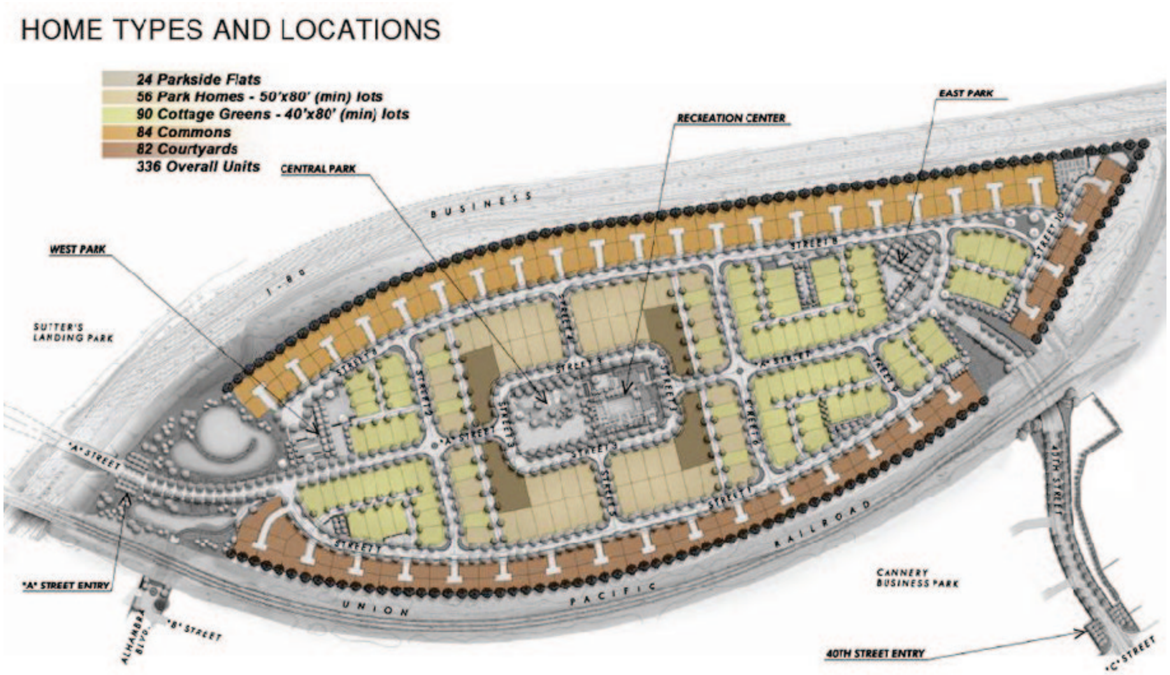


Notable Infill Projects in the Area

700 Block of K Street - The redevelopment of the 700 Block of K Street in downtown Sacramento turns a blighted corridor into a mixed use project which will consist of 15 predominantly local businesses, including retail and restaurants, 137 rental units and garage parking below ground. 60 percent of the rental units will be designated affordable and 40 percent will be market rate. This project is located one block east of the Golden 1 Center for use by the Sacramento Kings and will serve to further strengthen downtown's transformation as a residential and entertainment destination.

McKinley Village - McKinley Village is a modern, environmentally-friendly, quasi-suburban infill project of 336 single-family homes on 50 acres in East Sacramento. The site is located between the Capital City Freeway and railroad tracks, and is south of a former landfill (now utilized as Sutters Landing Park). Site development is mostly complete and home sales began in June 2016. The project developer is The New Home Company. Designed to complement Sacramento's redevelopment standards, the project will be highly energy efficient with its homes pre-wired for solar and built with sustainable materials..

The project features condominiums (two-story townhome style), one small lot traditional single-family project and three alley/cluster product types.




Alder Townhomes by New Home Company


Cottonwood by New Home Company

Birch by New Home Company

Magnolia by New Home Company

Mulberry by New Home Company

<u>Curtis Park Village</u> - Curtis Park Village is a quasi-suburban infill project containing 72 acres. The project is located at the southern end of the Curtis Park neighborhood. The mixed-use project is planned to have over 200,000 square feet of retail space, 550 units of single and multi-family homes, and encourages an active community by having pedestrian-friendly streets. Curtis Park Village is a significant infill project and will serve an important economic role in the neighborhood which is currently underserved by retailers. The developer of the residential component, Blackpine Communities, has brought to market three product lines designed about an alley or cluster configuration. Home sales at this project are continuing. The retail portion of this project has not been developed.

The Estates by Blackpine

The Cottages by Blackpine

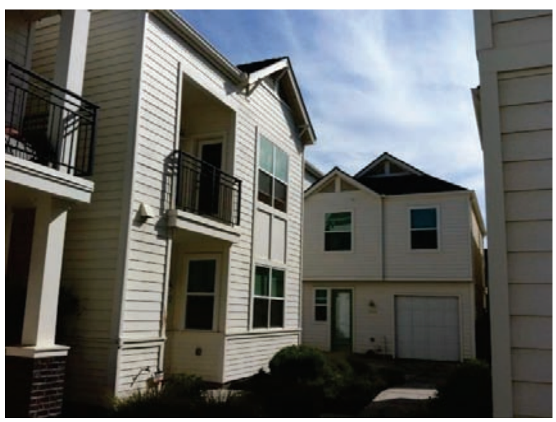
The Brownstones by Blackpine

<u>Tapestry Square</u> - Tapestry Square by Metro Nova is an urban infill development of 58 three-story detached homes that resemble brownstone or row houses. The project is located in the Midtown neighborhood with railroad tracks used for freight extending north-south just to the west of the project. The project was originally approved in 2006 but last unit didn't sell until 2015. This project confirms that there is a market for an alternative housing product type, which is important for infill.

Tapestry Square

The Warehouse Artist Lofts - This rehabilitation project converted an existing six-story historic warehouse into a mixed-use residential complex. Located in the R Street Corridor, the project includes 116 housing units and 13,000 square feet of commercial space. Density is 131 dwelling units per acre. Construction was completed in 2014.

2500 R Street - This 34-unit, energy efficient urban project opened in 2013 and sold out in 2015. The project is located in the Midtown area of Sacramento, near a transit hub, jobs and nightlife amenities. Railroad tracks utilized by light-rail extend along the northern boundary. The homes vary from two to three stories and average about 1,300 square feet.



2500 R Street

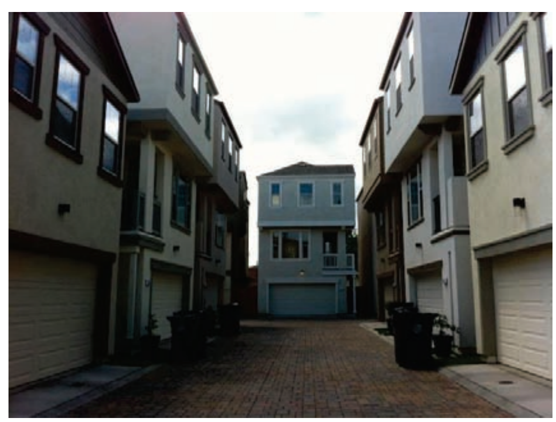
Ice Blocks - This project is located on the R Street Corridor, spanning three city blocks in Midtown. The project maps to renovate former warehouses for mixed use. The first phase of the project is under development. Once completed, the Ice Blocks will be comprised of 60,000 sf of retail, 50,000 sf of office and 150 units of high density urban housing (apartments).

Washington Park Village –This project is located at the northern edge of the Boulevard Park neighborhood. The project features brownstone style townhomes. Homes are two and three story with walk-up front doors. Signature Homes took over the project in 2010 and offered homes of 1,229 to 1,468 SF. The last unit was sold in 2014.

Washington Park Village

The Mill at Broadway – This is a major infill project located in the Upper Land Park neighborhood of Sacramento. The project is situated between industrial uses/lumber mill to the north, Section 8 housing to the south, east of Interstate 5. The project is planned for 1,000 homes on 32 acres. Bardis Homes (builder) and Ranch Capital LLC (developer and equity financier) are developing the first phase and plan to build 282 homes. Site development for the first 84 homes has been completed and approximately 60 homes have sold. The project offers three product types, all of which feature either a full two car garage or single-car garage. Two of the types are attached courtyard or townhome style and range in height from two to four stories, with some units having options for rooftop patios on the 4th floor. The project is designed to target millennial buyers. Interior home quality and amenities is modest, and pricing starts in the low $200,000s for single bedroom flats. The sales agent indicated sales to date have trended toward single and millennial buyer types (their target), with very few families with children.

The Courtyards



The Bungalows

The Park Moderns – This 32-unit project is located in the emerging Bridge District of West Sacramento, just west of the Sacramento River and downtown Sacramento. The project is located just south of Raley Field, home of the Triple A affiliate of the San Francisco Giants. Construction commenced in 2014 and sold out in 2015. The project consists of two and three story row homes, ranging from 1,456 to 2,340 SF, with pricing ranging into the $700s. Homes have walk-up front doors and front patios that face an oval-shaped common park area. The project targeted the same buyer type as the subject project.

20 PQR – A joint venture between Grupe and Sotiri Investments broke ground in early 2017 on 32 home project in the Midtown neighborhood. Presales are underway but models are not yet completed. The project abuts freight railroad tracks to the west. Home sizes of 1,800 and 1,900 SF are planned, with all homes being three stories and featuring two car garages. Home pricing starts in the upper $500,000s.

PQR Elevations

<u>19Q</u> – This project is another joint venture between Grupe and Sotiri Investments. The project is planned for 68 apartment units above ground level retail. Construction is underway (foundations).

<u>Mansion Flats Modern</u> – This project by Indie Capital is located on D Street, just west of 16th Street, within the Washington Historic District. Approvals were granted in March 2016 and construction is underway. The project subdivides 0.39 acres into 8 lots of around 2,100 SF. The project will consist of four buildings (each unit will share one common wall). The project proposes two similar designs; the first design would front D Street (with a slightly raised base and landscape feature for a sense of separation from the public sidewalk and street), and the second design fronting Chinatown Alley. Each design (D Street and Alley) is two stories, with similar floor plans for the attached homes. The homes are designed with a modern design style which includes a smooth plaster finish, unique window and sliding glass treatments, and stained cedar fascia and siding elements that wrap each home. A semi-common space is also provided between the D Street and Alley homes. Homes contain either 1,585 or 1,587 SF, with each plan being marketed for $589,000. The 8-lot project is nearing completion.

Mansion Flats Layout

Mansion Flats Elevation

Broadway Redux – This project by Indie Capital is located along Broadway Avenue near 10th Street. The project will feature nine single-family homes ranging from 1,326 to 1,822 square feet, with prices starting around $449,000. The project is in the initial stages of site development.

California Brownstones – This project is located at 17th and Q, in the Midtown neighborhood. Home construction began in April 2017. The project is planned for 12 three-story detached homes with rooftop patios. Units will only have six inches of separation from one another. Homes will range in size from 1,500 to 1,600 square feet, approximately, with each home containing a one car garage. Pricing is expected to start around $600,000.

Competing New Home Projects

There are very few projects in the area (urban and quasi-suburban) that will directly compete with the subject. The area is mostly built out and the available infill projects do not directly compete. On the following page we summarize pricing and absorption information from the available projects.

New Home Projects

Project	Builder	Location	Type	Open Date	Lot Size	Plan Size	Base Price	Total Planned	Total Sold	Inventory	1Q 17 Sold	4Q 16 Sold	3Q 16 Sold	2Q 16 Sold	1Q 16 Sold	4Q 15 Sold	3Q 15 Sold	2Q 15 Sold	Total	Mnthly Avg.	Avg. Price/Avg. Size
Active																					
The Brownstones at Curtis Park	Blackpine	Curtis Park/Sacramento	2 Story Detached	2/1/2015	2,400	2,192 - 2,537	$567,990 - $589,690	45	20	25	1	-1	3	6	3	1	1	4	18	0.8	$249
The Estates at Curtis Park	Blackpine	Curtis Park/Sacramento	2 Story Detached	4/1/2015	4,000	2,535 - 3,031	$657,990 - $745,990	29	7	22	1	3	1	-1	2	0	0	1	7	0.3	$248
The Bungalows at The Mill	Bardis Homes	Upper Land Park/Sacramento	2 & 3 Story Detached	11/10/2015	2,000	964 - 1,451	$365,000 - $425,000	29	19	10	3	2	1	6	2	5	-	-	19	1.1	$313
The Courts at The Mill (ATTACHED)	Bardis Homes	Upper Land Park/Sacramento	3 & 4 Story Attached	11/10/2015	1,800	553 - 1,436	$210,000 - $390,000	74	62	12	10	8	10	10	16	8	-	-	62	3.4	$308
The Villas at The Mill (ATTACHED)	Bardis Homes	Upper Land Park/Sacramento	3 & 4 Story Attached	11/10/2005	1,800	1,009 - 1,451	$318,000 - $405,000	40	39	1	6	6	5	0	6	16	-	-	39	2.2	$294
The Creamery	Blackpine	Alkali Flat/Sacramento	3 Story Detached	12/5/2015	1,800	1,745 - 2,305	$528,990 - $562,490	122	48	74	1	12	5	2	3	25	-	-	48	2.7	$276
20 PQR	Grupe	Midtown/Sacramento	3 Story Detached	3/23/2017	1,500	1,736 - 1,887	$597,306 - $624,500	32	3	29	3	-	-	-	-	-	-	-	3	3.0	$337
										97											
										Total Quarterly Sales	25	30	25	23	32	55	1	5	196		
										No. of Competing Projects	7	6	6	6	6	6	2	2	41		
										Pro-Rata Qtrly Sales	3.6	5.0	4.2	3.8	5.3	9.2	0.5	2.5	4.8		
										Pro-Rata Monthly Sales	1.2	1.7	1.4	1.3	1.8	3.1	0.2	0.8	**1.6**		

Sold Out - Of Note				Project Life				Total	Sales/ Month Avg.
The Cottages at Curtis Park	Blackpine	Curtis Park/Sacramento	1 and 2 Story Detached	4/2014 thru 3/16	3,400	1,482 - 2,163	$538,990 - $602,923	12	0.5
2500 R Street	Pacific Housing	Midtown/Sacramento	2 & 3 Story Detached	8/13 thru 9/14	962	1,268 - 1,826	$375,000 - $456,000	34	3.3
Tapestri Square	Metro Nova	Midtown/Sacramento	2 & 3 Story Detached	05/07 thru 09/15	900	1,300 - 2,700	$410,000 - $795,000	58	0.6
Ironworks Lofts	Regis Homes	West Sacramento	2 & 3 Story Detached	11/06 thru 3/14	1,500	1,222 - 1,401	$285,000 - $295,000	187	2.1
Ironworks Homes	Regis Homes	West Sacramento	2 Story Detached	11/06 thru 3/12	2,000	1,471 - 1,790	$240,000 - $270,000	54	0.8
Riverside Side	Regis Homes	West Sacramento	3 Story Detached	03/06 thru 12/07	1,125	1,556 - 1,628	$415,000 - $445,000	25	1.2

Sources: The Gregory Group

Absorption and Projected Supply and Demand

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

- The subject project has averaged 2.7 sales per month since project sales commenced, but sales have been tempered by limited releases. The Developer has slowed releases so that homes can be built and occupied before the project generates too many sales (as a strategy to reduce risk). Through the date of value the effective absorption rate has been less as a result.
- Seven homes at the subject project were released in April 2017, which were the first homes released since October 2016. Five of the seven homes sold within one week.
- The three projects at The Mill are somewhat similar to the subject in terms of urban area location but are targeting a different market segment with a different amenity level and price point. Sales at these three projects have averaged 1.1 to 3.4 per month, or 2.2 per month collectively.
- 20 PQR started presales on March 23, 2017 and sold three homes despite not having completed models.
- The market is expected to maintain the current trajectory of steady sales and price increases into the foreseeable future.

Based on the data, we estimate the subject lots could achieve 3.0 sales per month, or 9.0 sales per quarter, based on current homebuyer demand and a seller's ability to bring homes to market in a timely manner. This estimate assumes the subject project would utilize model homes to assist with sales. The estimated absorption reflects the average for the project life overall. The estimated absorption slightly exceeds the average achieved by the Developer (2.7 sales per month) because a typical builder would be willing to release homes faster (at the risk of having slightly higher costs).

As previously stated, the subject project has enjoyed strong demand. Prices have increased since project inception. The first sales occurred in December 2015 with base prices of $466,990, $487,990 and $499,990 for the three plans offered. The first 25 homes released sold out in a single weekend. Blackpine rapidly responded and increased prices thereafter. The same plans have current asking prices of $547,990, $552,990 and $577,990. Project prices are analyzed later in this report.

Outlook and Conclusions

The Sacramento region has a whole has approximately 24 months of growth remaining in the current housing cycle before market participants expect the cycle will begin to turn, with the market expected to peak around 2019. After 2019, it is unclear what will occur. Building permit levels are well below the historical average, yet home prices are approaching the peak levels of the past cycle, suggesting permit levels may not fully recover for this cycle. However, economic conditions in the region are generally positive to steady. It's possible that the next residential recessionary period for the region will reflect slow and steady price decreases for two to three years, similar to the recession that occurred in the mid-1990s. No one is predicting a residential market crash, barring an unforeseen macroeconomic event.

The subject neighborhood is more insulated to price shocks than the region as a whole due to the limited supply and strong demand for executive level housing near downtown. With a project size of

122 units (subject size of 117 units), there should be sufficient time in the current cycle to nearly reach sell-out before a recession would occur. Since the project opened, the Developer has established project identity and increased pricing significantly. Should the developer need to reduce pricing in 36 months to sell the remaining units, it's very likely those prices after reductions would be higher than the prices of today. With limited completion and desirable locational attributes, the near term and long term outlooks for the subject project are positive.

Property Analysis

Land Description and Analysis

Location

The CFD is bisected by D Street, and is located mostly between 10th and 11th Streets, within the city of Sacramento, Sacramento County, California 95814.

Land Area

The CFD contains 8.31 gross acres and 7.5 net acres (net of public road right of way).

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

Backbone infrastructure and offsite improvements are in place. The site has frontage along D Street, E Street, 10^{th} Street and 11^{th} Street, all of which are two lane roads with existing curbs, gutters, sidewalks and streetlights.

Note the project was designed so that it may connect to a 10^{th} Street extension, should it be extended north under the railroad tracks. No such connection is planned in the near term. The Developer indicates that at this time, should the professional soccer stadium be located north of the subject as planned, it's likely that 10^{th} Street will never be extended. Given it will be several years before a final determination is made about 10^{th} Street, the potential extension has no material impact on the subject at the present time.

In-Tract Improvements

As stated, the project has frontage along D Street, E Street, 10^{th} Street and 11^{th} Street. In-tracts or private streets are planned to extend from these roads for individual lot access. As of the date of inspection, in-tract development was partially complete. In-tracts are being completed in three phases. The south block (35 lots) was completed first and is now developed with homes. The north block was next (57 lots) and is primarily finished. The west block (25 lots) will be last is currently is primarily unimproved. The west block is identified by Assessor parcel 002-0220-007.

Onsite Improvements

Significant onsite construction has occurred. As stated, the project has built and sold 35 homes, as well as constructed three models that are used for marketing. In addition, during our site inspection we observed home construction underway (from foundations to nearly completed homes) on another 32 lots. Thus, in total 70 lots have some level of vertical construction. A summary of partially completed construction is provided on the following page.

Summary of Partially Completed Construction

Lot #	Condition During Insection	Construction Start Date
41	Exterior stucco, unpainted and no touches	9/12/2016
42	Exterior stucco, unpainted and no touches	9/12/2016
43	Exterior stucco, unpainted and no touches	9/12/2016
44	Exterior stucco, unpainted and no touches	9/12/2016
45	Exterior primarily complete	9/12/2016
46	Exterior primarily complete	9/12/2016
47	Exterior primarily complete	9/12/2016
48	Exterior primarily complete	9/12/2016
49	Exterior stucco, unpainted and no touches	9/12/2016
50	Exterior stucco, unpainted and no touches	9/12/2016
51	Exterior stucco, unpainted and no touches	9/12/2016
52	Exterior stucco, unpainted and no touches	9/12/2016
53	Exterior plywood, no stucco	10/15/2016
54	Exterior plywood, no stucco	10/15/2016
55	Exterior plywood, no stucco	10/15/2016
56	Exterior plywood, no stucco	10/15/2016
57	Exterior plywood, no stucco	10/15/2016
58	Exterior plywood, no stucco	10/15/2016
59	Framing, no roof	2/6/2017
60	Framing, no roof	2/6/2017
61	Framing, no roof	2/6/2017
62	Framing, no roof	2/6/2017
63	Framing, no roof	2/6/2017
64	Framing, no roof	2/6/2017
65	Framing, no roof	2/6/2017
66	Initial framing (1st floor only)	3/1/2017
67	Initial framing (1st floor only)	3/1/2017
68	Foundation	3/1/2017
69	Foundation	3/1/2017
70	Foundation	3/1/2017
71	Foundation	3/1/2017
72	Foundation	3/1/2017

Regarding the model homes, the first model includes a sales office in the two-car garage office that will require conversion back to a garage at project completion. On average the models include approximately $100,000 in upgrades (retail value) over the base amenity level. All models are constructed with the rooftop patio option.

Utilities

All typical public utilities (water, sewer, gas, electricity and phone service) are available to each lot.

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

Topography

The topography is generally level and at street grade.

Vegetation

Numerous oak trees line the major public streets. These trees will be incorporated into the project. The balance of the property has been cleared of any trees or annual grasses.

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.

Wetlands

The subject site is believed to be developable and free and clear of wetlands. Any necessary permits would have been obtained prior to issuance of a grading permit.

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 development on nearby sites, 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 northern portion of the subject project is adjacent to railroad tracks and a lumber mill. Units will be constructed within appropriate noise mitigation standards. The project is required to disclose to buyers that the lumber mill is a neighboring use. The subject project is required to construct an enclosure at the mill to reduce noise and mitigate potential future impacts. The adjacent lumber mill and railroad tracks will affect pricing for a minority of home uses, but due to ample demand for homes near Downtown, the overall impact on the subject is minor.

We are not aware of any other 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	C-2 & R-3A
Description	Commercial & Multifamily
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Single-family and commercial

The subject is zoned C-2 & R-3A, by the City of Sacramento. Approximately 60% of the project (northernmost area) is zoned C-2 and 60% is zoned R-3A.

The General Commercial (C-2) zone allows many types of uses including residential dwellings, and commercial for the sale of goods, performance of services, office, small wholesale, or limited processing and packaging. The balance of the project (southernmost portion) is zoned R-3A.

The purpose of the Multi-Unit Dwelling (R-3A) zone is to accommodate higher density development in the central city, along major commercial corridors, and in areas near major institutions and public transit facilities.

On March 29, 2014, the project was approved for 117 single-family lots (Mitigated Negative Declaration, Mitigated Monitoring Plan, Tentative Map, Site Plan and Design Review). The latest approvals come subsequent to approvals granted on October 28, 2008 for 217 residential units and 121,837 square feet of commercial space.

Although some of the proposed lots are smaller than the standards stated in the city code for multifamily use, City staff believed the deviation was appropriate because there are examples of smaller lots (less than the traditional 40 feet by 80 feet) sharing street frontage with the project site and in the general area.

The legally permissible uses are limited to single-family residential development, as currently approved, and multifamily and commercial development as zoned.

Improvement Plans
Improvement plans for site improvements have been submitted and approved. Of the 117 lots, final subdivision map has recorded for 92 lots.

Affordable Housing/Restricted Units
The subject property is a large infill project and is exempt from any requirement to set aside units for affordable housing.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	06067C0180J
Date	June 16, 2015
Zone	X500
Description	Within 500-year floodplain
Insurance Required?	No

Assessor Parcel Numbers

The subject contains 92 lots that have recorded final map. Of these, Blackpine owns 57 lots and 35 have sold and closed to individual buyers. Assessor parcels are listed on the following pages.

Recorded Lots (and Models) owned by Blackpine City Flats LLC

Tax ID	Owner	SF	Acres	Status
002-0210-003	Blackpine City Flats LLC	1,947	0.04	Home Under Construction
002-0210-004	Blackpine City Flats LLC	1,536	0.04	Home Under Construction
002-0210-005	Blackpine City Flats LLC	1,536	0.04	Home Under Construction
002-0210-006	Blackpine City Flats LLC	1,958	0.04	Home Under Construction
002-0210-007	Blackpine City Flats LLC	1,958	0.04	Home Under Construction
002-0210-008	Blackpine City Flats LLC	1,946	0.04	Home Under Construction
002-0210-009	Blackpine City Flats LLC	1,946	0.04	Home Under Construction
002-0210-010	Blackpine City Flats LLC	1,958	0.04	Home Under Construction
002-0210-011	Blackpine City Flats LLC	1,958	0.04	Home Under Construction
002-0210-012	Blackpine City Flats LLC	1,536	0.04	Home Under Construction
002-0210-013	Blackpine City Flats LLC	1,536	0.04	Home Under Construction
002-0210-014	Blackpine City Flats LLC	1,947	0.04	Home Under Construction
002-0210-015	Blackpine City Flats LLC	2,122	0.05	Home Under Construction
002-0210-016	Blackpine City Flats LLC	1,949	0.04	Home Under Construction
002-0210-017	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-018	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-019	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-020	Blackpine City Flats LLC	2,190	0.05	Home Under Construction
002-0210-021	Blackpine City Flats LLC	2,190	0.05	Home Under Construction
002-0210-022	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-023	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-024	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-025	Blackpine City Flats LLC	1,950	0.04	Home Under Construction
002-0210-026	Blackpine City Flats LLC	1,828	0.04	Home Under Construction
002-0210-027	Blackpine City Flats LLC	1,727	0.04	Home Under Construction
002-0210-028	Blackpine City Flats LLC	1,727	0.04	Home Under Construction
002-0210-029	Blackpine City Flats LLC	1,829	0.04	Home Under Construction
002-0210-030	Blackpine City Flats LLC	1,950	0.04	Home Under Construction
002-0210-031	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-032	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-033	Blackpine City Flats LLC	1,755	0.04	Home Under Construction
002-0210-034	Blackpine City Flats LLC	2,192	0.05	Home Under Construction
002-0210-035	Blackpine City Flats LLC	1,958	0.04	
002-0210-036	Blackpine City Flats LLC	1,761	0.04	
002-0210-037	Blackpine City Flats LLC	1,761	0.04	
002-0210-038	Blackpine City Flats LLC	1,760	0.04	
002-0210-039	Blackpine City Flats LLC	2,198	0.05	
002-0220-001	Blackpine City Flats LLC	1,989	0.05	Completed Model
002-0220-002	Blackpine City Flats LLC	1,755	0.04	Completed Model
002-0220-003	Blackpine City Flats LLC	2,096	0.05	Completed Model
002-0220-004	Blackpine City Flats LLC	2,100	0.05	
002-0220-005	Blackpine City Flats LLC	1,988	0.05	
002-0220-007	Blackpine City Flats LLC	48,787	1.12	
002-0220-008	Blackpine City Flats LLC	1,913	0.04	
002-0220-009	Blackpine City Flats LLC	1,463	0.03	
002-0220-010	Blackpine City Flats LLC	1,463	0.03	
002-0220-011	Blackpine City Flats LLC	1,463	0.03	
002-0220-012	Blackpine City Flats LLC	1,601	0.04	
002-0220-013	Blackpine City Flats LLC	2,239	0.05	
002-0220-014	Blackpine City Flats LLC	2,665	0.06	
002-0220-015	Blackpine City Flats LLC	2,426	0.06	
002-0220-016	Blackpine City Flats LLC	2,373	0.05	
002-0220-017	Blackpine City Flats LLC	2,239	0.05	
002-0220-018	Blackpine City Flats LLC	2,071	0.05	
002-0220-019	Blackpine City Flats LLC	1,580	0.04	
002-0220-020	Blackpine City Flats LLC	1,580	0.04	
002-0220-021	Blackpine City Flats LLC	1,580	0.04	
002-0220-022	Blackpine City Flats LLC	1,729	0.04	
Total		155,749	3.58	

Source: Assessor Parcel Map

Completed and Transferred Homes

Tax ID	Owner	SF	Acres
002-0230-001	David Wang	1,854	0.04
002-0230-002	Caylyn Wright	1,800	0.04
002-0230-003	Akbar Khan	1,667	0.04
002-0230-004	Nikolay/Irene Shaposhnikov	1,550	0.04
002-0230-005	Sonia Sanga	1,550	0.04
002-0230-006	William Delaney and Tara Delaney	1,670	0.04
002-0230-007	Chloe Parra	1,696	0.04
002-0230-008	Miriam Ferhut	1,872	0.04
002-0230-009	William Huser	1,755	0.04
002-0230-010	HOA/Emily Nguyen	2,123	0.05
002-0230-011	Anne Geraghty	2,121	0.05
002-0230-012	Hayes Hyde	1,871	0.04
002-0230-013	Erica/Eduardo Zeiter	1,883	0.04
002-0230-014	John/Sheri Aguirre	2,100	0.05
002-0230-015	Richard/Tna Wilks	2,100	0.05
002-0230-040	Ronald Vargas	1,780	0.04
002-0230-041	Philip Schaaf	1,780	0.04
002-0230-018	Jewell Ortega Revocable Trust	2,100	0.05
002-0230-019	Kelly Oshea	2,100	0.05
002-0230-020	Diel Family 2012 Revocable Trust	1,901	0.04
002-0230-021	Ma Ruzyl Delasverlas/Lalas Gilbey	1,698	0.04
002-0230-022	Meeker Family Trust	1,550	0.04
002-0230-023	Dailey Revocable Trust	1,550	0.04
002-0230-024	Reid Allison	1,550	0.04
002-0230-025	Robin Ikegami/Kujubu Stephen	1,799	0.04
002-0230-026	Matthew Sean Ayson	1,665	0.04
002-0230-027	Tommy Abeyta/Ryan Greenleaf	1,550	0.04
002-0230-028	Amir Atabaki/Richard Argento	1,550	0.04
002-0230-029	May 2013 Revocable Trust	1,670	0.04
002-0230-030	Juie Horstman	1,698	0.04
002-0230-031	James and Diane Dyer	1,899	0.04
002-0230-032	Alan and Cheryl McNabb	2,126	0.05
002-0230-033	Gerald and Janel Agustin	2,123	0.05
002-0230-034	Andrew Powers/Crystal Smith	1,755	0.04
002-0230-035	Okuno Satoshi and Jeffrey Paradis Rev. Trust	1,899	0.04
Total		63,355	1.45

Source: Assessor Parcel Map

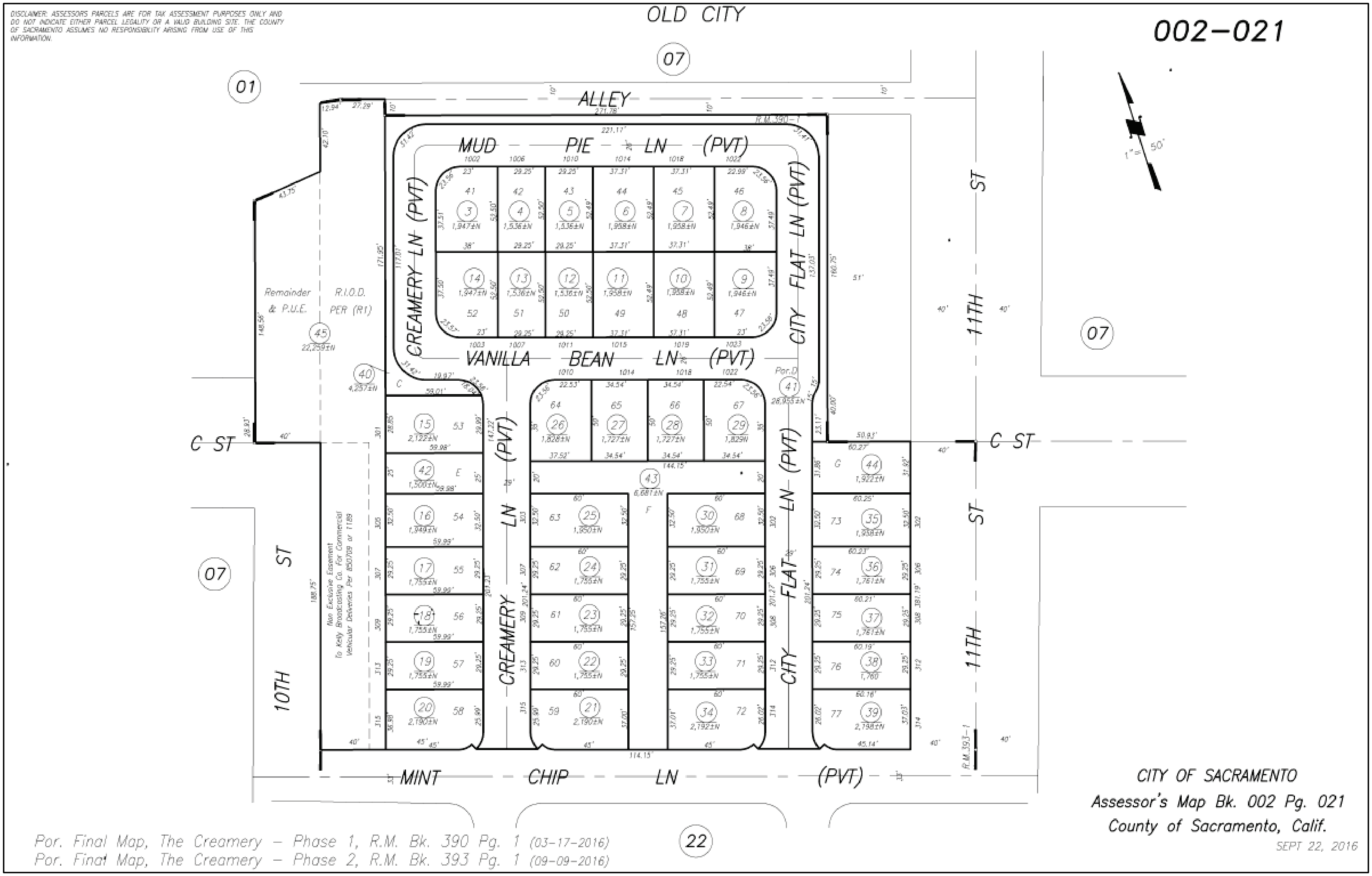
Unimproved Lots owned by Blackpine City Flats LLC

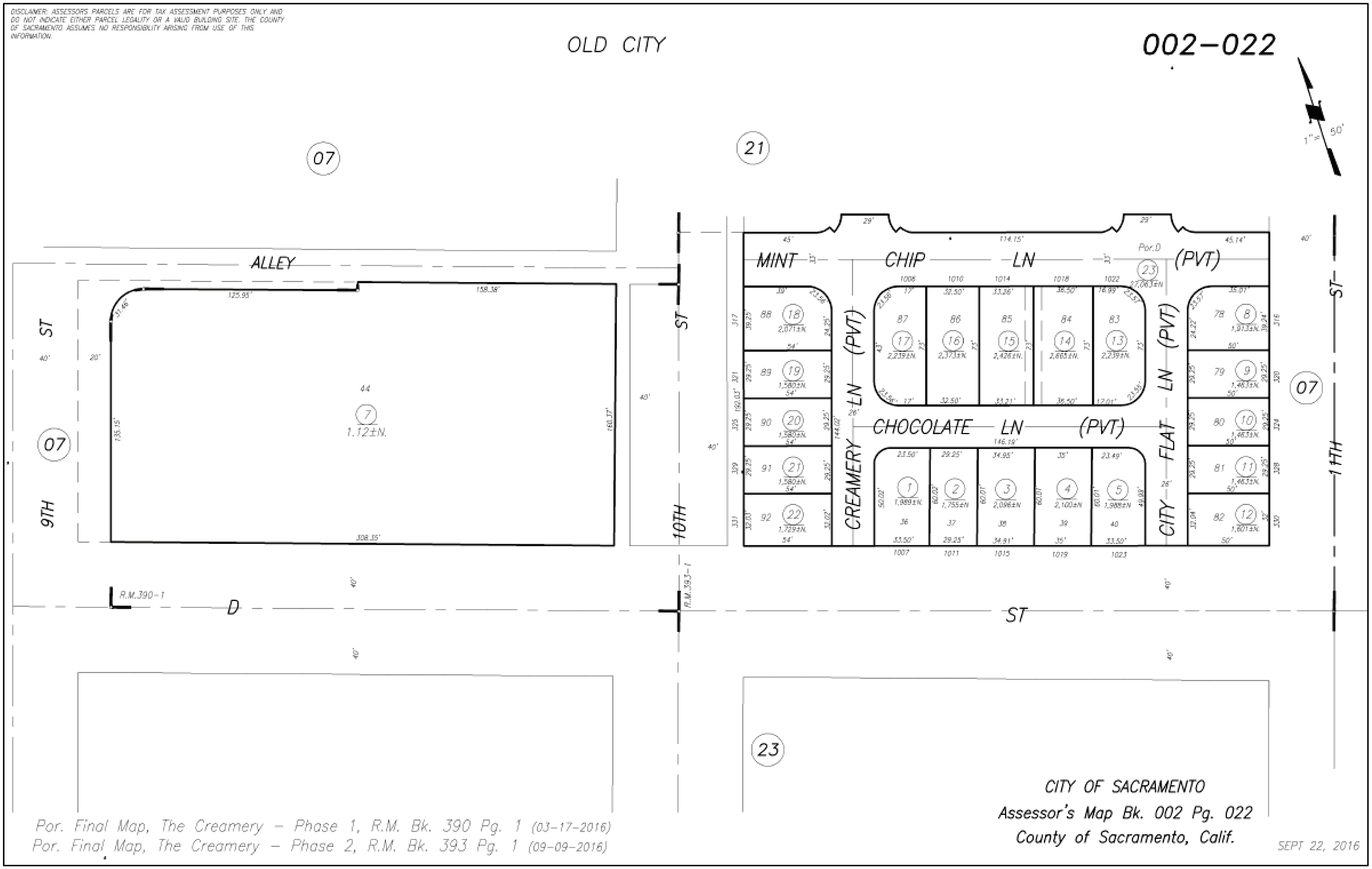
Tax ID	Owner	SF	Acres
002-0220-007	Blackpie City Flats LLC	48,787	1.12
Total		48,787	1.12

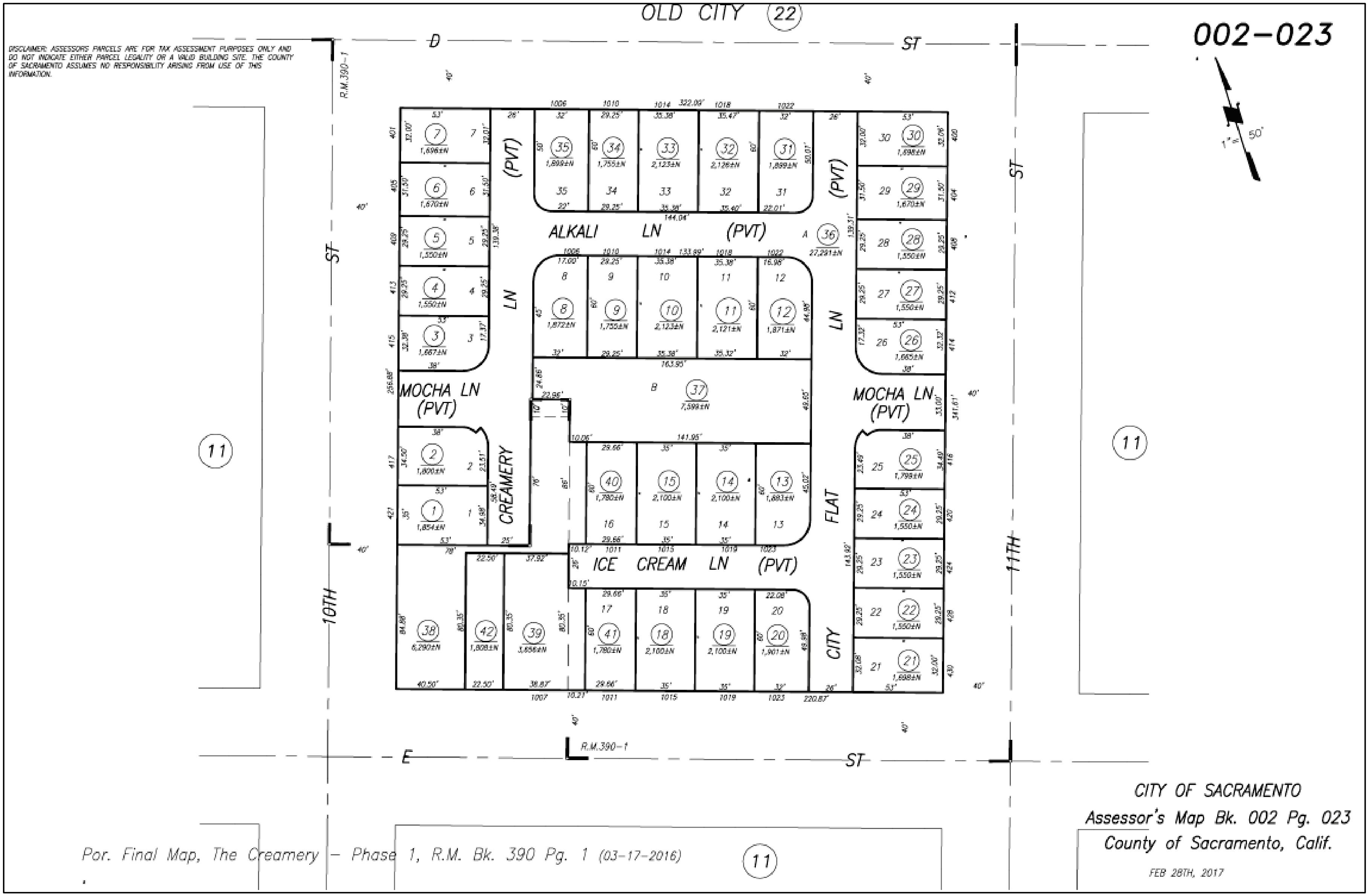
Source: Assessor Parcel Map

Assessor parcel 002-0220-007 is unimproved and is proposed for subdivision into 25 lots.

Assessor Parcel Maps




DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.
OLD CITY
002-022
1" = 50'
ALLEY
9TH ST
10TH ST
11TH ST
D ST
MINT CHIP LN (PVT)
CHOCOLATE LN (PVT)
CREAMERY LN (PVT)
CITY FLAT LN (PVT)
1.12±N.
R.M.390-1
R.M.393-1
Por. Final Map, The Creamery – Phase 1, R.M. Bk. 390 Pg. 1 (03-17-2016)
Por. Final Map, The Creamery – Phase 2, R.M. Bk. 393 Pg. 1 (09-09-2016)
CITY OF SACRAMENTO
Assessor's Map Bk. 002 Pg. 022
County of Sacramento, Calif.
SEPT 22, 2016



OLD CITY (22)
002–023
DISCLAIMER: ASSESSORS PARCELS ARE FOR TAX ASSESSMENT PURPOSES ONLY AND DO NOT INDICATE EITHER PARCEL LEGALITY OR A VALID BUILDING SITE. THE COUNTY OF SACRAMENTO ASSUMES NO RESPONSIBILITY ARISING FROM USE OF THIS INFORMATION.
D ST
E ST
10TH ST
11TH ST
R.M.390–1
ALKALI LN (PVT)
MOCHA LN (PVT)
CREAMERY LN (PVT)
FLAT CITY LN (PVT)
ICE CREAM LN (PVT)
1" = 50'
CITY OF SACRAMENTO
Assessor's Map Bk. 002 Pg. 023
County of Sacramento, Calif.
FEB 28TH, 2017
Por. Final Map, The Creamery – Phase 1, R.M. Bk. 390 Pg. 1 (03–17–2016)

Conclusion of Site Analysis

In consideration of site and legal characteristics, the subject is well-suited for residential development (production homes).

Subdivision Characteristics

The subject property contains 8.31 gross acres and 7.5 net acres (net of future 10th Street extension), which equates to 15.6 units/acre. The subject project is approved for 117 detached single-family lots and 10 common lots. Common lots are intended to allow private vehicular drives throughout the development and to provide for landscaped paseos (common landscaped area between units). Homes situated on paseos, or end-cap units with additional windows/natural lighting, will generate lot premiums, as evidenced by sales to date. The common areas are maintained by a Homeowner’s Association. The project features a garden area and dog park. All homes abutting public streets (D Street, E Street, 10th Street and 11th Street) have walk-up front porches facing the street, with garages accessed by private streets or alleys at the rear of the unit. This design is intended to preserve the streetscapes of the neighborhood.

Lot Sizes

The project contains two minimum lot size categories: 68 lots of 1,360 sf (29’-3” x 46.5’) and 49 lots of 1,755 SF (29’-3” x 60’).

Lot Premiums

Lots situated on paseos and end-cap units with additional windows/natural lighting are expected to achieve premiums. Lot size premiums are not expected.

Based on a review of contracts and sales to date, we estimate a premium of $5,000 for end-cap lots (which are corner located and afford side windows and additional lighting), and $15,000 for paseo lots (lots where units front common open space/park areas). Paseo premiums started at $10,000 but are not being contracted at $20,000.

The north side of the project is near railroad tracks utilized for freight. The Developer is just beginning to build homes in this area. To date, Lots 46 and 53, which are near the railroad tracks but not the closest lots within the project, have contracted with no discounts for their proximity to the railroad tracks.

Based on other urban projects in the area, it is our assertion homes closest to the tracks should be discounted. We conducted a railroad analysis in 2015 for a project in east Sacramento, where we analyzed historical price differences between homes located adjacent to and away from railroad tracks. That analysis supported a railroad discount of 10%. However, market conditions have strengthened since that time and lesser discounts are being achieved due to supply constraints, as evidenced by sales at the subject project. All things considered, we estimate a discount of around 5% for the subject lots near the railroad tracks.

Site Development Costs

On the following page we show site development costs for the subject based on the Developer’s budget. Approximately $845,583 in remaining costs pertain to capital improvements to be financed by the CFD. It is a hypothetical condition of this report that these facilities are in place. The other site development costs primarily pertain to intact improvements.

Site Development Costs						
	Total Cost	Per Lot	Costs Incurred	Estimated Costs Remaining	Assumed Costs Incurred for Analysis (1)	Hypothetical Costs Remaining (1)
Approx. Capital Improvements Funded by CFD	$1,100,593	$9,407	$255,010	$845,583	$1,100,593	$0
Other Site Development Costs	$4,078,439	$34,858	$3,140,398	$938,041	$3,140,398	$938,041
Total:	$5,179,032	$44,265	$3,395,408	$1,783,624	$4,240,991	$938,041

(1) It is a hypothetical condition of this report that capital improvements to be funded from the Bonds are complete

Project Layout

HOA Dues

The subject project has an HOA fee. As more units are released, the HOA fee will decrease. At build out, the HOA fee is expected to level off around $110/month ($1,320/year). The HOA fee becomes effective in phases as homes are built and certificates of occupancy are issued.

Conclusion of Proposed Subdivision

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

Improvement Description

The subject property includes 35 completed production homes that have sold to individuals, and three completed model homes which were completed in late 2015 (the first completed). Each home contains three stories and a two car garages. A summary of the base plan configuration offered is provided below.

Base Plan Summary

Plan	Living Area (SF)	Stories	Number of Bedrooms	Number of Bathrooms	Garage Size		Patio
Plan 1	1,745	3	2-3	2.5	2	Full	Mid-level
Plan 2	1,818	3	2-3	2.5	2	Full	Mid-level
Plan 3	2,305	3	2-4	2.5	2	Full	Mid-level

Standard amenities include tile floors and entry, kitchen and bathrooms; beech cabinetry; granite countertops in kitchen and e-stone counters in bathrooms; stainless steel built-in appliance package; fiberglass front door and vinyl windows. Like other new home projects, buyers are able to select options/upgrades above the base amenity level. The Developer indicated that, based on sales to date, option upgrades are averaging around $80,000 per home.

The subject models have been constructed with upgrades having a retail value of approximately $100,000 on average. The cost to construct the upgrades is generally around 40% of retail value. The base plan configuration includes bottom level flex space as standard. All models have been constructed to have a downstairs bedroom with full bathroom. Also, all models have rooftop patios accessed by a winding metal staircase on the third floor. The rooftop patios are above the third floor. The Developer indicated the option price for the rooftop patio is approximately $28,000. Approximately 60% of sales to date have elected to have the rooftop patio.

An illustrative exhibit of the subject homes is provided below.

Home Construction Costs

While we do not utilize the cost approach in the valuation of the subject models, later in this report we utilize a land residual analysis that determines land value from the perspective of the probable buyer. This analysis considers likely home pricing and deducts market estimated costs over a projected sell-off period. In order to conduct such an analysis, a review of probable construction costs is necessary.

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

To determine direct costs for the subject, we consider the following survey data:

Direct Cost Survey

Project	Type	Home Size	Year	Direct Cost/SF	Source/Comment
17th and Q, Sacramento	3 Story Detached including rooftop deck	1,510 - 1,558	2016	$128 Avg.	Pro Forma, pre-construction
PQR, Sacramento	3 Story Detached. Half the units feature rooftop deck	1,773 - 1,881	2016	$125 Avg.	Pro Forma, pre-construction
Paradise Valley, Fairfield	3 Story Detached including rooftop deck	1,750 to 2,443	2016	$86 - $90	Pro Forma, pre-construction. Suburban market
The Cannery, Davis	2 & 3 Story Townhomes	1,434 - 2,030	2015	$99	Interview, post construction
The Mill at Broadway, Sacramento	2 Story Detached and 3 & 4 Story Attached	553 - 1,451	2015	$100 Avg.	Pro Forma, pre-construction
McKinley Village Condos, Sacramento	2 Story Townhomes Attached Luxury	1,537 - 2,536	2,015	$134 Avg.	Pro Forma, pre-construction
2500 R Midtown, Sacramento	2 & 3 Story Detached	1,268 - 1,826	2014	$90 to $100	Interview, post construction

The data above suggests direct construction costs in the $86 to $134 per square foot range. Participants indicate that 3-story construction generally adds $10 per square foot over two story construction due to additional engineering/materials requirements.

In suburban areas of Sacramento, direct construction costs for move-up quality single and two-story homes are generally $70 to $80 per square foot (including flatwork and on lot costs). The most cited concern by builders over the last 12 months is rising construction costs. Across the region, labor shortages and rising materials costs have led to dramatic increases. Costs have increased $5 to $10 per square foot over the last three years, but the rate of increases has declined in recent months as builders have better managed labor and materials sourcing.

Based on the subject’s home type and comparable data, we estimate a direct construction costs of $110 per square foot for the subject. We utilize costs from the comparable data to estimate a market cost for the subject, to replicate how a builder buyer would approach the valuation of the subject, as supposed to the current developer’s budgeted costs.

Note that the Developer of the subject provided a direct construction cost budget, but these costs are excluded from this report due to confidentiality. However, the Developer’s budgeted costs are within the range indicated by the comparable data. Moreover, the estimated direct cost of $110/SF is higher than the budgeted costs.

Indirect Costs

Standard indirect cost 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 costs for the subject homes were not available.

Indirect Construction Cost Comparables

Comp Data	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	
City/Area	Rohnert Park	Livermore	San Jose	Sacramento	West Sacramento	Roseville	
No. of Lots	116	49	8	61	111	44	
Plan Range (SF)	1,800 - 2,300	1,700 - 2,600	2,200 - 2,300	1,500 - 2,200	1,800 to 2,300 SF	2,000 - 3,000 SF	
Avg. Home Size (SF)	2,047	2,323	2,250	1,830	2,050	2,537	
Avg Home Price	$265,000	$750,000	$1,220,000	$265,000	$365,000	$465,000	
Year	2017	2017	2016	2016	2016	2016	BBG Projection
Average Direct Cost/SF	$102.84	$93.47	$108.85	$85.52	$79.00	$66.72	$110.00
Sales Commissions	5.42%	3.04%	5.00%	2.50%	2.84%	3.50%	3.00%
Title, Closing	0.56%	0.44%	0.25%	0.29%	0.77%	1.10%	0.50%
Warranty	0.90%	0.91%	1.00%	0.58%	0.53%	0.95%	1.00%
General/Administrative	4.00%	4.03%	3.00%	0.00%	6.00%	3.34%	3.00%
Marketing	1.77%	1.51%	1.00%	0.19%	0.66%	1.85%	1.50%
Master Marketing Fee	0.00%	0.00%	0.00%	0.00%	-	-	0.00%
Other Indirects							
Architectural/Engineering	0.15%	0.29%	0.82%	0.23%	0.27%	0.61%	0.50%
Insurance	0.86%	1.52%	1.50%	0.48%	0.16%	0.75%	0.75%
Contingency	1.12%	1.73%	1.79%	3.03%	*1.5% assumed*	*1.5% assumed*	1.50%
Other	1.07%	1.91%	1.56%	6.11%	1.30%	0.89%	1.50%
Subtotal	3.20%	5.44%	5.66%	9.86%	3.23%	3.75%	4.25%
Total Indirects	15.85%	15.37%	15.91%	13.41%	14.03%	14.49%	13.25%

All percentages based on total revenue

We've estimated individual indirect costs based on comparable data and have concluded a total indirect cost estimate of 13.25%.

Permits and Fees

Permits and fees vary by plan and specific elevation built. The Developer's budget reflects fees ranging from $25,372 to $29,555, which includes impact fees, school fees and the building permit fee. While the majority portion of bond proceeds will fund fee reimbursements, the owner of the subject is contractually obligated to "pass through" fee reimbursements to the prior owner. Therefore, fee reimbursements from bond proceeds do not provide for additional real estate value. We estimate that a typical buyer of the subject would budget for permits and fees of approximately $30,000/lot.

Conclusion of Improvements Description

The subject is anticipated to be competitive with the other projects and resale homes in the area. The anticipated sizes of the homes are considered appropriate relative to lot sizing and the targeted market segment.

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 California'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.

Ad valorem taxes in the area are around 1.1426%, and the total tax bill for the subject parcels are summarized below. Taxes are paid in two installments. Both installments for the current tax year have been paid.

Taxes and Assessments

	Assessed Value			Taxes and Assessments			
Tax ID	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes	Direct Assessments	Total
002-0220-003 (Model)	$97,464	$230,000	$327,464	1.141800%	$3,739	$134	$3,873
002-0220-005 (Vacant Lot)	$97,464	$0	$97,464	1.141800%	$1,113	$89	$1,202
002-0220-007 (Unimproved 1.12 Acre Parcel)	$2,298,004	$0	$2,298,004	1.141800%	$26,239	$234	$26,472

The subject's direct levies are summarized on the following page.

Direct Assessment Detail

Tax ID	Sacto Core Library Serv. Tax	Consolidated Capital Assessment	Neighborhood Park Maint. CFD	Sacramento Area Flood Control	Sacramento Addl Library Tax	American River Flood Zone C	Total
002-0220-003 (Model)	$13	$2	$65	$6	$32	$16	$134
002-0220-005 (Vacant Lot)	-	$2	$65	$6	$1	$16	$89
002-0220-007 (Unimproved 1.12 Acre Parcel)	$5	$20	-	$139	$14	$56	$234

The subject's current direct levies for recorded lots vary from $89 per vacant lot to $134 for completed homes. We utilize a blended estimate of $100/lot/year in the analysis of the lots owned by Blackpine (since some lots contain partially completed construction).

In addition to the direct levies above, the subject will be encumbered by Special Taxes for CFD No. 2015-02, summarized below. The tax rates are divided by area. The northern area (68 lots) has a minimum interior size of 1,350 SF and the southern (49 lots) has a minimum interior lot size of 1,755 square feet.

Special Taxes

Lot Numbers	Number	2016/2017 Max Special Tax	2017/2018 Max Special Tax*	Total
Lots 1-30, 37-52, 73-77 88-97, 111-117	68	$2,200	$2,244	$152,592
Lots 31-36, 53-72, 78-87 98-110	49	$2,625	$2,678	$131,198
Total:	117		$2,426 (Wght Avg.)	$283,790

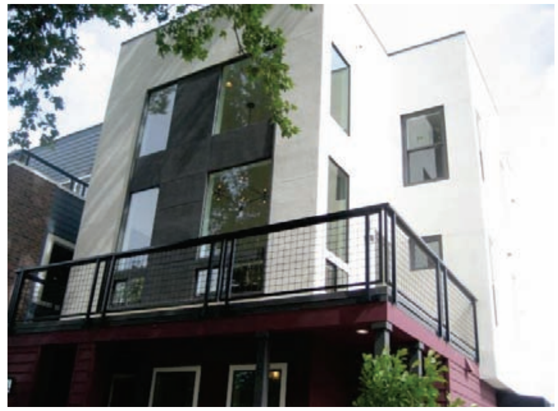
*Escalated 2%

The taxes above go into effect at final map recordation. For undeveloped lots (without final map recorded), the Special Tax for 2017/2018 is $37,100 per acre.

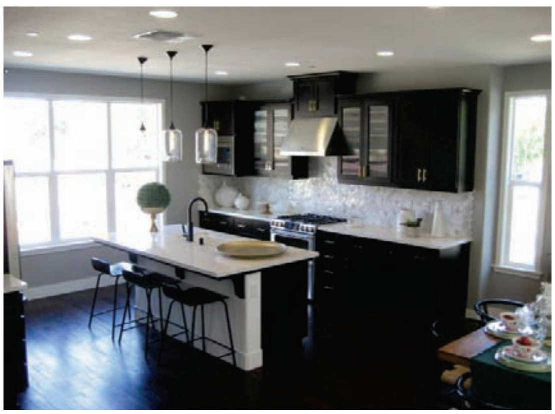
It is a hypothetical condition of this report that the subject property is encumbered by the Special Taxes above as of the date of value. The taxes are planned for a 30 year bond term and will increase at a rate of 2% per year.

Subject Photos

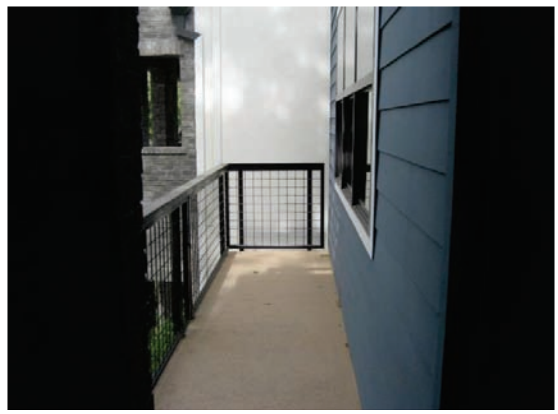
Exterior view of Models 2 and 3



Exterior view of Model 1



Interior of a model



Mid-level exterior patio of a model

Interior of a model

Interior of a model

Circular staircase to rooftop patio

Rooftop patio area

View of dog park

Looking north along City Flat Drive

Looking west at the west block (unimproved)

Looking east at a Paseo area (south block)

Looking north at the north block

Looking west along Vanilla Bean Drive

Looking south along 10th Street

Looking south along 11th Street

Looking east along D Street

Looking north along Creamery Lane

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 commercial development and multifamily development, and has approvals to allow for detached single-family residential development, as previously described. The commercial designation allows for residential uses. Commercial development (northern area), multifamily development (southern area), and single-family development (entire project) are the legally permissible uses.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. While industrial uses are nearby, with a lumber mill and railroad tracks to the north, these uses are typical of urban, mixed use environments and can be appropriately mitigated. Other land uses to the west, south, and east are residential and complementing. The subject is not located within an adverse earthquake or flood zone. Development of nearby parcels supports that soils are adequate for residential construction. Utilities are available to the site with utility connections available. The physical characteristics support single family development.

Financially Feasible

New single-family home construction on the site would have a value commensurate with 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, unless located in “prime” neighborhoods near transit hubs or commercial services. Other exceptions include those projects planned for for-rent apartments (such as apartments for students near Sacramento State) or low-income housing. Moreover, while it may be financially feasible to develop a commercial project on the subject, the subject has only neighborhood access on three sides, and none of its service streets are prime roadways for retail use. Also, industrial uses are slowly moving out of the area and being redeveloped with residential and/or mixed use projects. Industrial or commercial use of the subject would be against trend. As either multifamily or commercial development, the probable buyers of the subject would be investors looking to hold for future development.

The subject is most financially feasible as a single-family project, where there is ample builder demand. In particular, the subject has unique characteristics that would appeal to private and national builders from across the country, who specialize in niche products in urban settings.

Relative to the residential market cycle, the market timing for the subject is good. The market is midway through the current growth phase. We conclude that adequate time remains in the current growth and upcoming maturity phases to build and sell at least most of the subject units before next expected recession, provided units are brought to market in a regular, timely manner without any unforeseen or atypical delays.

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. Single-family residential development as currently proposed is the maximally productive use.

Conclusion and Most Probable Buyer

Development of the site with residential uses is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant. In light of strong demand for single-family lots and the number of sales of sites to builders, the probable buyer of the subject in bulk would be a production home builder.

Highest and Best Use As Improved

Highest and best use of the property as improved pertains to the use that should be made in light of its current (or proposed) improvements. The subject includes three completed single-family homes (models), 35 completed production homes that have transferred to individuals, and 32 other production homes that are under construction (various stages of completion). The value of the properties as improved exceed their value as vacant less demolition costs. The highest and best use of completed homes is for their retail sale to individuals. The highest and best use of partially completed homes is for completion of construction for retail sale. The highest and best use of the lots are partially improved is to complete development as planned for single-family development.

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 three completed model homes, where the sales comparison approach is the most applicable approach and sufficient sales data is available. 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 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 of 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 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 area bulk lot sales, with adjustments applied accordingly relative to the subject. 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.

Home Valuation

Sales Comparison Approach (Homes)

We use the sales comparison approach to value the completed and sold production homes and completed model homes. To find comparables, we considered recent sales in the grid area of Sacramento, focusing on new home projects (including subject project sales). 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.

A map showing the locations of the comparables is presented on the following page, which is followed by an adjustment grid and conclusion of value.

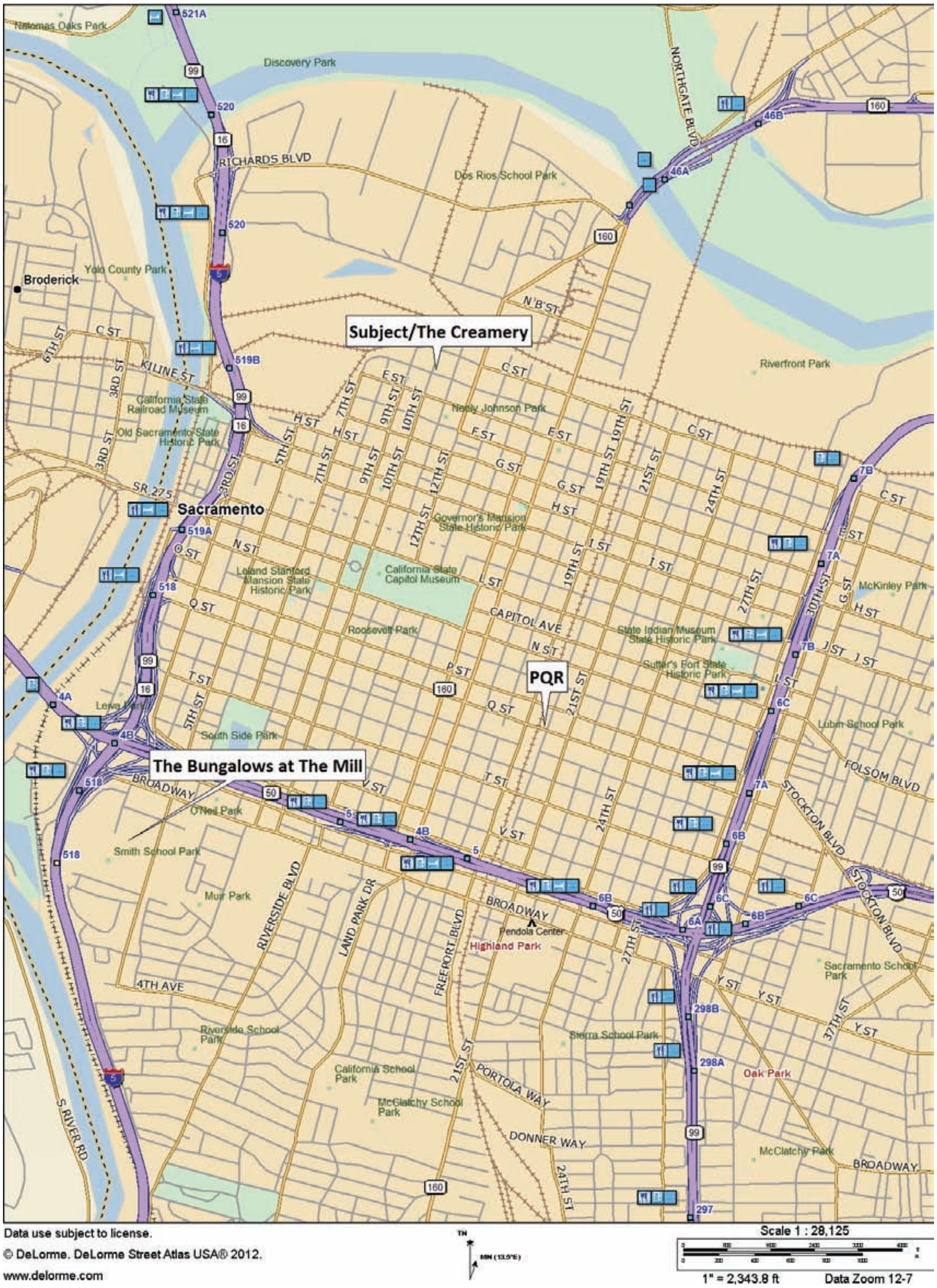
Adjustment Factors

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 estimates applied where information was inferred.

Note that this analysis assumes the subject property is encumbered by Special Taxes for CFD No. 2015-02. Comparable sales analyzed from outside of the subject project do not have Special Taxes and, relative to the subject in this regard, are superior and require downward adjustments. The subject property has two maximum Special Tax categories for completed homes, which, over 117 units, average to $2,426/home. Assuming a 4.25% bond rate and 30 year bond term, the bond encumbrance at the maximum tax rate equates to $40,706 per home. While homes with Special Taxes sell for less than homes without all else being equal, market evidence has shown that full bond encumbrances (or payoff balances) do not have a dollar-for-dollar impact on pricing. If they did, developers wouldn't elect to pursue CFD financing. However, homebuyers do consider taxes when making home buying decisions; when bumping up against affordability thresholds during loan underwriting, the impact of Special Taxes can be significant. But for most buyers, the impact of the Special Tax is less pronounced and is considered qualitatively. Most market participants consider the carrying cost of Special Taxes over a homeownership period of five to ten years. In this report, we considered the present value of the Special Taxes over a typical homeownership period of seven years. For the subject, an average maximum Special Tax of $2,426 has a seven year present value of $14,427, which represents about a third of the full bond encumbrance. In our analysis, comparables without Special Taxes receive downward adjustments of $15,000 (based on the calculated present value, rounded).

The adjustments applied are reflected in the adjusted grids that follow.

Comparables Map



PROPERTY ID:		**THE CREAMERY**								
Plan Info:		**Base Plan 1**								
Item		Subject Property	Comparable No. 1a		Comparable No. 1b		Comparable No. 2		Comparable No. 3a	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	409 10TH ST / LOT 5		313 CREAMERY LANE / LOT 60		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$594,332		$632,915		$430,000		$597,306
Price/Living Area				$340.59		$362.70		$296.35		$344.07
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	YES	($3,500)	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$594,332		$629,415		$426,500		$592,306
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	4/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			8/16 CONTRACT 2.3%	$13,372	4/17 CONTRACT	$0				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($59,231)
Taxes		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF		1,500	1,550 $10 psf	($500)	1,755 $10 psf	($2,550)	1,500 $10 psf	$0	1,500 $10 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	INTERIOR	$0	PASEO	($20,000)	INTERIOR	$7,500	RAILROAD 5.0%	$29,615
Type (Attached/Detached)		ALLEY	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2017	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2-3 / 2.5	-- / 2 / 2.5	$0	-- / 2 / 2.5	$0	-- / 4 / 3	($5,000)	-- / 2 / 3.5	($10,000)
Living Area	$85.00	1,745 SF	1,745 SF	$0	1,745 SF	$0	1,451 SF	$24,990	1,736 SF	$765
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		COMMON AREA	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID-LEVEL	MID LEVEL	$0	MID LEVEL	$0	GROUND FLOOR	$10,000	GROUND FLOOR	$10,000
Fencing		N/A	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		BASE AMENITY LEVEL	SUPERIOR	($74,342)	SUPERIOR	($45,925)	SIMILAR	$0	SIMILAR	$0
Solar		NONE	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($61,470)		($68,475)		$86,465		($43,850)
Gross Adjustments			14.84%	$88,214	11.37%	$71,975	30.22%	$129,965	21.70%	$129,611
Indicated Base Value				$532,862		$560,940		$512,965		$548,456

Minimum Adjusted Price	$512,965
Maximum Adjusted Price	$560,940
Median Adjusted Price	$540,659
Average Indicated Adjusted Price	$538,806
Concluded Value	**$545,000**
Value Per Square Foot	**$312.32**

PROPERTY ID:		THE CREAMERY								
Plan Info:		Base Plan 2								
Item		Subject Property	Comparable No. 1b		Comparable No. 1d		Comparable No. 2		Comparable No. 3a	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	405 10TH ST / LOT 6		306 11th STREET / LOT 74		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$623,671		$609,490		$430,000		$597,306
Price/Living Area				$343.05		$335.25		$296.35		$344.07
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	YES	($3,500)	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$623,671		$605,990		$426,500		$592,306
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	4/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			7/16 CONTRACT 2.5%	$15,592	4/17 CONTRACT	$0				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($59,231)
Taxes		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF	$10.00	1,500	1,670 $10 psf	($1,700)	1,761 $10 psf	($2,610)	1,500 $10 psf	$0	1,500 $10 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	INTERIOR	$0	INTERIOR	$0	INTERIOR	$7,500	RAILROAD 5.0%	$29,615
Type (Attached/Detached)		DETACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2015	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2-3 / 2.5	-- / 2-3 / 2.5	$0	-- / 2 / 2.5	$0	-- / 4 / 3	($5,000)	-- / 2 / 3.5	($10,000)
Living Area	$85.00	1,818 SF	1,818 SF	$0	1,818 SF	$0	1,451 SF	$31,195	1,736 SF	$6,970
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		COMMON AREA	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID LEVEL	MID LEVEL	$0	MID LEVEL	$0	GROUND FLOOR	$10,000	GROUND FLOOR	$10,000
Fencing		N/A	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		BASE AMENITY LEVEL	SUPERIOR	($83,681)	SUPERIOR	($47,500)	SIMILAR	$0	SIMILAR	$0
Solar		NONE	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($69,789)		($50,110)		$92,670		($37,645)
Gross Adjustments			16.19%	$100,973	8.80%	$53,610	31.67%	$136,170	22.74%	$135,816
Indicated Base Value				$553,882		$555,880		$519,170		$554,661

Minimum Adjusted Price	$519,170
Maximum Adjusted Price	$555,880
Median Adjusted Price	$554,271
Average Indicated Adjusted Price	$545,898
Concluded Value	**$555,000**
Value Per Square Foot	**$305.28**

PROPERTY ID:		**THE CREAMERY**								
Plan Info:		**Base Plan 3**								
Item		Subject Property	Comparable No. 1e		Comparable No. 1f		Comparable No. 2		Comparable No. 3b	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	1011 ICE CREAM LANE / LOT 16		307 10TH ST / LOT 55		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$662,091		$737,692		$430,000		$624,500
Price/Living Area				$287.24		$320.04		$296.35		$330.95
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	NONE	$0	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$662,091		$737,692		$426,500		$619,500
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	3/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			7/16 CONTRACT 2.5%	$16,552	11/16 CONTRACT 1.5%	$11,065				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($61,950)
Taxes		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF	$10.00	1,500	1,780 $10 psf	($2,800)	1,755 $10 psf	($2,550)	1,500 $10 psf	$0	1,500 $10 psf	$0
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	PASEO	($20,000)	INTERIOR	$0	INTERIOR	$7,500	RAILROAD 5.0%	$30,975
Type (Attached/Detached)		DETACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2017	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2-4 / 2.5	-- / 2 / 2.5	$0	-- / 2 / 2.5	$0	-- / 4 / 3	($5,000)	-- / 2 / 3.5	($10,000)
Living Area	$85.00	2,305 SF	2,305 SF	$0	2,305 SF	$0	1,451 SF	$72,590	1,887 SF	$35,530
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		COMMON AREA	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID LEVEL	MID LEVEL	$0	MID LEVEL	$0	GROUND FLOOR	$10,000	GROUND FLOOR	$10,000
Fencing		N/A	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		BASE AMENITY LEVEL	SUPERIOR	($85,101)	SUPERIOR	($163,202)	SIMILAR	$0	SIMILAR	$0
Solar		NONE	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($91,349)		($154,687)		$134,065		($10,445)
Gross Adjustments			18.80%	$124,453	23.97%	$176,817	41.29%	$177,565	26.97%	$168,455
Indicated Base Value				$570,742		$583,005		$560,565		$609,055

Minimum Adjusted Price	$560,565
Maximum Adjusted Price	$609,055
Median Adjusted Price	$576,874
Average Indicated Adjusted Price	$580,842
Concluded Value	**$580,000**
Value Per Square Foot	**$251.63**

PROPERTY ID:		**THE CREAMERY**								
Plan Info:		**Model Plan 1**								
Item		Subject Property	Comparable No. 1a		Comparable No. 1b		Comparable No. 2		Comparable No. 3a	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	409 10TH ST / LOT 5		313 CREAMERY LANE / LOT 60		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$594,332		$632,915		$430,000		$597,306
Price/Living Area				$340.59		$362.70		$296.35		$344.07
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	YES	($3,500)	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$594,332		$629,415		$426,500		$592,306
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	4/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			8/16 CONTRACT 2.3%	$13,372	4/17 CONTRACT	$0				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($59,231)
Taxes/Bonds (per year)		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF	$10.00	2,096	1,550 $10 psf	$5,460	1,755 $10 psf	$3,410	1,500 $10 psf	$5,960	1,500 $10 psf	$5,960
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	INTERIOR	$0	PASEO	($20,000)	INTERIOR	$7,500	RAILROAD 5.0%	$29,615
Type (Attached/Detached)		DETACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2017	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 3 / 2.5	-- / 2-3 / 2.5	$0	-- / 2 / 2.5	$0	-- / 4 / 3	($5,000)	-- / 2 / 3.5	($10,000)
Living Area	$85.00	1,745 SF	1,745 SF	$0	1,745 SF	$0	1,451 SF	$24,990	1,736 SF	$765
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID-LEVEL AND ROOFTOP	MID LEVEL	$30,000	MID LEVEL	$30,000	GROUND FLOOR	$40,000	GROUND FLOOR	$40,000
Fencing		YES	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		ABOVE AVERAGE - 50k	SL. SUPERIOR	($24,342)	SL. INFERIOR	$4,075	INFERIOR	$50,000	INFERIOR	$50,000
Solar		NONE	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				$24,490		$17,485		$172,425		$42,110
Gross Adjustments			12.31%	$73,174	9.64%	$60,985	50.22%	$215,925	36.09%	$215,571
Indicated Base Value				$618,822		$646,900		$598,925		$634,416

Minimum Adjusted Price	$598,925
Maximum Adjusted Price	$646,900
Median Adjusted Price	$626,619
Average Indicated Adjusted Price	$624,766
Concluded Value	**$635,000**
Value Per Square Foot	**$363.90**

PROPERTY ID:		**THE CREAMERY**								
Plan Info:		**Model Plan 2**								
Item		Subject Property	Comparable No. 1b		Comparable No. 1d		Comparable No. 2		Comparable No. 3a	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	405 10TH ST / LOT 6		306 11th STREET / LOT 74		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$623,671		$609,490		$430,000		$597,306
Price/Living Area				$343.05		$335.25		$296.35		$344.07
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	YES	($3,500)	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$623,671		$605,990		$426,500		$592,306
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	4/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			7/16 CONTRACT 2.5%	$15,592	4/17 CONTRACT	$0				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($59,231)
Taxes/Bonds (per year)		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF	$10.00	1,755	1,670 $10 psf	$850	1,761 $10 psf	($60)	1,500 $10 psf	$2,550	1,500 $10 psf	$2,550
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		INTERIOR	INTERIOR	$0	INTERIOR	$0	INTERIOR	$7,500	RAILROAD 5.0%	$29,615
Type (Attached/Detached)		DETACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2017	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total Bdrm Bth	Total Bdrm Bth		Total Bdrm Bth		Total Bdrm Bth		Total Bdrm Bth	
Bath	$10,000	-- 2-3 2.5	-- 2 2.5	$0	-- 2 2.5	$0	-- 4 3	($5,000)	-- 2 3.5	($10,000)
Living Area	$85.00	1,818 SF	1,818 SF	$0	1,818 SF	$0	1,451 SF	$31,195	1,736 SF	$6,970
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID-LEVEL AND ROOFTOP	MID LEVEL	$30,000	MID LEVEL	$30,000	GROUND FLOOR	$40,000	GROUND FLOOR	$40,000
Fencing		YES	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		ABOVE AVERAGE - 50k	SUPERIOR	($33,681)	SL. INFERIOR	$2,500	INFERIOR	$50,000	INFERIOR	$50,000
Solar		NONE	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				$12,761		$32,440		$175,220		$44,905
Gross Adjustments			12.85%	$80,123	5.92%	$36,060	50.87%	$218,720	36.56%	$218,366
Indicated Base Value				$636,432		$638,430		$601,720		$637,211

Minimum Adjusted Price	$601,720
Maximum Adjusted Price	$638,430
Median Adjusted Price	$636,821
Average Indicated Adjusted Price	$628,448
Concluded Value	**$635,000**
Value Per Square Foot	**$349.28**

PROPERTY ID:		**THE CREAMERY**								
Plan Info:		**Model Plan 3**								
Item		Subject Property	Comparable No. 1e		Comparable No. 1f		Comparable No. 2		Comparable No. 3b	
Project		THE CREAMERY	THE CREAMERY		THE CREAMERY		THE BUNGALOWS		PQR	
Builder		TYPICAL	N/Av		N/Av		N/Av		GROUP	
Master Plan		NONE	THE MILL		THE MILL		THE MILL		NONE	
New or Resale		NEW	NEW		NEW		NEW		NEW	
Address		BASE ASKING PRICE	1011 ICE CREAM LANE / LOT 16		307 10TH ST / LOT 55		BASE ASKING PRICE		BASE ASKING PRICE	
Location		ALKALI FLAT	ALKALI FLAT		ALKALI FLAT		UPPER LAND PARK		MIDTOWN	
Proximity to Subject		N/A	SAME		SAME		< 2.0 MILES S		< 1.0 MILE SE	
Price				$662,091		$737,692		$430,000		$624,500
Price/Living Area				$287.24		$320.04		$296.35		$330.95
Data Source		BUILDER	BUILDER		BUILDER		WEBSITE		THE GREGORY GROUP	
ADJUSTMENTS										
Concessions		VARIABLE	NONE	$0	NONE	$0	YES	($3,500)	ESTIMATED	($5,000)
CASH EQUIVALENT PRICE				$662,091		$737,692		$426,500		$619,500
Sale Conditions		MARKET	MARKET	$0	MARKET	$0	ASK PRICE AT MARKET PRICING	$0	ASK PRICE AT MARKET PRICING	$0
Market Conditions	0.25%	CURRENT	3/17 COE	$0	PENDING	$0	CURRENT	$0	CURRENT	
			7/16 CONTRACT 2.5%	$16,552	11/16 CONTRACT 1.5%	$11,065				
Project Location		ALKALI FLAT	ALKALI FLAT	$0	ALKALI FLAT	$0	UPPER LAND PARK 10.0%	$42,650	MIDTOWN -10.0%	($61,950)
Taxes/Bonds (per year)		SPECIAL TAXES	SIMILAR	$0	SIMILAR	$0	SUPERIOR	($15,000)	SUPERIOR	($15,000)
HOA/month		YES	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Community Appeal/Project Identity		AVERAGE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Density, (if attached)		N/A	N/A	$0	N/A	$0	N/A	$0	N/A	$0
Lot Size SF	$10.00	1,989	1,780 $10 psf	$2,090	1,755 $10 psf	$2,340	1,500 $10 psf	$4,890	1,500 $10 psf	$4,890
View		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Site Influence		END CAP	PASEO	($17,500)	INTERIOR	$2,500	INTERIOR	$2,500	RAILROAD/INTERIOR	$33,475
Type (Attached/Detached)		DETACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Design, Appeal & Features		GOOD	SIMILAR	$0	SIMILAR	$0	AVERAGE 5.0%	$21,325	SIMILAR	$0
Year Built		2017	2017		2017		2017		2017	
Effective Age	1.00%	0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0	0 0.0%	$0
Condition		NEW/GOOD	NEW	$0	NEW	$0	NEW	$0	NEW	$0
Room Count Bdrm	$0	Total / Bdrm / Bth	Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth		Total / Bdrm / Bth	
Bath	$10,000	-- / 2-4 / 2.5	-- / 2 / 2.5	$0	-- / 2 / 2.5	$0	-- / 4 / 3	($5,000)	-- / 2 / 3.5	($10,000)
Living Area	$85.00	2,305 SF	2,305 SF	$0	2,305 SF	$0	1,451 SF	$72,590	1,887 SF	$35,530
Stories	$10,000	3 STY	3 STY	$0	3 STY	$0	3 STY	$0	3 STY	$0
Functional Utility		GOOD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Heating		FAU - CENTRAL ZONED	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0	CENTRAL ZONED	$0
Garage	$10,000	2 FULL	2 FULL	$0	2 FULL	$0	2 FULL	$0	2 FULL	$0
Garage Type		ATTACHED	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Landscaping		FRONT YARD	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Pool/Spa		NONE	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Patios/Decks		MID-LEVEL AND ROOFTOP	MID LEVEL	$30,000	MID LEVEL	$30,000	GROUND FLOOR	$40,000	GROUND FLOOR	$40,000
Fencing		YES	SIMILAR	$0	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	0 FIREPLACE(S)	$0
Appliances		DW, R/O, DISPOSAL	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Upgrades/Options		ABOVE AVERAGE - 50k	SUPERIOR	($35,101)	SUPERIOR	($113,202)	INFERIOR	$50,000	INFERIOR	$50,000
Solar		YES	NONE	$0	NONE	$0	NONE	$0	NONE	$0
Other		N/A	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0	SIMILAR	$0
Net Adjustments				($3,959)		($67,297)		$213,955		$76,945
Gross Adjustments			15.29%	$101,243	21.57%	$159,107	59.87%	$257,455	40.97%	$255,845
Indicated Base Value				$658,132		$670,395		$640,455		$696,445

Minimum Adjusted Price	$640,455
Maximum Adjusted Price	$696,445
Median Adjusted Price	$664,264
Average Indicated Adjusted Price	$666,357
Concluded Value	**$670,000**
Value Per Square Foot	**$290.67**

Base Plan and Model Conclusions

The estimated model values are summarized below. Also shown below, we estimate base values for each plan by deducting the previously estimated adjustments for lot premiums and upgrades (based on contributory value, which is less than retail value).

Base Plan and Model Conclusions

Plan	Living Area (SF)	Unit Mix (1)	Base Value	Current Base Price (2)
Plan 1	1,745	44	$545,000	$543,990 - $550,990
Plan 2	1,818	48	$555,000	$545,990 - $563,990
Plan 3	2,305	25	$580,000	$577,990 - $602,990
Weighted Avg/	1,895	117	$556,581	
Plan 1 Model	1,745	1	$635,000	
Plan 2 Model	1,818	1	$635,000	
Plan 3 Model	2,305	1	$670,000	

(1) Based on Developer's mix, homes pre-plotted for lot sizing
(2) Varies by elevation

Using the Developer’s unit mix and plans, the project has a weighted average home size 1,895 square feet and suggested weighted average base price of $556,581. In the next section of this report, we utilize the subdivision development method to determine the subject’s land value. This method replicates the perspective of the probable buyer (builder) of the subject based on market assumptions, as opposed to the exact mix and plans currently offered. It is our conclusion the Developer’s current unit mix and home sizing are within market parameters. We conclude that, in general, another builder would likely offer an average home size of 1,900 square feet and have offer homes with an average value of $555,000.

Retail Value of 35 Completed Production Homes

Using the estimated base plan values, below we estimate the aggregate retail value of the 35 production homes that have transferred to individuals. As stated, because the plan values do not account for upgrades and premiums, the plan values and aggregate retail figure represent not-less-than estimates.

Aggregate Value - 35 Completed and Transferred Homes

Plan		Living Area (SF)	Retail Value	Unit Mix	Total Revenue
Plan 1		1,745	$545,000	15	$8,175,000
Plan 2		1,818	$555,000	13	$7,215,000
Plan 3		2,305	$580,000	7	$4,060,000
	Wght Avg.	1,884		35	
			Aggregate Not-Less-Than Value:		**$19,450,000**

Lot Valuation

The CFD contains 117 lots of which 38 homes (35 sold production and three models) are valued separately. In the valuation of the subject's remaining 79 lots (of which 25 lots are tentatively-mapped and unimproved), we utilize the subdivision development method (land residual analysis) and the sales comparison approach. For each approach, we begin by estimating the subject's value as if site development is completed. Remaining site development costs and profit will be later deducted.

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 a 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 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 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

As noted previously, we estimate an average base price of $555,000 for the subject, which represents an average size of 1,900 SF. The estimated prices assume average quality and amenities for this market segment, 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.

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.

As discussed in the *Residential Market Overview*, from the date of inspection, we estimate prices will increase 3% per year over the subject's sell-off period (applied quarterly). 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).

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.

Lot Premiums

Even though the subject is a medium density project without lot size premiums, premiums will still be achieved for lot positioning, as evidenced by recent contracts. We estimate premiums of $5,000 for end-cap lots (which are corner located and afford side windows and additional lighting), and $15,000 for paseo lots (lots where units front common open space/park areas). Moreover, the northernmost portion of the subject project is near railroad tracks. Like previously discussed, we estimate a discount of around 5% ($25,000) for these units. As stated, the units that have sold to date nearer the railroad have not achieved discounted prices.

Our summary of lot premiums (and discounts) for the subject is provided on the following page. Overall, premiums for end-caps and paseos are mostly offset by railroad pricing discounts. The estimated premiums are spread evenly over the anticipated sell-off period. While lot premiums may change over a market cycle, builders do not typically increase or decrease lot premiums as home prices are adjusted. Often, builders utilize a fixed lot premium schedule determined at the project outset.

Lot Premiums

Lot #	End Cap	Paseo	Railroad	Total	Lot #	End Cap	Paseo	Railroad	Total
39	$5,000			$5,000	68	$5,000	$15,000		$20,000
40	$5,000			$5,000	69		$15,000		$15,000
41	$5,000		($25,000)	($20,000)	70		$15,000		$15,000
42	$5,000		($25,000)	($20,000)	71		$15,000		$15,000
43	$5,000		($25,000)	($20,000)	72	$5,000	$15,000		$20,000
44	$5,000		($25,000)	($20,000)	73	$5,000			$5,000
45	$5,000		($25,000)	($20,000)	77	$5,000			$5,000
46	$5,000		($25,000)	($20,000)	78	$5,000			$5,000
47	$5,000		($25,000)	($20,000)	82	$5,000			$5,000
48	$5,000		($25,000)	($20,000)	83	$5,000			$5,000
49	$5,000		($25,000)	($20,000)	84	$5,000			$5,000
50			($25,000)	($25,000)	85	$5,000			$5,000
51			($25,000)	($25,000)	87	$5,000			$5,000
52	$5,000		($25,000)	($20,000)	88	$5,000			$5,000
53	$5,000		($25,000)	($20,000)	92	$5,000			$5,000
54	$7,500			$7,500	93	$5,000			$5,000
58	$5,000			$5,000	97	$5,000			$5,000
59	$5,000	$15,000		$20,000	98	$5,000			$5,000
60		$15,000		$15,000	102	$5,000			$5,000
61		$15,000		$15,000	103	$5,000			$5,000
62		$15,000		$15,000	107	$5,000			$5,000
63	$5,000	$15,000		$20,000	108	$5,000			$5,000
64	$5,000	$15,000		$20,000	112	$5,000			$5,000
65	$5,000	$15,000		$20,000	113	$5,000			$5,000
66	$5,000	$15,000		$20,000	117	$5,000			$5,000
67	$5,000	$15,000		$20,000					
Total	$92,500	$90,000	($325,000)	($142,500)		$110,000	$75,000	$0	$185,000
End Cap	$202,500								
Paseo	$165,000								
Railroad	($325,000)								
Total	$42,500								

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. As stated, the Developer of the subject has included upgrades with a retail value of $100,000/model, on average. We estimate three models per product line would be needed for the subject, if the lots were sold to another builder. Moreover, a model cost of $145,000/home is reasonable, which includes $100,000 in upgrades, $40,000/model in personal property/furniture and $5,000/model for sales office conversion. The total model expense equates to $435,000.

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. Using an estimate of 40%, the estimated recapture equates to $174,000 in total per product line ($58,000 per model).

Option Revenue

For the subject market segment, a builder in the current competitive environment would likely underwrite its purchase with a standard options allocation. As stated, homes sold to date within the subject project have averaged $80,000 in home upgrades, which represents approximately 14.4% of the estimated average base price. We utilize an estimate of 10% of base revenue. Further, we estimate option cost at 75% of option revenue.

Options Survey

Location	Year	Builder Type	Average Base Price	Options Allocation	Option Revenue as % of Base Revenue	Options Cost	Options Cost at % of Option Revenue	Source/Comment
Reno, NV	2017	Private	$465,625	$12,500	3%	$10,000	80%	Pro Forma, pre-construction
Lemoore	2016	Private	$245,000	$5,000	2%	$3,750	75%	Pro Forma, pre-construction
San Jose	2016	Private	$1,210,500	$36,315	3%	$29,052	80%	Pro Forma, pre-construction
El Dorado Hills	2016	Private	$930,000	$166,305	18%	$134,938	81%	Budget, mid-construction
Reno, NV	2016	Private	$819,139	$60,000	7%	$42,000	70%	Pro Forma, pre-construction
Sacramento, CA	2016	Private	$561,990	$11,240	2%	$8,430	75%	Pro Forma, pre-construction
Hollister, CA	2016	Public	$536,868	$32,000	6%	$20,800	65%	Budget, mid-construction
Pittsburg, CA	2016	Private	$489,000	$9,160	2%	$5,496	60%	Pro Forma, pre-construction
Lathrop, CA	2016	Private	$465,158	$35,000	8%	$24,500	70%	Pro Forma, pre-construction
Soledad, CA	2016	Public	$369,445	$7,389	2%	$5,172	70%	Budget, mid-construction
Fresno, CA	2016	Public	$352,764	$7,055	2%	$4,586	65%	Budget, mid-construction

Absorption and Timing

As discussed in the *Residential Market Analysis*, we estimate absorption at 9.0 units per quarter (based on 3.0 per month). Sales begin in Period 1 at a diminished rate (initial stages of construction, pre-model completion). 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.

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:

Sales Commissions, Closing Costs and Warranty

Sales commissions, closing costs and warranty expenses typically are non-financeable and are paid at home closing. Sales commissions include both internal commissions and broker co-op. We previously estimated sales commissions at 3.0% of gross revenue. Closing and warranty expenses were previously estimated at 0.50% and 1.00%, respectively.

Home Construction Costs:

Direct construction costs pertain to the labor and materials to build the project. As previously discussed, we estimate direct construction costs at $110/SF (weighted average). Home construction costs are spread over three periods for each home sale, which recognizes some expenses are occur before physical construction occurs. The cash flow shows the first expenses occurring in the period before point of sale, and finishing the period of home closing.

Changes in Expenses (Expense Increases or Decreases)

While the "all items less food and energy" CPI index has been around 1.5% to 2.0% over the last 12 months, builders have reporting direct cost increases over the last 12 months in the 3% to 5% per year range. The increases are attributable to increases in labor costs (labor shortage) and materials. As the market adjusts, we expect lesser increases over the next 12 months. To account for anticipated increases in expenses over the project life, we trend direct and indirect constructions costs upward at a rate of 2.0% per year (0.5%/quarter).

Building Permits and Fees

As previously stated, in a market sale, we estimate that a buyer of the subject would budget for permits and fees of approximately $30,000/lot, which is generally similar to the actual fees achieved by the current developer. This estimate is applied to the number of homes sold in each period.

Model Costs

As previously discussed, model costs are estimated at $435,000 (reflected in Period 1).

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 2% and 4% of gross sales. We apply an estimate of 3.0%. This expense is spread evenly over the sell-off period.

Marketing

Like previously discussed, we estimate marketing expenses at 1.50% of gross sales. This expense is spread evenly over the sell-off period.

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, field overhead and project coordinator fees. As previously discussed, we estimate other indirect costs at 4.25% of the anticipated sale price, which is spread evenly over the sell off period.

Real Estate Taxes
The subject's taxes are estimated based on the current tax rate of around 1.14% applied to the estimated market value. Taxes 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
Based on a review of tax rolls in the area, direct levies for the subject as vacant lots are $100/lot. This amount is applied to the unclosed beginning period inventory.

Special Taxes
The average Year 1 Special Tax for the subject is $2,426. This amount is applied to the unclosed beginning period inventory. Taxes are increased 2% every four quarters.

HOA
A prudent developer would annex homes into a HOA in phases, after homes are built (typically upon issuance of certificate of occupancy). As a result, the developer rarely pays the HOA fee. Exceptions include instances where homes fall out of contact after certificates of occupancy have been issued, or market conditions stall and the developer is left paying fees for a large group of homes. We have included an allocation of $330/lot/year (25% of the annual fee of $1,320) to account for such risk factors. No HOA fee is reflected until the first homes are closed.

Options Costs
Like previously discussed, there is strong demand for lots and the market is expanding. A builder in this competitive environment would likely underwrite its purchase with a standard options allocation. Based on the prior survey presented, we estimate options costs at 75% of option revenue.

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 (if any) and profit (if any) after concluding a value as if finished.

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 2016 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 2016 data is the most recent available). This survey indicates that the average rate is currently 16.00%, with a range of 10.00% to 20.00%. The average rate is up 50 basis points from 6 months ago and one year prior. 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 1,000 basis points (an average increase of 470 basis points). Further, the published rates are based on an unimproved condition.

Excerpts from recent PwC surveys are copied below.

> Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Their expected appreciation rate ranges up to 10.0% and averages 5.6% – slightly below the rate six months ago (5.9%).(Fourth Quarter 2015)
>
> One certainty that investors express this quarter is that the commercial real estate industry is closer to the end of the current expansion phase of the cycle than at the beginning of it. From there, opinions vary with regard to how much longer the current expansion will continue, which property types and geographies will be better isolated from the impending downturn, and what factors will markedly impact property values and pricing going forward. (Second Quarter 2015)
>
> 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)

In addition to PwC data, the latest Developer survey from Realty Rates (4th Quarter 2016) shows discount rates for the California/Pacific Island region ranging from 16.82 to 40.57%, with an average of 26.58%, for entitled site-built residential projects less than 100 units.

California/Pacific Islands: Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	16.82%	40.57%	26.58%	16.15%	38.95%	25.51%
-100 Units	16.82%	34.98%	25.38%	16.15%	33.58%	24.37%
100-500 Units	17.24%	38.48%	26.74%	16.55%	36.94%	25.67%
500+ Units	17.66%	40.22%	27.21%	16.95%	38.62%	26.12%
Mixed Use	18.08%	40.57%	26.98%	17.36%	38.95%	25.90%
Manufactured Housing	16.97%	42.31%	27.46%	16.29%	40.62%	26.36%
-100 Units	16.97%	36.79%	26.34%	16.29%	35.32%	25.29%
100-500 Units	17.40%	40.47%	27.78%	16.70%	38.85%	26.67%
500+ Units	17.82%	42.31%	28.26%	17.11%	40.62%	27.13%
Business Parks	16.97%	40.78%	26.77%	16.29%	39.15%	25.70%
-100 Acres	16.97%	35.46%	25.69%	16.29%	34.04%	24.66%
100-500 Acres	17.40%	39.01%	27.07%	16.70%	37.45%	25.99%
500+ Acres	17.82%	40.78%	27.54%	17.11%	39.15%	26.44%
Industrial Parks	17.08%	35.23%	24.32%	16.40%	33.82%	23.34%
-100 Acres	17.08%	30.64%	23.38%	16.40%	29.41%	22.45%
100-500 Acres	17.51%	33.70%	24.58%	16.81%	32.35%	23.60%
500+ Acres	17.93%	35.23%	24.99%	17.22%	33.82%	23.99%

*4th Quarter 2016 Data

Source: RealtyRates.com Investor Survey Q1 - 2017

California/Pacific Islands: CA, Guam, HI

Further support for an appropriate yield rate is from the opinions of market participants. A discount rate survey (completed by BBG, Inc.) is presented below.

Builder IRR Survey *by BBG, Inc. - Sacramento/San Francisco*

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) often closer to 30%
Sacramento CFO - Pulte (2010)	Sacramento MSA	18% minimum, 20% target
Pro Forma (based on market acquisition)	**Area**	**Expectation**
Private Builder acquiring 10 +/- unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.02%
Private Builder acquiring 200+ unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.12% (two product lines)
Private Builder acquiring 130+ blue-top lots (2015)	San Francisco Bay Area	21.41%

Information may not be copied or distributed beyond the intended users of this report.

The BBG survey reveals discount rates generally range from 18% to 25%. Based on the subject's characteristics, we estimate an IRR of 25% for the subject. The estimated IRR is at the high end of the survey range, which is attributable to its higher profit rate as an urban project.

At the estimated value conclusion, we've utilized a bifurcated model to determine whether the cash flows yield an adequate profit relative to likely financing costs. The bifurcated model assumes market risk is reflected in both profit and cost of funds (discount rate).

Interviews with home builders provide support for a profit range from 8-15% of home price, as supported by the following profit survey. Note that the profit survey about was based on respondents of suburban area projects. Urban projects typically require much higher profits, as capital outlays for construction are nearly double that of suburban projects.

Profit (Developer's Incentive) Survey *by BBG, Inc. - Sacramento/San Francisco*

Interviewee	Market Coverage	Expectation
Greg Ackerman - Meritage Homes (2016)	Sacramento MSA	18% on finished lots (unlevered); 14% net (after internal financing), 600 basis points higher for raw/unentitled
Josh Roden - Brookfield Homes (Nov. 2016)	San Francisco Bay Area	Min. 10% net profit, min. 18% gross margin
Gary Galindo - Signature Properties (2015)	San Francisco Bay Area	10% target on all projects
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
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)
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

Pro Forma (based on market acquisition)	Area	Expectation
Public builder acquiring 10 +/- partially finished lots (2017)	San Francisco Bay Area	14.46% net profit from production homes averaging $825K, including profit associated with completing site development
Private builder acquiring 20 +/- zoned, unentitled lots (2016)	San Francisco Bay Area	15.63% net profit from production homes averaging $685K, including profit associated with completing site development and entitlements
Private builder acquiring 15 +/- unimproved lots (2016)	Sacramento MSA	6.28% net profit from production homes averaging $475K, including profit associated with completing site development
Private builder acquiring 50 +/- unimproved lots (2016)	San Francisco Bay Area	11.58% profit from production homes averaging $750K (including BMR units), including profit associated with procuring General Plan Amendment and Rezone
Private builder acquiring 10 +/- unimproved lots (2016)	San Francisco Bay Area	12.31% net profit from production homes averaging $1.2M; 15.79% gross profit
Private builder acquiring 20+ finished lots (2016)	Lemoore/Hanford	8.0% net profit from production homes averaging $245K
Private builder acquiring 90+ finished lots (2016)	Mountain House/Lathrop	12.4% net profit before upgrades from production homes averaging $475K, plus 0.9% after upgrades. After profit participation, 10.4% net profit before upgrades, plus 0.9% after upgrades
Private builder acquiring 40+ finished lots (2016)	Sacramento MSA	6.5% net profit before upgrades from production homes averaging $465K, plus 1.6% after upgrades
Public builder acquiring 100+ finished lots (2016)	Sacramento MSA	9.34% net profit before upgrades from production homes averaging $350K, plus 1.2% after upgrades
Private builder acquiring 100+ finished lots (2015)	San Francisco Bay Area	17.6% profit net of debt and equity financing before upgrades from production homes averaging $1,000,000, plus 0.5% after upgrades
Private builder acquiring 100+ finished lots (2016)	Mountain House/Lathrop	9% net profit before upgrades and after profit participation from production homes averaging $500K
Private builder acquiring 100+ unimproved lots (2015)	Santa Rosa/Petaluma	10.02% profit before upgrades from production homes averaging $500K
Private builder acquiring 60+ finished lots (2015)	Mountain House/Lathrop	9.07% profit before upgrades from production homes averaging $425K, plus 0.8% after upgrades
Private builder acquiring 50+ finished lots (2015)	Mountain House/Lathrop	11.28% profit before upgrades and after profit participation from production homes averaging $500K
Private builder acquiring 50+ finished lots (2015)	Mountain House/Lathrop	10.18% net profit before upgrades and after profit participation from production homes averaging $500K

Note: Net profit implies net of debt financing only (some builders do not utilize or report equity financing), unless otherwise specified

The reported profit expectations above are net of debt financing but before equity financing (unless otherwise noted). Based on the subject characteristics, we've estimated a profit of 9.0%, net of debt and equity financing (or before accounting for the time value of money). Net of debt financing only, the cash flow model yields a profit of 11.7%, which is at the high end of survey range, as expected. In light of the subject's unique characteristics and higher capital expenditure (direct costs) than ordinary suburban profits with more affordable prices, a higher profit would be needed as an incentive to a developer.

Typical debt financing is summarized as follows:

Cost of Funds Survey *by BBG, Inc. - Sacramento/San Francisco*

Source	Area	Expectation
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	70% LTV or 80% LTC on completed homes at 5.25% interest, plus one point
Private Builder Pro Forma using Regional Bank (2016)	Manteca/Lathrop	65% LTV on finished lot acquisition, 75% LTC on vertical, at 5.0% interest, points not reported
Private Builder (anonymous) using National Bank (2016)	Secondary market in San Joaquin County	Prime plus 1%, develoment and construction in one loan based on the lesser of 75% Loan to Retail Value or 83% Loan to Total Cost. Plus 1.25 points.
Private Builder Pro Forma using Regional Bank (2016)	San Francisco Bay Area and Sacramento	3.94% plus 1.25 points, 75% LTC
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.

Information may not be copied or distributed beyond the intended users of this report.

Equity financing is typically paid on a waterfall basis. Preferred returns typically range from 8% to 20% and come with minimum IRR expectations. Private equity requirements vary based on project size and type. Smaller projects may rely on private equity financing based on a preferred return only (reflecting a minor premium on rates expected from "safe" commercial investments such as low-risk self-storage facilities), while larger projects—such as master planned communities—may require a preferred return, as well as multiples of 2X or 3X, in addition to project performance requirements such as sales rate (3+/month) and unleveraged IRR requirements (25+%).

Assuming typical loan costs, we estimate a discount rate (cost of funds) of 10.0% for the subject.

To gauge the reasonableness of the estimated discount rate, we've conducted supplemental analysis on a leveraged basis. The leveraged analysis has no influence on the previously unleveraged IRR analysis. Loan interest is estimated at 5.00%, plus 0.75% in points. At a 50% Loan to Value for land acquisition and a 95% Loan to Cost on vertical construction, the Loan to Aggregate Value is 65% and the overall Loan to Cost (including land) is 81%. Equity preferred return is estimated at 8.0%. At the estimated terms, the estimated profit net of debt and equity is 9.1% and the blended cost of debt and equity is 9.7% (which are generally similar to the estimated profit at 9.0% and discount rate at 10.0%).

At the estimated loan terms, the equity return is 41.8%. Equity investors typically require a return of 30% or more.

Conclusion

A summary of the DCF analysis is provided below; the full discounted cash flow then follows.

Summary of Discounted Cash Flows

Avg. Home Size (SF)			1,900	
Number of Lots			79	
Revenue		**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**
Base Home Revenue		$555,000	$555,000	$43,845,000
Appreciated Base Home Revenue			$572,374	$45,217,519
Lot Premum Revenue		$538	$538	$42,500
Option Revenue		$55,500	$55,500	$4,384,500
Model Recapture		$2,203	$2,203	$174,000
Total Revenue (Gross Sale Proceeds)		$613,241	$630,614	$49,818,519
Expenses				
Sales Commissions	3.0%	$18,397	$18,918	$1,494,556
Closing, Legal and Title	0.50%	$3,066	$3,153	$249,093
Warranty	1.00%	$6,132	$6,306	$498,185
Direct Constructon Costs (Inflation Adjusted)		$209,000	$213,369	$16,856,126
Permits and Fees		$30,000	$30,000	$2,370,000
Model Costs		$5,506	$5,506	$435,000
General and Administrative	3.0%	$18,397	$18,918	$1,494,556
Marketing	1.5%	$9,199	$9,459	$747,278
Other Indirects (Construction/Insurance/Contingency)	4.25%	$26,063	$26,801	$2,117,287
Ad Valorem Taxes		$1,815	$2,793	$220,673
Direct Levies	$100 /yr	$100	$153	$12,050
Special Taxes		$2,426	$3,734	$294,960
HOA	$330 /yr	$330	$503	$39,765
Option Costs		$41,625	$41,625	$3,288,375
Implied Developer's Incentive		$55,901	$56,755	$4,483,667
Implied Cost of Funds		N/Ap	$33,409	$2,639,307
Total Costs		$427,957	$471,403	$37,240,876
Value Indication		$185,283	$159,211	$12,577,643
	Total		$159,241	**$12,580,000**
			(from rounded total)	**(rounded)**
Internal Rate of Return			**25.0%**	

Subdivision Development Method

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12
SALES		0	7	9	9	9	9	9	9	9	9	0	0	0
UNSOLD INVENTORY		79	72	63	54	45	36	27	18	9	0	0	0	0
CLOSE OF ESCROW		0	0	7	9	9	9	9	9	9	9	9	0	0
UNCLOSED INVENTORY			79	79	72	63	54	45	36	27	18	9	0	0
		Total												
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$43,845,000	$3,885,000	$4,995,000	$4,995,000	$4,995,000	$4,995,000	$4,995,000	$4,995,000	$4,995,000	$4,995,000	$0	$0	$0
Quarterly Rate of Apprecation			0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Adjustment Factor			1.0000	1.0075	1.0151	1.0227	1.0303	1.0381	1.0459	1.0537	1.0616	1.0696	1.0776	1.0857
APPRECIATED BASE HOME REVENUE		$45,217,519	$3,885,000	$5,032,463	$5,070,206	$5,108,233	$5,146,544	$5,185,143	$5,224,032	$5,263,212	$5,302,686	$0	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$45,217,519	$0	$3,885,000	$5,032,463	$5,070,206	$5,108,233	$5,146,544	$5,185,143	$5,224,032	$5,263,212	$5,302,686	$0	$0
LOT PREMIUM REVENUE		$42,500	$0	$3,766	$4,842	$4,842	$4,842	$4,842	$4,842	$4,842	$4,842	$4,842	$0	$0
OPTION REVENUE	$55,500	$4,384,500	$0	$388,500	$499,500	$499,500	$499,500	$499,500	$499,500	$499,500	$499,500	$499,500	$0	$0
MODEL RECAPTURE		$174,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$174,000	$0	$0
TOTAL REVENUE		$49,818,519	$0	$4,277,266	$5,536,804	$5,574,548	$5,612,574	$5,650,886	$5,689,485	$5,728,374	$5,767,554	$5,981,028	$0	$0
EXPENSES AND CASH FLOWS														
PAID AT CLOSING														
SALES COMMISSIONS (% OF TOTAL REVENUE)	3.00%	$1,494,556	$0	$128,318	$166,104	$167,236	$168,377	$169,527	$170,685	$171,851	$173,027	$179,431	$0	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)	0.50%	$249,093	$0	$21,386	$27,684	$27,873	$28,063	$28,254	$28,447	$28,642	$28,838	$29,905	$0	$0
WARRANTY (% OF TOTAL REVENUE)	1.00%	$498,185	$0	$42,773	$55,368	$55,745	$56,126	$56,509	$56,895	$57,284	$57,676	$59,810	$0	$0
SUBTOTAL:		$2,241,833	$0	$192,477	$249,156	$250,855	$252,566	$254,290	$256,027	$257,777	$259,540	$269,146	$0	$0
FINANCABLE														
DIRECT CONSTRUCTION COSTS		$16,511,000	$1,602,333	$1,741,667	$1,881,000	$1,881,000	$1,881,000	$1,881,000	$1,881,000	$1,881,000	$1,254,000	$627,000	$0	$0
Quarterly Appreciation Factor			1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407	1.0459	1.0511	1.0564
APPRECIATED DIRECT CONSTRUCTION COSTS		$16,856,126	$1,602,333	$1,750,375	$1,899,857	$1,909,356	$1,918,903	$1,928,498	$1,938,140	$1,947,831	$1,305,047	$655,786	$0	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	4.25%	$2,117,287	$211,729	$211,729	$211,729	$211,729	$211,729	$211,729	$211,729	$211,729	$211,729	$211,729	$0	$0
BUILDING PERMITS AND FEES (FIXED)		$2,370,000	$210,000	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000	$0	$0	$0
MODEL COSTS (FIXED)		$435,000	$435,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	3.00%	$1,494,556	$149,456	$149,456	$149,456	$149,456	$149,456	$149,456	$149,456	$149,456	$149,456	$149,456	$0	$0
MARKETING (% OF TOTAL REVENUE)	1.50%	$747,278	$74,728	$74,728	$74,728	$74,728	$74,728	$74,728	$74,728	$74,728	$74,728	$74,728	$0	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,815	$220,673	$35,846	$35,846	$32,670	$28,586	$24,993	$20,827	$16,662	$12,496	$8,497	$4,249	$0	$0
DIRECT LEVIES (FIXED)		$12,050	$1,975	$1,975	$1,800	$1,575	$1,350	$1,125	$900	$675	$450	$225	$0	$0
SPECIAL TAXES		$294,960	$47,914	$47,914	$43,668	$38,210	$33,406	$27,838	$22,271	$16,703	$11,358	$5,679	$0	$0
HOA (FIXED)		$39,765	$6,518	$6,518	$5,940	$5,198	$4,455	$3,713	$2,970	$2,228	$1,485	$743	$0	$0
OPTION COSTS	75%	$3,288,375	$0	$291,375	$374,625	$374,625	$374,625	$374,625	$374,625	$374,625	$374,625	$374,625	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$27,876,069	$2,775,498	$2,839,914	$3,064,472	$3,063,462	$3,063,644	$3,062,538	$3,061,480	$3,060,470	$2,407,374	$1,477,218	$0	$0
TOTAL EXPENSES		$30,117,902	$2,775,498	$3,032,391	$3,313,628	$3,314,316	$3,316,210	$3,316,828	$3,317,506	$3,318,246	$2,666,914	$1,746,364	$0	$0
NET INCOME/PROJECT RETURN		$19,700,617	($2,775,498)	$1,244,875	$2,223,176	$2,260,231	$2,296,365	$2,334,059	$2,371,979	$2,410,127	$3,100,640	$4,234,664	$0	$0
DISCOUNTED CASH FLOW ANALYSIS	**25.00%**		0.94118	0.88581	0.83371	0.78466	0.73851	0.69507	0.65418	0.61570	0.57948	0.54539	0.51331	0.48312
		$12,577,643	($2,612,233)	$1,102,726	$1,853,476	$1,773,524	$1,695,884	$1,622,326	$1,551,702	$1,483,913	$1,796,763	$2,309,561	$0	$0
	VALUE CONCLUSION	**$12,580,000**												
	INDICATED VALUE PER LOT	**$159,241**												

Profit Analysis

		0	1	2	3	4	5	6	7	8	9	10	11	12
NET PROFIT	**9.00%**	$4,483,667	$0	$384,954	$498,312	$501,709	$505,132	$508,580	$512,054	$515,554	$519,080	$538,293	$0	$0
NET INCOME AFTER PROFIT			($2,775,498)	$859,921	$1,724,864	$1,758,522	$1,791,233	$1,825,479	$1,859,925	$1,894,574	$2,581,560	$3,696,371	$0	$0
DISCOUNT RATE (COST OF FUNDS)	**10.00%**	Factor	0.97561	0.95181	0.92860	0.90595	0.88385	0.86230	0.84127	0.82075	0.80073	0.78120	0.76214	0.74356
BIFURCATED DISCOUNTED CASH FLOW		$12,537,200	($2,707,803)	$818,485	$1,601,707	$1,593,134	$1,583,189	$1,574,105	$1,564,690	$1,554,965	$2,067,128	$2,887,599	$0	$0
GROSS MARGIN	23.17%	$11,543,455												
SG&A (SALES, CLOSING, MARKETING, G&A, MODELS)	8.87%	$4,420,482												

Cost of Funds Analysis and Return of Equity

		0	1	2	3	4	5	6	7	8	9	10	11	12
PROJECT RETURN		$19,700,617	($2,775,498)	$1,244,875	$2,223,176	$2,260,231	$2,296,365	$2,334,059	$2,371,979	$2,410,127	$3,100,640	$4,234,664	$0	$0
DEBT - COST OF FUNDS (SUM OF POINTS AND INTEREST FROM BELOW)		$1,296,080	$357,352	$149,760	$149,335	$137,501	$125,179	$112,347	$98,995	$85,114	$62,953	$17,542	$0	$0
NET INCOME AFTER DEBT COST OF FUNDS ONLY		$18,404,537	($3,132,850)	$1,095,114	$2,073,841	$2,122,730	$2,171,185	$2,221,712	$2,272,984	$2,325,013	$3,037,686	$4,217,122	$0	$0
PROFIT NET OF DEBT COST OF FUNDS ONLY	**11.7%**	$5,826,894	$0	$500,279	$647,598	$652,013	$656,460	$660,941	$665,456	$670,004	$674,587	$699,555	$0	$0
BLENDED COST OF DEBT (VALUE v. RETURN LESS PROFIT)	4.9%	($12,577,643)	($2,775,498)	$744,595	$1,575,578	$1,608,219	$1,639,905	$1,673,117	$1,706,523	$1,740,123	$2,426,053	$3,535,108	$0	$0
EQUITY - OUT OF POCKET EXCLUDING LAND	5%	$1,393,803	$138,775	$141,996	$153,224	$153,173	$153,182	$153,127	$153,074	$153,023	$120,369	$73,861	$0	$0
EQUITY - COST OF FUNDS, OUT OF POCKET, EXCLUDING LAND	8.0%	$27,876	$2,775	$2,840	$3,064	$3,063	$3,064	$3,063	$3,061	$3,060	$2,407	$1,477	$0	$0
EQUITY - DOWNPAYMENT COST OF FUNDS		$1,257,764	$125,776	$125,776	$125,776	$125,776	$125,776	$125,776	$125,776	$125,776	$125,776	$125,776	$0	$0
EQUITY - TOTAL COST OF FUNDS		$1,285,640	$128,552	$128,616	$128,841	$128,840	$128,840	$128,839	$128,838	$128,837	$128,184	$127,254	$0	$0
NET INCOME AFTER DEBT AND EQUITY COST OF FUNDS		$17,118,897	($3,261,402)	$966,498	$1,945,000	$1,993,891	$2,042,345	$2,092,873	$2,144,146	$2,196,176	$2,909,503	$4,089,868	$0	$0
PROFIT NET OF DEBT AND EQUITY COST OF FUNDS	**9.1%**	$4,541,253	($128,552)	$371,663	$518,757	$523,173	$527,620	$532,102	$536,618	$541,167	$546,403	$572,302	$0	$0
TOTAL COST OF FUNDS (VALUE v. RETURN LESS PROFIT)	9.7%	($12,577,643)	($2,646,946)	$873,212	$1,704,419	$1,737,059	$1,768,745	$1,801,956	$1,835,361	$1,868,960	$2,554,237	$3,662,362	$0	$0
EQUITY	50%	$6,288,822												
% OF LAND FINANCED	50%	$6,288,822	$6,288,822											
% OF COSTS FINANCED, EXCLUDING LAND (CASH IN)	95%	$26,482,265	$2,636,723	$2,697,919	$2,911,248	$2,910,289	$2,910,462	$2,909,411	$2,908,406	$2,907,446	$2,287,005	$1,403,357	$0	$0
LOAN DRAW		$32,771,087	$8,925,544	$2,697,919	$2,911,248	$2,910,289	$2,910,462	$2,909,411	$2,908,406	$2,907,446	$2,287,005	$1,403,357	$0	$0
TOTAL LOAN TO AGGREGATE RETAIL	65.8%													
TOTAL LOAN TO COST, INCLUDING LAND	81.0%													
PRIOR PERIOD BALANCE				$9,282,897	$9,035,588	$8,089,794	$7,103,895	$6,078,332	$5,011,163	$3,901,707	$2,749,272	$0	$0	$0
LOAN INTEREST	5.00%		$111,569	$149,760	$149,335	$137,501	$125,179	$112,347	$98,995	$85,114	$62,953	$17,542	$0	$0
LOAN POINTS	0.75%		$245,783											
LOAN BALANCE + INTEREST + POINTS			$9,282,897	$12,130,576	$12,096,172	$11,137,584	$10,139,536	$9,100,089	$8,018,563	$6,894,268	$5,099,231	$1,420,899	$0	$0
LOAN REPAYMENT (CASH OUT)	110%			$3,094,988	$4,006,378	$4,033,689	$4,061,204	$4,088,926	$4,116,856	$4,144,995	$5,099,231	$1,420,899	$0	$0
REMAINING BALANCE			$9,282,897	$9,035,588	$8,089,794	$7,103,895	$6,078,332	$5,011,163	$3,901,707	$2,749,272	$0	$0	$0	$0
EQUITY RETURN (PROJECT RETURN + CASH IN - CASH OUT)	**41.8%**	($6,288,822)	($138,775)	$847,805	$1,128,047	$1,136,832	$1,145,622	$1,154,543	$1,163,528	$1,172,578	$288,414	$4,217,122	$0	$0

Conclusions of Lot Value – Subdivision Development Method

The subdivision development method considered the subject as if finished with final map recorded. Additional deductions for site development costs (including an allocation for profit at 3% of site development) are deducted below to yield an estimate of value as partially improved.

SDM Conclusions		Lots	79
Scenario	Description/Status	Estimated Value	
		Total	Per Lot
Market Value (1)	Finished Lots	**$12,580,000**	**$159,241**
	Less: Remaining Site Development Costs (2)	-$938,041	-$11,874
	Less: Profit on Completing Site Development (3)	-$28,141	-$356
Market Value (2)	Partially Improved	$11,613,818	$147,010
	Rounded:	**$11,610,000**	**$146,962**

(1) "As if complete" as finished lots
(2) As partially finished, assuming facilities financed by Bonds are in place
(3) Based on 3% of remaining site development

Sales Comparison Approach (Lots)

In addition to the subdivision development method, we also utilize the sales comparison approach in the subject's land valuation. This value estimate assumes the subject property would sell on a bulk, or wholesale, basis. That is, it would transfer in one transaction to a single buyer.

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 land sales that have occurred in the area. The basis of analysis is price per square foot, which is the predominant unit of comparison in the subject's area.

As noted, the 117 lots comprise 7.47 net acres (net of the 10^{th} Street right-of-way). Since 38 lots have been built with homes and are valued separately (three models and 35 production), in this section we estimate the land value for the land that supports 79 lots (117 less 38 homes). The prorated net acreage equates to 5.04 acres (79/117 x 7.47), which will be analyzed in this section.

Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. We provide a summary table of adjustments with comments describing adjustments applied, if any.

Summary of Comparable Commercial Land Sales

No.	Name/Address	Grantor Grantee *Confirmation*	Sale Date Doc Number Property Rights Sales Conditions/Financing	Zoning	Acres SF	Sale Price	Price/SF
1	SEC 16th & F Streets	James Kouretas	Jul-15	C-2	0.59	$768,000	$30.00
	Sacramento, CA	Mutual Housing of California	150715-0834		25,600		
	APN: 002-0173-005 et al		Fee Simple		.		
		Confirmation: Buyer	Market/All Cash to Seller				
	This property is locatedon the edge of the Mansion Flat and Boulevard Park areas of Sacramento. The property was marketed by Turton CRE and sold for the full asking price. The buyer plans to build a multifamilly project of 50 to 55 units.						
2	SWC 16th and F Streets	James Kouretas	Jun-15	C-2	0.45	$600,540	$30.64
	Sacramento, CA	Securitus Investments LLC	150626-1240		19,602		
	APN: 002-0171-006 et al		Fee Simple		.		
		Confirmation: Secondary, non-direct party	Market/All Cash to Seller				
	This property is located on the edge of the Mansion Flats and Boulevard Park areas of Sacramento. The property was marketed by Turton CRE and sold for the full asking price. The buyer plans to build 14 residential units.						
3	The Creamery (Subject Property)	CC&B Holdings Inc	Nov-14 & Feb-15	C-2 & R3A	7.47	$11,110,500	$34.14
	Sacramento, CA	Blackpine City Flats LLC	1411200094 & 1502131348		325,393		
	APN: 002-0076-014 et al		Fee Simple				
		Confirmation: Buyer	Market/All Cash to Seller				
	This is the purchase of the subject property, as previously described. The overall purchase was negotiated collectively in early 2014 but transferred in two takedowns. The property includes 8.3 gross acres, but only 7.47 acres net of the land area set aside for the future 10th Street extension.						
4	1723 20th St	McClatchy Newspapers, Inc.	Jun-15	C-2 and C-2 SPD	2.49	$6,000,000	$55.32
	Sacramento, CA	Sotiris Kolokotronis et al	(contract/pending sale)		108,464		
	APN: 007-0316-001 et al		Fee Simple				
		Confirmation: Secondary, non-direct party	Market/All Cash to Seller				
	This property consists of the Sacramento Bee's parking structure, two levels, including ground level and basement level), situated on a full city block by by Q, 20th and 21st Streets and the light rail line on the south. Ownerhship had reportedly considered selling the property over the past five years to several users including Whole Foods and Raley's. Sacramento Bee officials announced the purchase agreement (on June 8, 2015) to local developer Sotiris Kolokotronis. The pending buyer is assembling several nearby properties for a planned multi-block retail and housing complex that could ultimately have as many as 500 living units. The developer plans to build on top of the parking structure, potentially adding as many as five additional stories. A seller representative reported that the Sacramento Bee will be guaranteed more than 100 parking spots in the new building, which will retain parking underground and possibly at ground level. The purchase price was reported at $6 million by several knowledgeable market participants; however, the price could not be confirmed with direct parties.						
5	20th Street, between P & R St.	Hayes Family Enterprises Inc.	Jun-16	C-2 and C-2 SPD	1.18	$2,950,000	$57.39
	Sacramento, CA	Confidential	1606161416		51,401		
	APN: 007-0313-007 et al		Fee Simple		.		
		Confirmation: Buyer and seller	Market/All Cash to Seller				
	This property is located in the Midtown area of Sacramento. The property was contracted in March 2015. Close of escrow occurred after the seller removed underground storage tanks and received clearances. The buyer, at its own expense, obtained entitlements for 32 detached homes, each of which will be three story and have 2 car garages. The property abuts railroad tracks utilized for freight transport, which will negatively affect the homes.						

Comparables Map

BBG

Adjustment Factors	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. This factor also considers differences in property taxes and bond encumbrances.
Comments:	*Comparables 1, 2, 4 and 5 do not have Special Taxes and require downward adjustments. Comparable 3 (the subject sale) was purchased with the expectation of Special Taxes and does not require adjustment.*
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Comments:	*All comparables were negotiated for sale in either 2014 or 2015. Each requires an upward adjustment.*
Location	Market or submarket area influences on sale price; surrounding land use influences.
Comments:	*Comparables 4 and 5 have superior locations and require large downward adjustments.*
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between parcel size and unit value.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Comments:	*Comparable 5 has a long narrow shape, with its entire western frontage along railroad tracks. An upward adjustment is applied.*
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.
Comments:	*Comparables 1, 2, 4 and 5 did not have approved entitlements and require upward adjustments. Comparable 3 (subject sale) sold as contingent on entitlement approvals and does not require adjustments.*

Adjustment Grid

The following grid summarizes the before-discussed adjustments.

Land Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name		SEC 16th	SWC 16th	Subject	Sac Bee	20th
Area	Alkali	Mansion/BP	Mansion/BP	Alkali	Midtown	Midtown
Sale Date		Jul-15	Jun-15	Nov-14	Jun-15	Mar-15
Zoning		C-2	C-2	C-2 & R3A	C-2	C-2
Size	7.29	0.59	0.45	7.50	2.49	1.18
Price Per SF		$30.00	$30.64	$34.14	$55.32	$58.36
Effective Sale Price/Bonds		Downward	Downward	-	Downward	Downward
Property Rights	Fee Simple	–	–	–	–	–
Financing Terms	Cash Equiv.	–	–	–	–	–
Conditions of Sale	Arm's Length	–	–	–	–	–
Market Conditions	4/28/2017	Upward	Upward	Upward	Upward	Upward
Location		–	–	–	Sig. Downward	Sig. Downward
Access/Exposure		–	–	–	–	–
Size		Upward	Upward	–	Sl. Downward	Sl. Downward
Shape, Topography, Utility		–	–	–	–	Upward
Site Improvements		–	–	–	–	–
Zoning/Use Potential		–	–	–	–	–
Entitlements		Upward	Upward	–	Upward	Upward
Net Adjustments		Sig. Upward	Sig. Upward	Upward	Downward	Downward
Final Adjusted Price		> $30.00	> $30.64	> $34.14	< $55.32	< $58.36

Range	
Greater Than:	**$34.01**
Less Than:	**$55.32**
Indicated Value	**$45.00**

Land Value Conclusion – Sales Comparison Approach

After adjustments, the comparables indicate a value greater than $34.14 and less than $55.32. Overall we conclude a value of $45.00 per square foot for the subject, which is between the two suggested points of value. With 5.04 net acres (and 43,560 SF/acre), the total value of the subject as unimproved land equates to $9,879,408, or $9,880,000 (rounded).

Except for the subject sale, the other comparables were generally fair indicators of value for the subject. The subject sale contains 7.47 net acres (117 lots), where the comparables had sizes less than 2.49 acres. In terms of unadjusted price per square foot, Comparables 1 and 2 had similar locations and had a generally similar price as Comparable 3.

The Developer of the subject property (the buyer of Comparable 3) did not utilize the sales comparison approach to determine the purchase price. As previously stated, they utilized a land residual approach that deducted anticipated costs from projected home prices. We have utilized a similar approach in this report (previously presented), and present the sales comparison approach here for additional support only.

Contributory Value of Site Improvements

The total project costs for 117 lots is budgeted at $5,179,032, of which $3,496,953 is estimated by allocation for the 79 lots (excluding the 35 sold homes and three models). The Developer of the subject has completed significant site improvements. As previously stated, this analysis assumes that approximately $938,041 in costs remain to be incurred. Therefore, the analysis also assumes that $2,558,912 ($3,496,953 - $938,041) has been incurred on the 79 lots.

Based on current market conditions, the costs incurred for site improvements contribute to value on a dollar-for-dollar basis. Accounting for the costs incurred, as well as a developer profit for the site improvements completed (estimated at 3% of site improvement), below we estimate the market value of the subject property.

Sales Comparison Approach Conclusions

Scenario		Description/Status	Estimated Value
			Total
Market Value (1)		Unimproved Land Value	**$9,880,000**
	Plus:	Site Development Costs Incurred (2)	$2,558,912
	Plus:	Profit on Completing Site Development (3)	$76,767
Market Value (2)		Partially Improved	$12,515,679
		Rounded:	**$12,520,000**

(1) As unimproved
(2) As partially finished, assuming facilities financed by Bonds are in place
(3) Based on 3% of remaining site development

Reconciliation and Conclusions of Land Value

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 from The Creamery and Sacramento
Reliability/Availability of Absorption Data	Good	Estimate of 3.0/month supported by initial project sales, as well as local and regional data
Reliability/Availability of Expense/Cost Data	Good	Cost comparables for direct/in direct costs available; Developer costs in line with cost data; total costs market supported
Reasonableness of Discount Rate/Profit	Good	Supported by regional IRR survey and national surveys
Overall	**Above Average**	**Requires Consideration**

Sales Comparison Approach	Result	Comment
Availability of Recent Sales	Good	All sales were recent
Availability of Similar Projects	Fair	Except for the subject sale, all of the sales were significantly smaller in size
Proximity of Sales to Subject	Average	All in the grid area of Sacramento, but two sales were in Midtown and required large downward adjustments
Other Factors		Mostly fair indicators for the subject
Overall	**Fair**	**Supporting Indicator Only**

The subdivision development method is the best supported method to value. While the method relied on numerous assumptions, each was market supported. The sales comparison approach is a relatively weak indicator for the subject because the subject has unique characteristics (large project size) in a market area that is predominately built out (limited market data). Moreover, the Developer of the subject property utilized the subdivision development method when it determined the purchase price, which provides additional support for this approach. Overall, we conclude a value consistent with the subdivision development method.

Summary of Values by Approach

Scenario	Condition	Subdivision Development Method	Sales Comparison Approach	**Final Conclusion of Land Value**
Market Value (1)	Partially Improved	$11,610,000 ($146,962)	$12,520,000 ($158,481)	**$11,610,000** **($146,962)**

(1) As partially finished, assuming capital improvements financed by Bonds are in place

Contributory Value of Vertical Improvements and Fees Paid

As of the date of inspection, the Developer had 32 homes under construction. This report assigns no value to partially completed construction. However, we do assign value to permits and fees that have been paid. Below we add the estimated land value to the direct costs incurred and fees paid.

Land Value including Permits and Fees that are Paid

Item	Per Lot	Number	
Site Value (1)			$11,610,000
Contributory Value of Fees Paid	$30,000	32	$960,000
			$12,570,000

(1) As partially finished, assuming capital improvements financed by Bonds are in place

Market Value in Bulk

Previously we estimated the market value of each completed model home, and the market value of the land with site improvements completed. The probable buyer of the subject in bulk is a builder that would sell the model homes to individuals and keep the lots for new home construction. Because a builder would require a minor profit on the homes to be sold, the aggregate value of the homes is discounted at 10% (which includes approximately 6% for sales cost and 4% for profit). The market value in bulk is the discounted value of the homes, plus the estimated value of the land, as shown below.

Market Value in Bulk - Blackpine City Flats LLC

Component	Retail Value
Model 1	$635,000
Model 2	$635,000
Model 3	$670,000
Subtotal: Aggregate	$1,940,000
Discount at 10%	($194,000)
Bulk Value of the 3 Models:	$1,746,000
Bulk Value of the Land (1):	$12,570,000
	$14,316,000
Overall Market Value In Bulk (1):	**$14,320,000**

(1) As partially finished, assuming capital improvements financed by Bonds are in place

Final Opinions of Value

As a result of our analysis, it is our opinion the aggregate value of the subject property as of April 28, 2017 and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not less than:

Value Conclusion

Ownership	Description	Value by Ownership (1)	
Blackpine City Flats LLC	3 Model Homes and 79 Lots	$14,320,000	(not-less-than bulk market value)
Individual Home Owners	35 Homes	$19,450,000	(not-less-than aggregate value)
	Total:	**$33,770,000**	(not-less-than aggregate value)

(1) Based on hypothetical condition that capital improvements to be financed by Bonds are in place

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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

Exposure and Marketing Times

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. 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. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time is 6 months for the subject lots, based on the concluded value(s) and as of the date of value.

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. 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. Accordingly, we estimate the subject's marketing period at 6 months, as of the date of value.

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 not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report 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, did not inspect 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, 2019

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. BBG, Inc. 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. BBG, Inc. – Sacramento is not a building or environmental inspector. BBG, Inc. 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 BBG, Inc. – Sacramento, BBG, Inc., or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "BBG Inc. 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 BBG, Inc. 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. BBG, Inc. – Sacramento 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. BBG, Inc., 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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

Addendum A

Appraiser Qualifications

Jarrod Hodgson, MAI

BBG, Inc.
Sacramento

1708 Q Street
Sacramento, CA 95811

T 916-949-7362
F 916-554-6493

bbgres.com

Experience

Mr. Hodgson specializes in the valuation of land, transitional land, residential subdivisions and master planned communities, with around 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).

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)

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

jhodgson@bbgres.com - 916-949-7362

Scott Beebe, MAI, FRICS

BBG, Inc.
Sacramento

1708 Q Street
Sacramento, CA 95811

T 916.554.6492
F 916.554.6493

bbgres.com

Experience

Senior Managing Director for BBG, Inc. -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. In 2017 the firm was acquired by BBG, Inc.

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.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)
Royal Institute of Chartered Surveyors, Fellow (FRICS)

Licenses

California, Certified General Real Estate Appraiser, AG015266, Expires February 2019

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@bbgres.com - 916.949.7360

Addendum B

Comparison of Report Formats

Comparison of Report Formats

Reporting Options in 2016-2017 Edition of USPAP	BBG, Inc. Reporting Formats Effective January 1, 2014	Corresponding Reporting Options in 2012-2013 Edition of USPAP
Appraisal Report	Appraisal Report – Comprehensive Format	Self-Contained Appraisal Report
	Appraisal Report – Standard Format	Summary Appraisal Report
	Appraisal Report – Concise Summary Format	Minimum Requirements of Summary Appraisal Report
Restricted Appraisal Report	Restricted Appraisal Report	Restricted Use Appraisal Report

USPAP Reporting Options

The 2014-2015 edition of USPAP requires that all written appraisal reports be prepared under one of the following options: Appraisal Report or Restricted Appraisal Report.

An Appraisal Report summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. The requirements for an Appraisal Report are set forth in Standards Rule 2-2 (a) of USPAP.

A Restricted Appraisal Report states the appraisal methods employed and the conclusions reached but is not required to include the data and reasoning that supports the analyses, opinions, and conclusions. Because the supporting information may not be included, the use of the report is restricted to the client, and further, the appraiser must maintain a work file that contains sufficient information for the appraiser to produce an Appraisal Report if required. The requirements for a Restricted Appraisal Report are set forth in Standards Rule 2-2 (b).

BBG, Inc. Reporting Formats under the Appraisal Report Option

USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal. Accordingly, BBG, Inc. has established internal standards for three alternative reporting formats that differ in depth and detail yet comply with the USPAP requirements for an Appraisal Report. The three BBG, Inc. formats are:

- Appraisal Report – Comprehensive Format
- Appraisal Report – Standard Format
- Appraisal Report – Concise Summary Format

An Appraisal Report – Comprehensive Format has the greatest depth and detail of the three report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report – Standard Format has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Concise Summary Format has less depth and detail than the Appraisal Report – Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

On occasion, clients will request, and BBG, Inc. will agree to provide, a report that is labeled a Self-Contained Appraisal Report. Other than the label, there is no difference between a Self-Contained Appraisal Report and an Appraisal Report - Comprehensive Format. Both types of reports meet or exceed the former Self-Contained Appraisal Report requirements set forth in the 2012-2013 edition of USPAP.

BBG, Inc. Reporting Format under Restricted Appraisal Report Option

BBG, Inc. provides a Restricted Appraisal Report format under the USPAP Restricted Appraisal Report option. This format meets the requirements of the former Restricted Use Appraisal Report that were contained in the 2012-2013 edition of USPAP.

BBG

BBG, Inc.
Sacramento

Update to the Appraisal of Real Property

Creamery Community Facilities District No. 2015-02
Residential Subdivision
D Street at 10th and 11th
Sacramento, Sacramento County, California 95814

Prepared For:
City of Sacramento

Effective Date of the Appraisal:
August 18, 2017

BBG, Inc. - Sacramento
File Number: 145-2016-0262

BBG

1708 Q Street
Sacramento, CA 95811

T 916.949.7360
F 916.554.6493
www.bbgres.com

August 18, 2017

Mr. Richard Sanders, Program Manager
Facilities & Real Property Management
City of Sacramento
915 I St.
Sacramento, CA 95814

SUBJECT: Creamery Community Facilities District No. 2015-02
D Street at 10th and 11th
Sacramento, Sacramento County, California 95814

Dear Mr. Sanders:

BBG, Inc. is pleased to submit an update to our appraisal of Creamery Community Facilities District No. 2015-02 (the "CFD"). In the original appraisal report, dated May 31, 2017, we submitted an Appraisal Report, conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Our original appraisal had an effective date of value of April 28, 2017. **This update appraisal report may only be used in conjunction with our original appraisal report** and must remain attached to the original appraisal report.

As an update report, this document does not present complete discussion of the data, reasoning and analysis, which are contained in the original appraisal report. Rather, the intended use of the update report is to affirm that the appraised value is the same or greater than estimated in the original appraisal report. As will be late restated, since the original appraisal report, Blackpine Communities ("Blackpine" has continued to sell and build homes, and has since added significant value to the property.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The bonds for CFD No. 2015-02 (the "Bonds") will assist with the financing of capital improvements and fees.

The property inventory for this update report is the same as our original appraisal report. The CFD boundaries encompass 117 lots of a planned 122 lot project called The Creamery, which is being developed and built by Blackpine. The project has an urban location in Sacramento, California. As of the date of inspection, Blackpine had constructed and sold 35 homes, completed three models, and had commenced construction on 32 additional homes (various stages of completion). Final subdivision map had recorded for 92 of the 117 lots; the remaining 25 lots were tentatively mapped and primarily unimproved. The subject property does not include properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land. Moreover, the project contains 5 additional planned single-family lots that are not part of the CFD.

The values estimated in the original appraisal report, and affirmed herein, are based on hypothetical conditions. 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 (date of value of the original report, and date of value of this update report), the Bonds had not been sold and Special Taxes had not been levied. The values estimated 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. The value estimates account for the impact of the lien of the Special Tax securing the Bonds.

Moreover, per CDIAC guidelines, it is a hypothetical condition of this appraisal that the capital improvements to be financed by bond proceeds were completed. As of the date of inspection, these facilities were partially completed.

The majority portion of bond proceeds will reimburse for building impact fees. Blackpine is contractually obligated to pass through fee reimbursements to Lewis Land Developers LLC, who procured entitlements and sold the property to Blackpine. Therefore, this portion of bond proceeds does not “run with the land” and does not create additional property value.

As a result of our analysis, it is our opinion the aggregate value of the subject property as of August 18, 2017 and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not less than the previously concluded values shown below:

Value Conclusion

Ownership	Description	Value by Ownership (1)	
Blackpine City Flats LLC	3 Model Homes and 79 Lots	$14,320,000	(not-less-than bulk market value)
Individual Home Owners	35 Homes	$19,450,000	(not-less-than aggregate value)
	Total:	**$33,770,000**	(not-less-than aggregate value)

(1) Based on hypothetical condition that capital improvements to be financed by Bonds are in place

The estimated value is subject to the Extraordinary Assumptions and Hypothetical Conditions stated on the following page.

BBG

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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

The total value indicated represents an aggregate value, which is defined by The Dictionary of Real Estate Appraisal as the “total of multiple market value conclusions.” For purposes of bond financing, market value is estimated by ownership.

The estimated values are not-less-than estimates. In the original appraisal report, the estimates assigned no value to upgrades and lot premiums for the 35 homes that have transferred to individuals. Moreover, no value was assigned to partially completed construction. Additionally, like previously stated, since the original appraisal report, Blackpine has continued to build and sell homes, and prices have continued to strengthen.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

BBG, INC. - SACRAMENTO

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

Scott Beebe, MAI, FRICS
Certified General Real Estate Appraiser
CA Certificate # AG015266
Telephone: 916-949-7360
Email: sbeebe@bbgres.com

General Information

Identification of Subject

The property inventory for this update report is the same as our original appraisal report. The CFD boundaries encompass 117 lots of a planned 122 lot project called The Creamery, which is being developed and built by Blackpine Communities ("Blackpine"). The project has an urban location in Sacramento, California. As of the date of inspection, Blackpine had constructed and sold 35 homes, completed three models, and had commenced construction on 32 additional homes (various stages of completion). Final subdivision map had recorded for 92 of the 117 lots; the remaining 25 lots were tentatively mapped and primarily unimproved.

Zoning

A complete zoning and entitlement section is shown and described in the original appraisal report.

Sales History

A complete three-year sales history is shown and described in full in the original appraisal report.

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 report represents an update to our previous appraisal of the subject property. In the original document, dated May 31, 2017, we submitted an Appraisal Report, conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Our original appraisal had an effective date of value of April 28, 2017. This update appraisal may only be used in conjunction with our original report.

As an update to the original Appraisal Report, this document does not present complete discussion of the data, reasoning and analyses used in the appraisal process to develop the appraiser's opinions of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's work file.

The opinions and conclusions set forth in the report may not be understood properly without review of our original appraisal report.

Type and Definition of Value

The purpose of the appraisal is to estimate the not-less-than market value of the subject property, by ownership, as of a current date.

As stated in the original appraisal report, the market values estimated 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 Value and Report

The effective date of value of this update report is August 18, 2017. This update appraisal report was also completed and assembled on August 18, 2017.

Date of Inspection

The property was last inspected on April 28, 2017 (the date of value of the original appraisal report). No re-inspection was performed for this update appraisal 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 within the three-year period immediately preceding acceptance of this (update report) 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 shown and described in full in the original appraisal report.

Highest and Best Use

The highest and best use is shown and described in full in the original appraisal report.

Conclusions of Not-Less-Than Value:

As a result of our analysis, it is our opinion the aggregate value of the subject property as of August 18, 2017 is not less than the previously concluded values as shown below:

Value Conclusion

Ownership	Description	Value by Ownership (1)	
Blackpine City Flats LLC	3 Model Homes and 79 Lots	$14,320,000	(not-less-than bulk market value)
Individual Home Owners	35 Homes	$19,450,000	(not-less-than aggregate value)
	Total:	**$33,770,000**	(not-less-than aggregate value)

(1) Based on hypothetical condition that capital improvements to be financed by Bonds are in place

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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.

2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

The total value indicated represents an aggregate value, which is defined by The Dictionary of Real Estate Appraisal as the “total of multiple market value conclusions.” For purposes of bond financing, market value is estimated by ownership.

The estimated values are not-less-than estimates. In the original appraisal report, the estimates assigned no value to upgrades and lot premiums for the 35 homes that have transferred to individuals. Moreover, no value was assigned to partially completed construction. Additionally, like previously stated, since the original appraisal report, Blackpine has continued to build and sell homes, and prices have continued to strengthened.

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 performed appraisal services regarding the property that is the subject of this report 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 and Scott Beebe previously made personal inspections of the property that is the subject of this report. A re-inspection was not completed for this update appraisal report.
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, Jarrod Hodgson, MAI, and Scott Beebe, MAI, FRICS have completed the continuing education program for Designated Members of the Appraisal Institute.

Jarrod Hodgson, MAI
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, 2019

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. BBG, Inc. 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. BBG, Inc. is not a building or environmental inspector. BBG, Inc. 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 BBG, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "BBG, Inc. 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 BBG, Inc. 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. BBG, Inc. 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. BBG, 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. A preliminary title report was not reviewed. It is assumed that title is marketable and that the subject is not adversely affected by any encroachments, easements, restrictions or other title encumbrances. We are not aware of any such factors affecting the subject.

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 and Special Taxes were not being collected. The market value estimated herein is based on the hypothetical condition that, as of the date of value, Bonds for CFD No. 2015-02 had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. Bond proceeds will assist with the financing of certain capital improvements and building impact fees. As of the date of value, the capital improvements were partially complete. It is a hypothetical condition of this report that these capital facilities were completed on the date of value (per CDIAC guidelines).

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Creamery Community Facilities District No. 2015-02
(Improvements) Special Tax Bonds, Series 2017
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with issuance of $3,570,000 aggregate principal amount of City of Sacramento Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of October 1, 2017 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of October 1, 2017 (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*
2013	472,108	1,452,994	38,238,492
2014	478,153	1,466,309	38,572,211
2015	482,714	1482,542	38,915,880
2016	486,111	1,496,619	39,189,035
2017	493,025	1,514,770	39,523,613

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 5.2% in 2016, down from the 2015 estimate of 5.8%. This compares with an unadjusted unemployment rate of 5.4% for California and 4.9% for the nation during the same period. The unemployment rate was 5.1% in El Dorado County, 4.4% in Placer County, 5.4% in Sacramento County and 5.8% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2012 through 2016.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2012 through 2016
Annual Averages

	2012	***2013***	***2014***	***2015***	***2016***
Civilian Labor Force [(1)]	1,047,900	1,046,500	1,046,700	1,055,800	1,073,300
Employment	939,900	955,900	972,200	994,200	1,017,300
Unemployment	108,000	90,600	74,500	61,600	56,000
Unemployment Rate	10.3%	8.7%	7.1%	5.8%	5.2%
Wage and Salary Employment [(2)]					
Agriculture	8,600	8,900	9,200	9,400	9,200
Natural Resources and Mining	400	400	400	500	500
Construction	38,400	43,300	45,500	50,200	54,500
Manufacturing	33,900	34,100	35,400	36,400	36,200
Wholesale Trade	25,200	25,000	24,500	24,700	25,500
Retail Trade	91,800	93,800	95,300	98,000	100,600
Transportation, Warehousing and Utilities	22,000	22,900	23,600	24,600	25,900
Information	15,600	14,800	13,900	14,100	13,800
Finance and Insurance	35,700	36,300	35,500	37,000	37,500
Real Estate and Rental and Leasing	12,500	13,100	13,400	13,800	14,400
Professional and Business Services	111,100	114,600	118,200	120,200	128,600
Educational and Health Services	125,600	130,700	134,300	140,100	145,900
Leisure and Hospitality	84,500	88,700	91,800	95,400	99,800
Other Services	28,600	29,000	30,200	30,900	31,200
Federal Government	13,700	13,500	13,600	13,700	14,100
State Government	108,200	109,900	113,400	115,300	116,600
Local Government	99,600	99,200	100,800	102,900	104,600
Total, All Industries	855,300	878,200	898,800	927,200	958,700

(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 May 1, 2017 in the community area are shown below.

SACRAMENTO COUNTY
MAJOR EMPLOYERS
(As of May 1, 2017)

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 Department of Insurance	Sacramento	Government Offices-State
California Prison Industry Authority	Folsom	Government Offices-State
Corrections Department	Sacramento	State Government-Correctional Institutions
Delta Dental Plan of Missouri	Rancho Cordova	Insurance
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	Folsom	Semiconductor Devices (Manufacturers)
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Center	Carmichael	Hospitals
Sacramento Bee	Sacramento	Newspapers (Publishers)
Sacramento Municipal Utility	Sacramento	Electric Contractors
Sacramento Regional Transit	Sacramento	Bus Lines
Sacramento State	Sacramento	Schools-Universities & Colleges Academic
SMUD Customer Service Center	Sacramento	Electric Companies
South Sacramento Medical Center	Sacramento	Hospitals
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, 2017 2nd Edition.

The following tables show the largest employers located in the City as of Fiscal Year 2015-2016.

LARGEST EMPLOYERS
City of Sacramento
Fiscal Year 2015-16

Rank	*Name of Business*	*Employees*	*Type of Business*
1.	State of California	73,676	State Government
2.	Sacramento County	11,950	County Government
3.	UC Davis Health System	10,145	University Medical Center
4.	U.S. Government	10,007	Federal Government
5.	Sutter Health Sacramento Sierra Region	8,905	Medical Center
6.	Kaiser Permanente	8,885	Medical Center
7.	Dignity Health	7,853	Medical Center
8.	Intel Corporation	6,000	Semiconductor Manufacturing
9.	Elk Grove Unified School District	5,863	School District
10.	City of Sacramento	4,300	City Government
11.	Sacramento City Unified School District	4,213	School District

Source: City of Sacramento 'Comprehensive Annual Financial Report' for the year ending June 30, 2016

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 2011 through 2015.

COUNTY OF SACRAMENTO
Personal Income
2011 through 2015

Year	*Sacramento County*	*California*	*United States*
2011	$57,498,308	$1,727,433,579	$13,233,436,000
2012	59,775,785	1,838,567,162	13,904,485,000
2013	61,654,690	1,861,956,514	14,068,960,000
2014	65,391,250	1,977,923,740	14,801,624,000
2015	69,870,482	2,103,669,473	15,463,981,000

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 2011-2015. 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
2011-2015

Year	*Sacramento County*	*California*	*United States*
2011	$40,053	$45,849	$42,461
2012	41,268	48,369	44,282
2013	42,162	48,570	44,493
2014	44,139	51,134	46,464
2015	46,539	53,949	48,190

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

A summary of historic taxable sales within the City for 2010-2015 is shown in the following table.

CITY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	*Taxable Transactions*	*Number of Permits*	*Taxable Transactions*
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
2015	8,935	4,250,197	13,341	6,183,425

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2010-2015 is shown in the following table.

COUNTY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		***Total All Outlets***	
	Number of Permits	***Taxable Transactions***	***Number of Permits***	***Taxable Transactions***
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
2015	23,999	15,221,223	36,121	22,043,195

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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).

"Bonds," means the City of Sacramento Creamery Community Facilities District No. 2015-02 (Improvements) 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.

"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.

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

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

"City" means the City of Sacramento, a California municipal corporation.

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

"City Manager" means the City Manager 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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 May 11, 2015.

"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.

"Fees" means the governmental fees authorized to be financed with the proceeds of the Bonds at the special election held in the Community Facilities District on May 11, 2015.

"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, 2017, 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 Creamery Community Facilities District No. 2015-02 (Improvements), 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.

"Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established.

"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.

"Series 2017 Bonds" means the City of Sacramento Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017.

"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 May 11, 2015.

"Special Tax Formula" means the Rate and Method of Apportionment of Special Tax approved at the special election held in the Community Facilities District on May 11, 2015.

"Special Tax Fund" means the Creamery Community Facilities District No. 2015-02 (Improvements), 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.

"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.

"Treasurer" means the City Treasurer of the City.

"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 2017 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) Either (i) none of the Bonds theretofore issued under the Master Indenture will be Outstanding after the issuance and delivery of such Series 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 "Creamery Community Facilities District No. 2015-02 (Improvements), 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 Cost Share" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative 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 "Creamery Community Facilities District No. 2015-02 (Improvements), 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 "Creamery Community Facilities District No. 2015-02 (Improvements), 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 the Master Indenture as described under this caption to such Series of Bonds.

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

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

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District 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.

Foreclosure of Special Tax Liens. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels 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 --

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

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the 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

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

then in each and every such case during the continuance of such Event of Default 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 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 in 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.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and 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.

(b) 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.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate dated as of October 1, 2017 (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 Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017 (the "**Bonds**"). The Bonds are being issued under Resolution No. 2017-0352 adopted by the Sacramento City Council on September 5, 2017, and a Master Indenture, dated as of October 1, 2017 as supplemented by a First Supplemental Indenture dated as of October 1, 2017 (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 Creamery Community Facilities District No. 2015-02 (Improvements), City of Sacramento, County of Sacramento.

    - "***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 April 23, 2015, and designated as Resolution No. 2015-0099, by which the City established 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, 2017, 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. The initial Annual Report due on March 31, 2018 shall consist of the Official Statement and the Issuer's audited financial statements for the fiscal year ending June 30, 2017. 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 15^{th} 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 (Historical 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.

(5) An update of the information in Table 4 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 need not be included.

(6) 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.

5. **Reporting of Significant Events**.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more 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, not more than ten Business Days after 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 this 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 (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) 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.**

    (a) 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 losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.

    (b) Except as provided in Section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.

    (c) The Dissemination Agent has 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 P. Colville, Jr., City Treasurer

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DEVELOPER

This Developer Continuing Disclosure Certificate (this “Disclosure Certificate”), dated October 11, 2017, is executed and delivered by BlackPine City Flats LLC, a Delaware limited liability company (the “Landowner”), in connection with the issuance by the City of Sacramento (the “City”) with respect to the $3,570,000 City of Sacramento Creamery Community Facilities District No. 2015-02 (Improvements) Special Tax Bonds, Series 2017 (the “Bonds”). The Bonds are being issued under a Master Indenture, dated as of September 1, 2017 as supplemented by a First Supplemental Indenture dated as of September 1, 2017 (collectively, the “Indenture”), each between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Landowner to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to the Landowner, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of the Landowner, or (b) each Person that controls, is controlled by or is under common control with the Landowner; provided, however, that in no case shall (i) the City be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Certificate or (ii) any merchant builder with an option, phased takedown agreement, or construction management contract be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Certificate. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Annual Report” shall mean any Annual Report to be provided by the Landowner on or prior to June 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Dissemination Agent” initially means the Landowner, and thereafter it means any successor Dissemination Agent the Landowner designates in writing.

“District” shall mean Creamery Community Facilities District No. 2015-02 (Improvements), City of Sacramento, County of Sacramento, State of California.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Equity Securities” of the Landowner shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of the Landowner (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement, dated September 28, 2017, relating to the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at http://emma.msrb.org.

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Underwriter” shall mean the original underwriter of the Bonds, Stifel, Nicolaus & Company, Incorporated.

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) Until such time as the Landowner’s reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Annual Report from the Landowner the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, June 15 falls on a Saturday, Sunday, or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

In addition, until such time as the Landowner’s reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual Report from the Landowner the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2017, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, December 15 falls on a Saturday, Sunday, or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Landowner, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner (i) shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is other than the Landowner and is unable to provide an Annual Report or Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the Landowner by the applicable June 15th or December 15th, the Dissemination Agent shall send a notice of the Landowner's failure to file such report to the Repository in the form required by the Repository.

(d) If the Dissemination Agent is other than the Landowner, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report or the Semiannual Report, as applicable, file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. <u>Content of Annual Report and Semiannual Report</u>.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference, the following information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable:

1. An update (if any) to the sources of funds to finance development being undertaken by the Landowner and its Affiliates in the District under the caption in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—BlackPine—*BlackPine Financing Plan*," and whether any material defaults exist under any loan arrangement related to such financing.

2. An update (if any) of the development activity being undertaken by the Landowner and its Affiliates in the District under the caption in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—BlackPine—*BlackPine Development Plan"*, including the number of parcels for which building permits have been issued, the number of home closings, the number of homes under construction, the number of homes under contract to be sold to individuals, and the expected build out of the property.

3. Any significant amendments to land use entitlements that are known to the Landowner that could materially adversely impact the development of the parcels owned by the Landowner or its Affiliates within the District.

4. To the extent not updated by Section 4(a)(2) above, an update of the sale, if any, of property within the District by the Landowner to another merchant builder.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the Landowner obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

2. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of improvements to be constructed by the Landowner or any Affiliate within the District to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan and, in the reasonable judgment of the Landowner, such payment default will adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within the District, or would materially adversely affect the financial condition of the Landowner or any Affiliate owning parcels within the District or their respective ability to pay special taxes due with respect to such parcels owned by the Landowner or any such Affiliate within the District;

5. The filing of any proceedings with respect to the Landowner in which the Landowner may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;

6. The filing of any proceedings with respect to an Affiliate, in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will, in the reasonable judgement of the Landowner, materially and adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within the District, or would, in the reasonable judgement of the Landowner, materially and adversely affect the financial condition of the Landowner or any Affiliate owning parcels within the District and their respective ability to pay special taxes due with respect to such parcels owned by the Landowner or any such Affiliate within the District; and

7. The filing of any lawsuit against the Landowner or any of its Affiliates (for which Landowner has notice, such as through receipt of service of process) which, in the reasonable judgment of the Landowner, will adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or any Affiliate owning parcels within the District and their respective ability to pay special taxes due with respect to such parcels owned by the Landowner or any such Affiliate within the District.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly (i) file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the City or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent and the City.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Certificate shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) at any time that the Landowner and its Affiliates own property in the District that is responsible for less than 20% of the special tax levy in the District.

If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for a Listed Event.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Certificate. Any Dissemination Agent appointed by the Landowner may resign by providing (i) thirty days written notice to the Landowner and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Indenture with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the City and the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

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

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. Notwithstanding the foregoing sentence, the sole remedy under this Disclosure Certificate in the event of any failure of the Landowner or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent may conclusively rely upon the Annual Report or Semiannual Report provided to it by the Landowner as constituting the Annual Report or Semiannual Report required of the Landowner in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report or Semiannual Report. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no duty to prepare the Annual Report or Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report or Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Landowner is an independent contractor and not an agent of the City.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner:

BlackPine City Flats LLC
8880 Cal Center Drive, Suite 350
Sacramento, CA 95826
Attn: Michael Paris, President
Phone: (916) 403-1703

Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attn: Municipal Research Phone: (415) 364-6800
City:	City of Sacramento 915 I Street Sacramento, CA 95814 Attn: City Treasurer Phone: (916) 808-5168

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. California Law. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

BLACKPINE CITY FLATS, LLC
a Delaware limited liability company

By: BLACKPINE BUILDERS, INC.
a California corporation
Its: Operating Manager

By: ______________________________
Michael E. Paris
Its: President

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

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 Owner 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF SACRAMENTO • CREAMERY COMMUNITY FACILITIES DISTRICT NO. 2015-02 (IMPROVEMENTS) SPECIAL TAX BONDS, SERIES 2017

CITY OF SACRAMENTO
FOUNDED IN 1849

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com