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.

$12,295,000
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01 (IMPROVEMENT AREA NO. 1) 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 Improvement Area No. 1 ("Improvement Area No. 1") of the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the "District"). The City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) 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 Improvement Area No. 1; (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on the Bonds through September 1, 2017.

On the date of delivery of the Bonds, Granite Bay-Natomas Meadows, LP ("Granite Bay"), the master-developer within Improvement Area No. 1, will assign a portion of the Bond proceeds that Granite Bay will be entitled to receive on the same day from the Acquisition and Construction Fund for the acquisition of eligible public facilities to fund a supplemental reserve fund (the "Supplemental Reserve Fund") established under the Indenture (as defined below). The deposit to be made into the Supplemental Reserve Fund on the date of delivery of the Bonds is equal to the Fiscal Year 2017-18 Special Tax levy on Undeveloped Property (as defined in this Official Statement). Amounts deposited into the Supplemental Reserve Fund will be pledged to and, under certain conditions, available to pay debt service on the Bonds and are subject to release as described in this Official Statement.

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), and pursuant to a Master Indenture, dated as of July 1, 2017 as supplemented by a First Supplemental Indenture dated as of July 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 Improvement Area No. 1 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 Improvement Area No. 1. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on 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 September 1, 2017. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX 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 IMPROVEMENT AREA NO. 1 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 OFFICIAL STATEMENT IS FURNISHED SOLELY FOR THE PURPOSE OF CONSIDERATION OF AN INVESTMENT IN THE BONDS BY QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("QUALIFIED INSTITUTIONAL BUYERS") WITH THE EXPERIENCE AND FINANCIAL EXPERTISE TO UNDERSTAND AND EVALUATE THE HIGH DEGREE OF RISK INHERENT IN THE INVESTMENT. PURCHASE OF THE BONDS WILL CONSTITUTE AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST AND THE LOSS OF ALL OR PART OF THE INVESTMENT. DEBT SERVICE ON THE BONDS IS PAYABLE FROM SPECIAL TAX LEVIES ON PROPERTY IN IMPROVEMENT AREA NO. 1 AND THERE CAN BE NO ASSURANCE THAT THE PROPERTY OWNERS IN IMPROVEMENT AREA NO. 1 WILL PAY THE SPECIAL TAX LEVIED ON SUCH PROPERTY WHEN DUE. SEE "SOURCES OF PAYMENT FOR THE BONDS" AND "SPECIAL RISK FACTORS" HEREIN, AND "APPENDIX I — FORM OF INVESTOR LETTER."

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for Granite Bay-Natomas Meadows, LP by Holland & Knight LLP, San Francisco, California, 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 July 20, 2017.

STIFEL

Dated: July 13, 2017

$12,295,000
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1) SPECIAL TAX BONDS, SERIES 2017
MATURITY SCHEDULE

Base *CUSIP No.*†: 786071

$12,295,000 Term Bonds

$1,150,000 4.00% Term Bonds due September 1, 2028, Yield: 3.63% Price: 103.105[C] CUSIP No. † LY4

$1,080,000 5.00% Term Bonds due September 1, 2032, Yield: 3.99% Price: 108.333[C] CUSIP No. † LZ1

$2,120,000 5.00% Term Bonds due September 1, 2037, Yield: 4.20% Price: 106.532[C] CUSIP No. † MA5

$7,945,000 5.00% Term Bonds due September 1, 2047, Yield: 4.28% Price: 105.856[C] CUSIP No. † MB3

[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
John Dangberg, Assistant City Manager
Fran Halbakken, Assistant City Manager
Arturo Sanchez, Assistant City Manager
John Colville, City Treasurer
James Sanchez, City Attorney
Shirley Concolino, MMC, City Clerk
Leyne Milstein, Finance Director

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

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

Trustee

U.S. Bank National Association
San Francisco, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Appraiser

Seevers Jordan Ziegenmeyer
Real Estate Appraisal and Consultation
Rocklin, 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.*

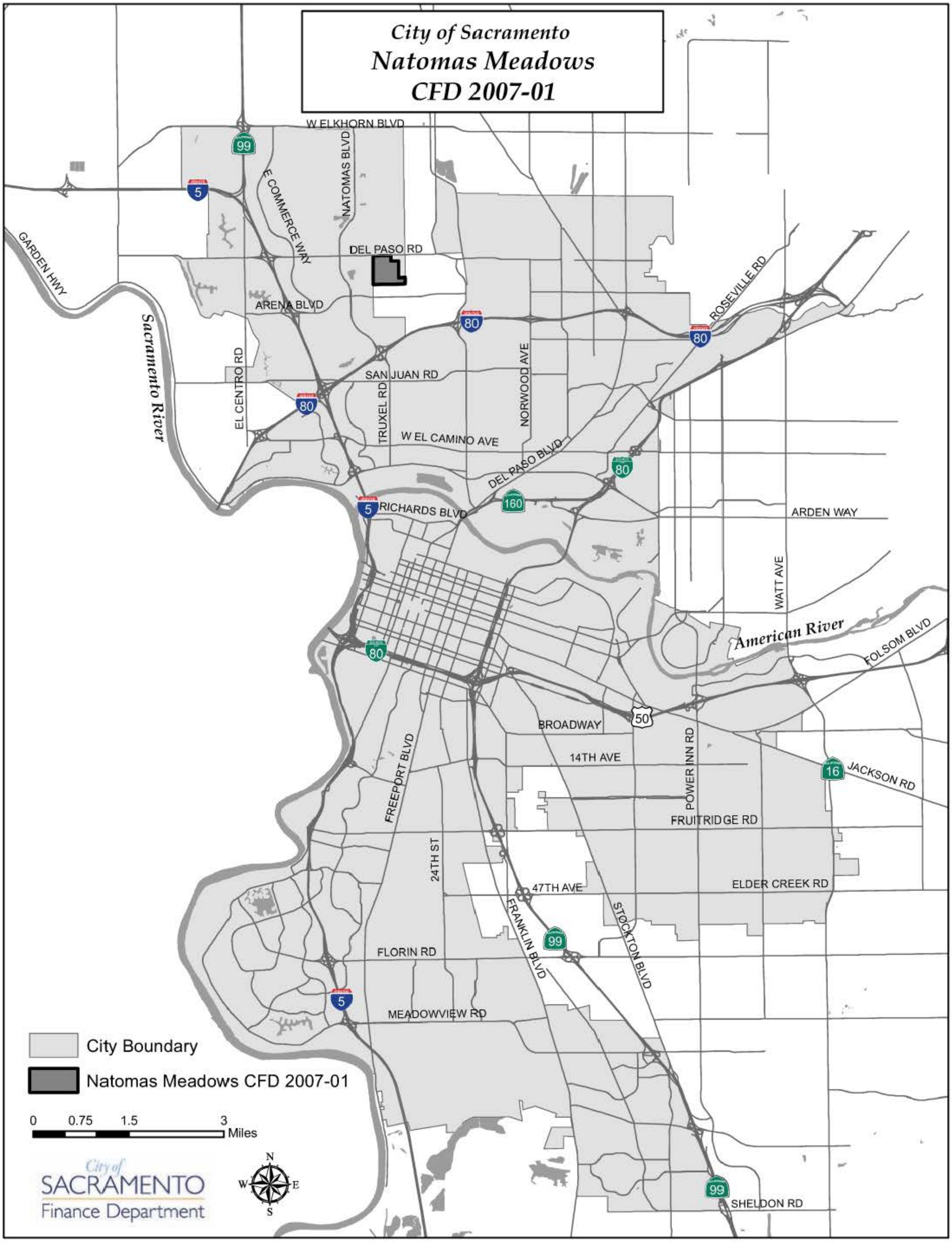
Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 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 "IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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

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

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

TABLE OF CONTENTS


City of Sacramento
Natomas Meadows
CFD 2007-01
W ELKHORN BLVD
NATOMAS BLVD
E COMMERCE WAY
DEL PASO RD
GARDEN HWY
ARENA BLVD
Sacramento River
EL CENTRO RD
SAN JUAN RD
TRUXEL RD
NORWOOD AVE
ROSEVILLE RD
W EL CAMINO AVE
DEL PASO BLVD
RICHARDS BLVD
ARDEN WAY
WATT AVE
American River
FOLSOM BLVD
BROADWAY
14TH AVE
POWER INN RD
JACKSON RD
FREEPORT BLVD
FRUITRIDGE RD
24TH ST
47TH AVE
ELDER CREEK RD
FRANKLIN BLVD
STOCKTON BLVD
FLORIN RD
MEADOWVIEW RD
SHELDON RD
City Boundary
Natomas Meadows CFD 2007-01
0 0.75 1.5 3 Miles
City of SACRAMENTO Finance Department
N W E S

Natomas Meadows CFD No. 2007-01

City of SACRAMENTO Finance Department

Parcel Lines

Improvement Area No. 1

Improvement Area No. 2

Issued Residential Permit as of 06/01/2017

N W E S

0 125 250 500 Feet

Photo from Spring 2016

BMUELLER 06/15/2017

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$12,295,000
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1) SPECIAL TAX BONDS, SERIES 2017

INTRODUCTION

THIS OFFICIAL STATEMENT IS FURNISHED SOLELY FOR THE PURPOSE OF CONSIDERATION OF AN INVESTMENT IN THE BONDS BY QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("QUALIFIED INSTITUTIONAL BUYERS") WITH THE EXPERIENCE AND FINANCIAL EXPERTISE TO UNDERSTAND AND EVALUATE THE HIGH DEGREE OF RISK INHERENT IN THE INVESTMENT. PURCHASE OF THE BONDS WILL CONSTITUTE AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST AND THE LOSS OF ALL OR PART OF THE INVESTMENT. DEBT SERVICE ON THE BONDS IS PAYABLE FROM SPECIAL TAX LEVIES ON PROPERTY IN IMPROVEMENT AREA NO. 1 AND THERE CAN BE NO ASSURANCE THAT THE PROPERTY OWNERS IN IMPROVEMENT AREA NO. 1 WILL PAY THE SPECIAL TAX LEVIED ON SUCH PROPERTY WHEN DUE. SEE "SOURCES OF PAYMENT FOR THE BONDS" AND "SPECIAL RISK FACTORS" HEREIN, AND "APPENDIX I — FORM OF INVESTOR LETTER."

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Sacramento (the "City") of City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 Special Tax Bonds (Improvement Area No. 1), Series 2017 (the "Bonds") in the aggregate principal amount of $12,295,000. 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 Improvement Area No. 1; (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds and (d) fund capitalized interest on the Bonds through September 1, 2017. See "THE FINANCING PLAN — Estimated Sources and Uses of Funds."

On the date of delivery of the Bonds, Granite Bay-Natomas Meadows, LP, a Washington limited partnership ("Granite Bay"), will assign a portion of the Bond proceeds that Granite Bay will be entitled to receive on the same day from the Acquisition and Construction Fund for the acquisition of eligible public facilities to fund a supplemental reserve fund (the "Supplemental Reserve Fund") established under the Indenture (as defined below). The deposit to be made into the Supplemental Reserve Fund on the date of delivery of the Bonds is equal to the Fiscal Year 2017-18 Special Tax levy on Undeveloped Property (as defined in this Official Statement). Amounts deposited into the Supplemental Reserve Fund will be pledged to and, under certain conditions, available to pay debt service on the Bonds and are subject to release as described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS — Supplemental Reserve Fund."

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 July 1, 2017 as supplemented by a First Supplemental Indenture dated as of July 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 proceeds of the Special Tax (as defined in this Official Statement) levied on taxable parcels within Improvement Area No. 1 of the District ("Improvement Area No. 1") and all amounts held in the Special Tax Fund, the Bond Redemption

Fund, the Bond Reserve Fund and, under certain circumstances, the Supplemental Reserve Fund, as provided in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on 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."

Changes Since the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated July 5, 2017 under the captions "INTRODUCTION—Appraisal Report," "IMPROVEMENT AREA NO. 1—Property Values—*Appraisal*" and in Appendix B to reflect that the Appraiser (as defined below) has prepared an update appraisal report dated July 7, 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 appraised value of such properties set forth in the appraisal report dated April 28, 2017, with a date of value of March 7, 2017. A copy of the Update Appraisal Report is attached to this Official Statement as Appendix B.

Pardee (as defined below) has indicated to the City that it is considering the submission of an application for discretionary entitlements to develop 94 single-family detached homes on the property that it owns within Improvement Area No. 1 (revised from the 118 townhomes for which Pardee had previously indicated it would submit an application for discretionary entitlements). The information generally under "PROPERTY OWNERSHIP AND THE DEVELOPMENT" reflects the development of the 118 townhomes as previously contemplated by Pardee. The revision to 94 single-family detached homes is subject to a number of approvals, and the City cannot predict if such revision will ultimately be approved.

D.R. Horton (as defined below) has taken title to the remaining lots for which it was under contract to acquire from Granite Bay within Improvement Area No. 1 as described under the captions "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Granite Bay Development Plan—*Sales to D.R. Horton*" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT—D.R. Horton."

Improvement Area No. 1

General. Improvement Area No. 1 consists of approximately 115 gross acres and is located in the northern portion of the City approximately seven miles from downtown Sacramento. Improvement Area No. 1 is situated on the southeast corner of Del Paso Road and Gateway Park Drive. Approximately 90 acres of property in Improvement Area No. 1 are expected to be subject to the Special Tax (as defined in this Official Statement) at build-out. The property within Improvement Area No. 1 which is not subject to the levy of the Special Tax consists primarily of a public park and other public right of ways. Granite Bay is currently the master developer of property in Improvement Area No. 1. 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, development-related fees, 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, the City Council undertook proceedings in 2007 to form the District and called an election to authorize the incurring of bonded indebtedness and authorize the levy of special taxes within the District. On July 30, 2013, pursuant to the Act and a petition of more than 25% of the owners of the land within the District, the City Council adopted Resolution No. 2013-0256 (the "Resolution of Consideration") stating its intention to amend the rate and method of special tax within the District, reduce the debt limit within the District from $27,500,000 to $22,000,000 and to designate Improvement Area Nos. 1 and 2 from the property within the District. On September 10, 2013, the City Council held a duly noticed public hearing with respect to the foregoing actions set forth in the Resolution of Consideration.

On December 9, 2013, elections were held within Improvement Area Nos. 1 and 2 of the District at which, with respect to Improvement Area No. 1, the eligible voters approved the levy of the Special Tax in accordance with the Amended and Restated Rate and Method of Apportionment of Special Tax attached hereto as APPENDIX A (the "Rate and Method") and the issuance of bonds in an amount not-to-exceed $14,000,000 for Improvement Area No. 1. 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 December 9, 2014 in Book No. 20141209 on Page No. 0747. On March 18, 2014, the City Council adopted Ordinance No. 2014-0007 (the "Ordinance") which authorizes the levy of the Special Tax pursuant to the Rate and Method.

Property Ownership and Development Status

Improvement Area No. 1 encompasses a portion of the Natomas Meadows master-planned community. The Natomas Meadows master-planned community is expected to include approximately 900 residential units at build-out. The residential development within Improvement Area No. 1 is planned for 495 residential units at build-out, consisting of 377 single family detached homes and 118 attached townhomes. The balance of the property within Improvement Area No. 1 is anticipated to be used for a public park and public right of ways. Construction within the District commenced in 2007, and eight homes within Improvement Area No. 1 were completed and conveyed to individual homeowners before the delay in development within the District caused by the de facto building moratorium described under "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium." Development within Improvement Area No. 1 has since recommenced and as of June 1, 2017, a total of 43 homes have been completed and conveyed to individual homeowners.

As set forth in the Appraisal Report (as defined below), as of the March 7, 2017 date of value, Granite Bay, Lennar Homes of California, Inc. ("Lennar"), Woodside 05N, LP a California limited partnership ("Woodside Homes"), and D.R. Horton CA2, Inc., a California corporation ("D.R. Horton") owned 184, 119, 24 and 38 lots, respectively, within Improvement Area No. 1. In addition, Pardee Homes ("Pardee") owned one parcel of approximately 8.23 acres that is listed as planned for 120 units in the Appraisal Report. As of such date, the property within Improvement Area No. 1 owned by the aforementioned developers, with the exception of the property owned by Pardee, varied from finished lots (with all curbs, gutters, sidewalks, street lighting and wet and dry utilities complete) to lots with completed homes. The property owned by Pardee has all frontage roads and wet and dry utilities completed to the property line. As of such date, with the exception of Pardee, the aforementioned homebuilders had commenced vertical construction of homes within Improvement Area No. 1. As of March 7, 2017, final maps have been recorded for all property within Improvement Area No. 1 other than the 8.23 acre parcel owned by Pardee. All backbone infrastructure necessary to complete development within Improvement Area No. 1 is complete.

As of June 1 2017, 105 parcels will be taxed as "Developed Property" in Fiscal Year 2017-18, meaning that building permits had been obtained for such parcels by June 1, 2017 (June 1 being the date established in the Rate and Method for the determination of taxing category in the subsequent Fiscal Year). Parcels classified as Developed Property for the Fiscal Year 2017-18 Special Tax levy include completed homes occupied by homeowners and homes under construction. The Special Tax levy allocable to Developed Property represents approximately 27% of the total projected Fiscal Year 2017-18 Special Tax levy. The remaining parcels in Improvement Area No. 1 will be taxed as "Undeveloped Property" in Fiscal Year 2017-18, meaning that no building permits had been obtained for such parcels as of June 1, 2017. The projected Special Tax levy for Fiscal Year 2017-18 allocable to Undeveloped Property represents approximately 73% of the projected Special Tax levy for such fiscal year.

Granite Bay is not a homebuilder and is actively marketing and expects to sell the property it owns to merchant builders, which does, and may in the future include, affiliates of Granite Bay. The table below summarizes the property ownership within Improvement Area No. 1 as of March 7, 2017.

Owner(1)	***No. of Units***(1)	***Property Value***(2)
Granite Bay(3)	184	$13,380,000
Lennar	119	11,135,000
Pardee(4)	118	2,640,000
Woodside Homes	24	3,190,000
D.R. Horton	38	3,010,000
Individual Homeowners(5)	12	3,642,599
Total	**495**	**$36,997,599**

(1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(2) Reflects appraised value of property as set forth in the Appraisal Report and assessed value of eight homes owned by individual owners. See footnote 5 below and "INTRODUCTION — Appraisal Report" and "APPENDIX B — Appraisal Report and Update Appraisal Report."

(3) Since March 7, 2017, Granite Bay has conveyed additional lots within Improvement Area No. 1 to merchant builders. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(4) As of March 7, 2017 as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

(5) Reflects the assessed value of eight homes which were completed prior to the de facto building moratorium taking effect and the appraised value of four homes subsequently completed and conveyed by Woodside to individual homeowners as of March 7, 2017. See "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium."

Source: Appraiser; City.

Development within Improvement Area No. 1 is ongoing. Since the March 7, 2017 date of value set forth in the Appraisal Report, Granite Bay has conveyed additional lots within Improvement Area No. 1 to merchant builders, including 37 lots to Anthem United Willow Homes Limited Partnership, a Washington limited partnership ("Anthem"), which is an affiliated entity of Granite Bay. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." The table below summarizes the property ownership within Improvement Area No. 1 as of March 7, 2017 and as of June 1, 2017.

Owner[1]	*No. of Projected Units as of March 7, 2017*[1]	*No. of Projected Units as of June 1, 2017*[2]
Granite Bay	184	77
Anthem	0	37
Lennar	119	108
Pardee[3]	118	118
Woodside Homes	24	40
D.R. Horton	38	72
Individual Homeowners	12	43
Total	**495**	**495**

(1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(2) Reflects ownership information as of June 1, 2017 and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(3) As of March 7, 2017 as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Appraiser; Granite Bay.

In 2008, in response to certain findings regarding the risk of levee failure surrounding the Natomas Basin, the Federal Emergency Management Agency (FEMA) revised the Flood Insurance Rate Map within the Natomas Basin, which includes the area within the District. The revised map placed the Natomas Basin within a Special Flood Hazard Area (a "Zone AE" designation). As a result of the revised map and the Zone AE designation, the Natomas Basin, including the District, was subject to a de facto building moratorium from December 2008 to June 15, 2015. FEMA has issued a revised map effective June 16, 2015, designating the Natomas Basin as Zone A99. Such designation allows for the resumption of new building construction, subject to certain restrictions as described in this Official Statement. See "IMPROVEMENT AREA NO. 1 — De Facto Building Moratorium and Flood Hazard" and "SPECIAL RISK FACTORS — Natural Disasters." See "IMPROVEMENT AREA NO. 1—Value-to-Lien Ratios."

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 "IMPROVEMENT AREA NO. 1," "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 INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from the proceeds of the Special Tax on a parity with the Bonds (the "Parity Bonds") are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Tax to be levied annually against the taxable property in Improvement Area No. 1, 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 and the Supplemental 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 Improvement Area No. 1, 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 obligations of the City but are special limited obligations of the City payable solely from the proceeds of the Special Tax and other amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term "Special Tax" means the taxes which have been authorized pursuant to the Act to be levied against Taxable Land (as defined in the Indenture) within Improvement Area No. 1 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 — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the City will pledge to repay the Bonds and any Parity Bonds from the proceeds of the Special Tax on deposit in the Special Tax Fund established under the Indenture.

The Special Tax is the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held in the Bond Reserve Fund, the Supplemental Reserve Fund (to the extent set forth in the Indenture) and the Bond Redemption Fund held by the Trustee 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). Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1. 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 OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Parity Bonds and Liens. Under the terms of the Indenture, the City may issue additional bonds secured by the proceeds of the Special Tax on a parity with the Bonds if certain conditions are met, but only for the purpose of refunding the Bonds and Parity Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds for Refunding Purposes Only." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any 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 Improvement Area No. 1, 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 Improvement Area No. 1 (provided, however, that the eight homes that were completed and conveyed to individual homeowners prior to the delay in development within the District caused by the de facto building moratorium were not appraised (see "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium")) was prepared by Seevers Jordan Ziegenmeyer, Rocklin, California (the "Appraiser"). The Appraisal Report is dated April 28, 2017, with a date of value of March 7, 2017 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT AND UPDATE APPRAISAL REPORT." The Appraisal Report provides an estimate of market value by ownership, and an estimate of the not-less-than aggregate value (the sum of market values by ownership), for the properties in Improvement Area No. 1 that are subject to the lien of the Special Tax. As currently planned, development in Improvement Area No. 1 is expected to consist of 495 residential units. As of the Date of Value, the Appraiser estimates that the aggregate value of all of the Taxable Property (as defined in the Rate and Method) within Improvement Area No. 1 subject to the Special Tax was not less than $36,997,599, which consists of $34,700,000 for the appraised value of lots, as of the Date of Value, owned by Granite Bay, Lennar, Woodside Homes, D.R. Horton and Pardee and four individual homeowners and $2,297,599 in assessed value of the eight homes which were conveyed to individual homeowners in 2007.

The Appraiser has prepared an Update Appraisal Report dated July 7, 2017. 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 "IMPROVEMENT AREA NO. 1 — Property Values" and "—Value-to-Lien Ratios." There is no assurance that any property within Improvement Area No. 1 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 "IMPROVEMENT AREA NO. 1," "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 descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the underwriter (the "Underwriter") of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for Granite Bay by Holland & Knight LLP, San Francisco, California, and for the Trustee by its counsel. Other professional services have been performed by Seevers Jordan Ziegenmeyer, Sacramento, California, as the Appraiser, FirstSouthwest, a Division of Hilltop Securities, Inc., Oakland, California as municipal advisor to the City and Goodwin Consulting Group, 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. See "CONTINUING DISCLOSURE."

The Underwriter does not consider any of Granite Bay or the merchant builders to be an "obligated person" with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, Granite Bay has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within Improvement Area No. 1 (the "Developer Reports" and together with the City Reports, the "Reports"), on a semiannual basis and notices of certain events.

See "CONTINUING DISCLOSURE" and APPENDIX F and APPENDIX G for a description of the specific nature of the annual reports to be filed by the City and Granite Bay, respectively, notices of Listed Events and the forms of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Holders' Risks

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

Other Information

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

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

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

THE FINANCING PLAN

Authorized Facilities and Fees

A portion of the proceeds of the Bonds will be applied to finance 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, in addition to other improvements authorized under the Acquisition Agreement described below. See "IMPROVEMENT AREA NO. 1 — 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	$ 12,295,000.00
Plus Original Issue Premium	729,441.50
Total Sources	**$ 13,024,441.50**
Uses of Funds:	
Acquisition and Construction Fund[1]	$ 11,337,588.94
Bond Redemption Fund[2]	68,703.47
Costs of Issuance Fund[3]	548,924.70
Bond Reserve Fund	1,069,224.39
Total Uses	**$ 13,024,441.50**

(1) On the date of delivery of the Bonds, Granite Bay will assign $474,656 of the Bond proceeds that Granite Bay will be entitled to receive on the same day from the Acquisition and Construction Fund for the acquisition of eligible public facilities to fund the Supplemental Reserve Fund. The deposit to be made into the Supplemental Reserve Fund on the date of delivery of the Bonds is equal to the Fiscal Year 2017-18 Special Tax levy on Undeveloped Property. See "SOURCES OF PAYMENT FOR THE BONDS — Supplemental Reserve Fund."

(2) Amount represents capitalized interest on the Bonds through September 1, 2017.

(3) Includes Underwriter's Discount, Bond Counsel, Disclosure Counsel, Special Tax Consultant, municipal advisor and 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 September 1, 2017 (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 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of $1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

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

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

Redemption

Optional Redemption. The Bonds 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 the Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	***Redemption Price***
September 1, 2024 through and including August 31, 2025	103%
September 1, 2025 through and including August 31, 2026	102
September 1, 2026 through and including 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 and including 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, 2028, 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***
2018	$ 20,000
2019	35,000
2020	50,000
2021	65,000
2022	80,000
2023	100,000
2024	120,000
2025	135,000
2026	160,000
2027	180,000
2028 (maturity)	205,000

The Bonds maturing on September 1, 2032, 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***
2029	$ 225,000
2030	255,000
2031	285,000
2032 (maturity)	315,000

The Bonds maturing on September 1, 2037, 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***
2033	$ 350,000
2034	385,000
2035	420,000
2036	460,000
2037 (maturity)	505,000

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	$ 545,000
2039	595,000
2040	645,000
2041	695,000
2042	750,000
2043	810,000
2044	875,000
2045	940,000
2046	1,010,000
2047 (maturity)	1,080,000

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." Interest on the Bonds is capitalized through September 1, 2017.

Date	*Principal*	*Interest*	*Total Annual Debt Service*
9/1/2017	--	$ 68,703.47	$ 68,703.47
3/1/2018	--	301,625.00	--
9/1/2018	$ 20,000	301,625.00	623,250.00
3/1/2019	--	301,225.00	--
9/1/2019	35,000	301,225.00	637,450.00
3/1/2020	--	300,525.00	--
9/1/2020	50,000	300,525.00	651,050.00
3/1/2021	--	299,525.00	--
9/1/2021	65,000	299,525.00	664,050.00
3/1/2022	--	298,225.00	--
9/1/2022	80,000	298,225.00	676,450.00
3/1/2023	--	296,625.00	--
9/1/2023	100,000	296,625.00	693,250.00
3/1/2024	--	294,625.00	--
9/1/2024	120,000	294,625.00	709,250.00
3/1/2025	--	292,225.00	--
9/1/2025	135,000	292,225.00	719,450.00
3/1/2026	--	289,525.00	--
9/1/2026	160,000	289,525.00	739,050.00
3/1/2027	--	286,325.00	--
9/1/2027	180,000	286,325.00	752,650.00
3/1/2028	--	282,725.00	--
9/1/2028	205,000	282,725.00	770,450.00
3/1/2029	--	278,625.00	--
9/1/2029	225,000	278,625.00	782,250.00
3/1/2030	--	273,000.00	--
9/1/2030	255,000	273,000.00	801,000.00
3/1/2031	--	266,625.00	--
9/1/2031	285,000	266,625.00	818,250.00
3/1/2032	--	259,500.00	--
9/1/2032	315,000	259,500.00	834,000.00
3/1/2033	--	251,625.00	--
9/1/2033	350,000	251,625.00	853,250.00
3/1/2034	--	242,875.00	--
9/1/2034	385,000	242,875.00	870,750.00
3/1/2035	--	233,250.00	--
9/1/2035	420,000	233,250.00	886,500.00
3/1/2036	--	222,750.00	--
9/1/2036	460,000	222,750.00	905,500.00
3/1/2037	--	211,250.00	--
9/1/2037	505,000	211,250.00	927,500.00
3/1/2038	--	198,625.00	--
9/1/2038	545,000	198,625.00	942,250.00
3/1/2039	--	185,000.00	--
9/1/2039	595,000	185,000.00	965,000.00
3/1/2040	--	170,125.00	--
9/1/2040	645,000	170,125.00	985,250.00
3/1/2041	--	154,000.00	--
9/1/2041	695,000	154,000.00	1,003,000.00
3/1/2042	--	136,625.00	--
9/1/2042	750,000	136,625.00	1,023,250.00
3/1/2043	--	117,875.00	--
9/1/2043	810,000	117,875.00	1,045,750.00
3/1/2044	--	97,625.00	--
9/1/2044	875,000	97,625.00	1,070,250.00
3/1/2045	--	75,750.00	--
9/1/2045	940,000	75,750.00	1,091,500.00
3/1/2046	--	52,250.00	--
9/1/2046	1,010,000	52,250.00	1,114,500.00
3/1/2047	--	27,000.00	--
9/1/2047	1,080,000	27,000.00	1,134,000.00
Totals	**$ 12,295,000**	**$ 13,463,803.47**	**$ 25,758,803.47**

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, the Bond Reserve Fund and the Supplemental Reserve Fund (subject to the conditions set forth in the Indenture). 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 Improvement Area No. 1 under and pursuant to the Act at the special election held in Improvement Area No. 1 on December 9, 2013. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions." Special taxes levied in Improvement Area No. 2 of the District are not pledged to and are not available to pay debt service on the Bonds.

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 Improvement Area No. 1. See "—Special Tax" and APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Although the Special Tax will be levied against Taxable Property within Improvement Area No. 1, 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 September 4, 2007, for the purpose of financing the various public improvements and governmental fees required in connection with the proposed development within the District. Subsequent to the establishment of the District, the City received a petition signed by more than 25% of the owners of the land within the District requesting that the City amend the rate and method of apportionment then in effect, designate Improvement Area Nos. 1 and 2 therein and reduce the debt limit for the District from $27,500,000 to $22,000,000 ($14,000,000 of which is allocated to Improvement Area No. 1 and the balance to Improvement Area No. 2). On December 9, 2013, an election was held within Improvement Area No. 1 at which the eligible voters approved the issuance of bonds for Improvement Area No. 1 in an amount not to exceed $14,000,000, secured by special taxes levied on property within Improvement Area No. 1 to finance the facilities and fees. The landowners within Improvement Area No. 1 also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued for Improvement Area No. 1, 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 Improvement Area No. 1 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 — "AMENDED AND RESTATED 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 Amount" (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Rate and Method) in the Expense Fund, and (iii) transfer to 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.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City (whether by proceedings for foreclosure or otherwise) of any delinquent installment of the Special Tax (including any penalties and interest thereon) for which a transfer was previously made by the Trustee from the Supplemental Reserve Fund to the Bond Redemption Fund under the Indenture (as determined by the Treasurer), the Treasurer shall transfer or deposit the amount of such delinquency (including any penalties and interest thereon) in the following amounts and in the following order of priority: (i) first, the Treasurer shall transfer to the Trustee for deposit in the Bond Reserve Fund so much of such amount, if any, as is necessary to restore the amount on deposit in the Bond Reserve Fund to the Required Bond Reserve but only to the extent that amounts on deposit in the Bond Reserve Fund were previously used to make up a deficiency in the Bond Redemption Fund as a result of such delinquent installment of the Special Tax (as determined by the Treasurer); (ii) second, the Treasurer shall transfer to the Trustee for deposit in the Supplemental Reserve Fund so much of such amount remaining, if any, as is necessary to restore the amount on deposit in the Supplemental Reserve Fund to the current Supplemental Reserve Requirement; (iii) third, the Treasurer shall transfer to Granite Bay so much of such amount remaining, if any, as is necessary to reimburse Granite Bay for any previous reduction in the Supplemental Reserve Requirement under the Indenture for which Granite Bay has not been reimbursed; and (iv) fourth, the Treasurer shall deposit in the Special Tax Fund so much of such amount remaining, if any, after the transfers described in clauses (i), (ii), and (iii) of this paragraph. The amounts of the transfers and deposits described in clauses (i), (ii), (iii), and (iv) of this paragraph will be determined by the Treasurer and such determinations shall be final and conclusive. Except as provided in this paragraph, no proceeds of the Special Tax will be deposited in the Supplemental Reserve Fund.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "AMENDED AND RESTATED 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.

Amended and Restated 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 Improvement Area No. 1 have approved. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 1 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The definitions of the capitalized terms used under this caption "— *Amended and Restated Rate and Method of Apportionment of Special Tax*" are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Improvement Area No. 1 is composed of four tax zone areas (each a "Zone"). Each Fiscal Year, all Taxable Property within each Zone of Improvement Area No. 1 shall be classified by the Administrator as Developed Property or Undeveloped Property and the Administrator shall determine the Special Tax Requirement. The Maximum Special Tax for Developed Property shall be based on the Zone in which the Assessor's Parcel is located. The Maximum Special Tax for Undeveloped Property shall be based on the Acreage of the Assessor's Parcel.

Exemptions. No Special Tax shall be levied on Assessor's Parcels of Public Property (except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act), parcels that are owned by a public utility for an unoccupied facility, parcels that are subject to an easement or other instrument that precludes any other use on the Parcel, and Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site or other site that will ultimately be owned by a public agency.

Maximum Special Tax. The Maximum Special Tax for each land use class within each Zone for Fiscal Years 2016-17 and 2017-18 is as follows:

Land Use Class and Tax Zone	***Residential Floor Area***	***Fiscal Year 2016-17 Assigned Special Tax Rate***	***Fiscal Year 2016-17 Backup Special Tax***	***Fiscal Year 2017-18 Assigned Special Tax Rate***	***Fiscal Year 2017-18 Backup Special Tax***
Tax Zone 1					
Residential Property	Greater than 1,300 sq. ft.	$ 1,167	$ 957	$ 1,191	$ 976
Residential Property	1,300 sq. ft. or less	796	957	812	976
Non-Residential Property		19,866		20,263	
Undeveloped Property		19,866		20,263	
Tax Zone 2					
Residential Property	Greater than 1,950 sq. ft.	$ 1,698	$ 1,491	$ 1,732	$ 1,521
Residential Property	1,950 sq. ft. or less	1,273	1,491	1,299	1,521
Non-Residential Property		23,822		24,298	
Undeveloped Property		23,822		24,298	
Tax Zone 3					
Residential Property	Greater than 2,500 sq. ft.	$ 1,857	$ 1,671	$ 1,894	$ 1,705
Residential Property	2,500 sq. ft. or less	1,486	1,671	1,515	1,705
Non-Residential Property		19,605		19,997	
Undeveloped Property		19,605		19,997	
Tax Zone 4					
Residential Property	Greater than 2,300 sq. ft.	$ 1,857	$ 1,749	$ 1,894	$ 1,784
Residential Property	2,300 sq. ft. or less	1,273	1,749	1,299	1,784
Non-Residential Property		18,309		18,675	
Undeveloped Property		18,309		18,675	

The Maximum Special Tax shown above increases by 2% on July 1 of each year. See the Rate and Method attached as APPENDIX A.

If, in any Fiscal Year after the City has issued bonds for Improvement Area No. 1, a Final Map is proposed that results in a reduction in the Expected Residential Lot Count in the area affected by the Final Map, then the following steps shall be applied:

<u>First</u>: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 based on the Expected Residential Lot Count prior to the proposed reduction;

<u>Second</u>: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 assuming the Final Map is approved which reduces the Expected Residential Lot Count;

Third: If the revenues calculated in the second step are: (i) less than those calculated in the first step and (ii) not sufficient to maintain the greater of 110% coverage on the debt service with respect to bonds issued for Improvement Area No. 1 then outstanding or the coverage required under the Indenture or any supplement thereto, the landowner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of such bonds then outstanding and maintain 110% coverage on the debt service with respect to bonds issued for Improvement Area No. 1 then outstanding or the coverage required under the Indenture or any supplement thereto. The required prepayment shall be calculated using the formula for the prepayment of the Special Tax as set forth in Section G of the Rate and Method. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map on which the land use change has occurred, the City shall levy the amount of the mandatory prepayment on the Parcel(s) affected by the land use change or on any of the landowner's Parcel(s) of Undeveloped Property within that Final Map, and if this amount should, in any instance, exceed the Maximum Special Tax, it shall nonetheless be authorized and shall not exceed the maximum special tax as that term is used in the Act.

If the revenues calculated in the second step are less than those calculated in the first step, but the revenues calculated in the second step are sufficient to maintain the greater of 110% coverage on the debt service with respect to bonds issued for Improvement Area No. 1 then outstanding or the coverage required under the Indenture or any supplement thereto, no mandatory prepayment of the Special Tax will be required. In addition, if the amount determined in the second step is higher than that calculated in the first step, no such mandatory prepayment will be required.

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

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

First: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 1 up to 100% of the applicable Assigned Special Tax until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying capitalized interest that is available under the Indenture or any supplement thereto;

Second: If additional revenue is needed in order to meet the Special Tax Requirement after capitalized interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional revenue is needed in order to meet the Special Tax Requirement after capitalized interest has been applied to reduce the Special Tax Requirement, the levy of the Special Tax on each Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Parcel; and

Fourth: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax, up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within Improvement Area No. 1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Tax. The Annual Special Tax obligation for a Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Remaining Facilities Amount, the Redemption Premium, the Defeasance Requirement, Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds (if any), all as specified in Section G of the Rate and Method attached as APPENDIX A. Amounts on deposit in the Supplemental Reserve Fund shall not be taken into account in the calculation of any Reserve Fund Credit (as defined in the Rate and Method) in connection with any prepayment of the Special Tax.

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 Improvement Area No. 1 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on Undeveloped Property.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to Improvement Area No. 1.

Although the Special Tax constitutes a lien on taxable parcels within Improvement Area No. 1, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. In addition to the obligation to pay the Special Tax, properties in Improvement Area No. 1 are subject to other assessments and special taxes as set forth under Table 2 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 Improvement Area No. 1. 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 Improvement Area No. 1 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 and under certain circumstances, the Supplemental 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 $1,069,224.39 from a portion of the proceeds of the Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 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 — PAYMENT OF BONDS — Allocation of Money in the Special Tax Fund."

Supplemental Reserve Fund

Funding of Supplemental Reserve Fund. On the date of delivery of the Bonds, the Trustee will deposit $474,656.00 in the Supplemental Reserve Fund, which equals the Initial Supplemental Reserve Requirement. The amount deposited in the Supplemental Reserve Fund under Indenture represents an amount that otherwise would have been transferred to the Treasurer for deposit in the Acquisition and Construction Fund. The City has determined that, on the date of delivery of the Bonds, an amount of proceeds of the Bonds equal to the amount deposited in the Supplemental Reserve Fund is eligible to be used to acquire certain facilities from Granite Bay and to reimburse Granite Bay for certain governmental fees previously paid. Solely as a matter of convenience, Granite Bay has requested that the City cause this amount to be deposited in the Supplemental Reserve Fund rather than paying it directly to Granite Bay. Amounts deposited in the Supplemental Reserve Fund are pledged under the Indenture and available to pay debt service on the Bonds and will be released as described below.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City (whether by proceedings for foreclosure or otherwise) of any delinquent installment of the Special Tax (including any penalties and interest thereon) for which a transfer was previously made by the Trustee from the Supplemental Reserve Fund to the Bond Redemption Fund under the Indenture (as determined by the Treasurer), the Treasurer shall transfer or deposit the amount of such delinquency (including any penalties and interest thereon) in the following amounts and in the following order of priority: (i) first, the Treasurer shall transfer to the Trustee for deposit in the Bond Reserve Fund so much of such amount, if any, as is necessary to restore the amount on deposit in the Bond Reserve Fund to the Required Bond Reserve but only to the extent that amounts on deposit in the Bond Reserve Fund were previously used to make up a deficiency in the Bond Redemption Fund as a result of such delinquent installment of the Special Tax (as determined by the Treasurer); (ii) second, the Treasurer shall transfer to the Trustee for deposit in the Supplemental Reserve Fund so much of such amount remaining, if any, as is necessary to restore the amount on deposit in the Supplemental Reserve Fund to the current Supplemental Reserve Requirement; (iii) third, the Treasurer shall transfer to Granite Bay so much of such amount remaining, if any, as is necessary to reimburse Granite Bay for any previous reduction in the Supplemental Reserve Requirement under the Indenture for which Granite Bay has not been reimbursed; and (iv) fourth, the Treasurer shall deposit in the Special Tax Fund so much of such amount remaining, if any, after the transfers described in clauses (i), (ii), and (iii) of this paragraph. The amounts of the transfers and deposits described in clauses (i), (ii), (iii), and (iv) of this paragraph will be determined by the Treasurer and such determinations shall be final and conclusive. Except as provided in this paragraph, no proceeds of the Special Tax will be deposited in the Supplemental Reserve Fund.

Amounts on deposit in the Supplemental Reserve Fund shall not be taken into account in the calculation of any Reserve Fund Credit (as defined in the Rate and Method) in connection with any prepayment of the Special Tax.

Withdrawal from Supplemental Reserve Fund to Pay Debt Service. If, by any February 15 or August 15, the amount on deposit in the Special Tax Fund is not sufficient for the Treasurer to transfer to the Trustee the amount required to be deposited in the Bond Redemption Fund on or before the next succeeding March 1 or September 1, as applicable, then at least two Business Days before the next succeeding March 1 or September 1, as applicable, the Treasurer shall notify the Trustee in writing of the amount of the deficiency, if any, that is the result of any delinquency in the payment of the Special Tax levied on Undeveloped Property (and for which no reduction to the Supplemental Reserve Requirement has previously been made as described below (the "Supplemental Reserve Fund Draw Amount") and direct the Trustee to transfer the Supplemental Reserve Fund Draw Amount to the Bond Redemption Fund from the amount, if any, then on deposit in the Supplemental Reserve Fund. Not later than the March 1 or September 1 immediately succeeding the Trustee's receipt of the notice and direction from the Treasurer and before withdrawing and utilizing amounts on deposit in the Bond Reserve Fund to make up any deficiency in the Bond Redemption Fund as of such March 1 or September 1, as applicable, the Trustee shall transfer the Supplemental Reserve Fund Draw Amount to the Bond Redemption Fund from the amount, if any, then on deposit in the Supplemental Reserve Fund.

Reduction of Supplemental Reserve Requirement and Release of Amounts on Deposit in the Supplemental Reserve Fund. After the deposit of the Initial Supplemental Reserve Requirement in the Supplemental Reserve Fund, the Supplemental Reserve Requirement shall be reduced as follows:

(1) If on any date after November 30 of any year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying: (i) that building permits issued by the City in Improvement Area No. 1 during the six-month period commencing on the June 1 preceding such November 30 and ending on such November 30, both dates inclusive, will result (or has resulted) in all or any portion of the Taxable Land that was classified as Undeveloped Property under the Rate and Method for the Fiscal Year in which such six-month period ended (and for which no reduction to the Supplemental Reserve Requirement has previously been made under the Indenture) being reclassified as Developed Property under the Rate and Method for the Fiscal Year following the Fiscal Year in which such six-month period ended; (ii) the amount of the Special Tax levied on that Undeveloped Property in Fiscal Year 2017-18; and (iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(2) If on any date after May 31 of any year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying: (i) that building permits issued by the City in Improvement Area No. 1 during the six-month period commencing on the December 1 preceding such May 31 and ending on such May 31, both dates inclusive, will result (or has resulted) in all or any portion of the Taxable Land that was classified as Undeveloped Property under the Rate and Method for the Fiscal Year in which such six-month period ended (and for which no reduction to the Supplemental Reserve Requirement has previously been made under the Indenture) being reclassified as Developed Property under the Rate and Method for the Fiscal Year following the Fiscal Year in which such six-month period ended; (ii) the amount of the Special Tax levied on that Undeveloped Property in Fiscal Year 2017-18; and (iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(3) If during any Fiscal Year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying as follows: (i) that the aggregate Value of all Undeveloped Property in Improvement Area No. 1 (for which no reduction to the Supplemental Reserve Requirement has previously been made under the Indenture) owned by any given property owner is at least four times the sum of the following: (A) an allocable share of the aggregate principal amount of all Bonds then Outstanding, determined by multiplying the aggregate principal amount of all Bonds then Outstanding by a fraction, the numerator of which is the amount of the Special Tax levied on such Undeveloped Property in such Fiscal Year, and the denominator of which is the total amount of the Special Tax levied on all Taxable Land in Improvement Area No. 1 in such Fiscal Year; (B) the aggregate principal amount of all fixed lien special assessments levied on such Undeveloped Property, based upon information from the most recent Fiscal Year for which such information is available; and (C) an allocable share of the aggregate principal amount of all Other CFD Bonds outstanding, determined by multiplying the aggregate principal amount of all Other CFD Bonds outstanding by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on such Undeveloped Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land, based upon information from the most recent Fiscal Year for which such information is available; (ii) the amount of the Special Tax levied on that Undeveloped Property in Fiscal Year 2017-18; and (iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(4) If on any date the City delivers to the Trustee a Certificate of the City certifying that the Special Tax levied on all Undeveloped Property in Improvement Area No. 1 for a Fiscal Year is less than 10% of the Special Tax levied on all Taxable Land in Improvement Area No. 1 for that Fiscal Year, then the Supplemental Reserve Requirement shall immediately be reduced to $0.00 and the Supplemental Reserve Fund shall no longer be required to be maintained by the Trustee.

In connection with the reduction of the Supplemental Reserve Requirement under the Indenture, the City will also direct the Trustee in writing to withdraw any amount then on deposit in the Supplemental Reserve Fund in excess of the reduced Supplemental Reserve Requirement and transfer the excess to or upon the order of Granite Bay. If the Supplemental Reserve Requirement has been reduced as described under paragraph (4) above, then, upon the transfer of all amounts remaining on deposit in the Supplemental Reserve Fund as set out in the written direction of the City, the Trustee shall close the Supplemental Reserve Fund.

Notwithstanding anything to the contrary in the Indenture, the City is not required to transfer any amount to the Supplemental Reserve Fund to restore the amount on deposit therein to the Supplemental Reserve Requirement except from receipt (whether by proceedings for foreclosure or otherwise) of any delinquent installment of the Special Tax (including any penalties and interest thereon) for which a transfer was previously made by the Trustee from the Supplemental Reserve Fund to the Bond Redemption Fund under the Indenture (as determined by the Treasurer).

Issuance of Parity Bonds for Refunding Purposes Only

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Teeter Plan

In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

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. Improvement Area No. 1 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."

IMPROVEMENT AREA NO. 1

General Description

The District was formed in 2007 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. In 2014, the City undertook change proceedings with respect to the District, as described under "SECURITY OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge*." Pursuant to such change proceedings, eligible electors within Improvement Area No. 1 authorized the City to incur bonded indebtedness with respect to Improvement Area No. 1 to finance certain public facilities and governmental fees to meet the needs of new development within Improvement Area No. 1, approved the Rate and Method for Improvement Area No. 1 and authorized the levy of the Special Tax.

Improvement Area No. 1 consists of approximately 115 gross acres and encompasses a portion of the Natomas Meadows master-planned community. The Natomas Meadows master planned community is expected to include approximately 900 residential units at build-out. Improvement Area No. 1 is situated on the southeast corner of Del Paso Road and Gateway Park Drive. The residential development within Improvement Area No. 1 is planned for 495 residential units at build-out, consisting of 377 single family detached homes and 118 attached townhomes. The balance of the property within Improvement Area No. 1 is anticipated to be used for a public park and public rights of way.

Construction within Improvement Area No. 1 commenced in 2007. At such time, Pardee was the master developer within the District and substantially completed all the backbone infrastructure necessary to develop the property within the District. In 2008, affiliates of Granite Bay acquired the property owned by Pardee, with the exception of the lot proposed for 118 attached townhomes, which is currently owned by Pardee.

On December 8, 2008, as a result of FEMA designating the Natomas Basin (including the area within the District) a Special Flood Hazard Area ("Zone AE"), the Natomas Basin was subject to a de facto building moratorium from December 2008 through June 15, 2015. During such time, the only homes that were constructed within the District were those for which building permits had been issued prior to December 8, 2008 and home foundations had been completed. Within Improvement Area No. 1, eight homes were completed and conveyed to individual homeowners before the de facto building moratorium prevented additional home construction. On January 16, 2015, the City resumed acceptance of applications for building permits within the Natomas Basin. See "—De Facto Building Moratorium and Flood Hazard" below.

The development within Improvement Area No. 1 is currently planned for 495 residential units at build-out (including the eight homes that were completed and conveyed to individual homeowners prior to the de facto building moratorium taking effect). As of the Date of Value, final maps have been recorded for all property within Improvement Area No. 1, other than the 8.23 acre parcel owned by Pardee.

As set forth in the Appraisal Report, as of the Date of Value, Granite Bay, Lennar, Woodside Homes and D.R. Horton owned 184, 119, 24 and 38 lots, respectively, within Improvement Area No. 1, which are all planned for single family detached homes. In addition, Pardee owned one parcel of approximately 8.23 acres that is listed as planned for 120 units in the Appraisal Report. Since the Date of Value, Granite Bay has conveyed additional lots to merchant builders, including 37 lots to Anthem, which is an affiliated entity of Granite Bay. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Granite Bay expects to continue to market and sell the lots that it still owns within Improvement Area No. 1 as finished lots to merchant builders, which does, and may in the future, include affiliates of Granite Bay. As further described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Granite Bay Development Plan," Granite Bay has entered into contracts with Woodside Homes, D.R. Horton and Anthem to sell lots in various phases/take downs.

As of the Date of Value, the property within Improvement Area No. 1 varied from lots in a blue top condition (property with a recorded subdivision map and mass graded with no intract streets cut) to lots with completed homes. As of such date, Lennar, Woodside Homes, D.R. Horton and Anthem had commenced vertical construction of homes within Improvement Area No. 1. The property owned Pardee has all frontage roads and wet and dry utilities completed to the property line. Such property owned by Pardee is entitled to be developed into 120 condominiums. Pardee had previously indicated to the City that it intended to submit an application for discretionary entitlements to build 118 townhomes. Pardee currently is considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Development within Improvement Area No. 1 has progressed since the Date of Value. Table 1 below summarizes the property ownership and certain development information within Improvement Area No. 1 as of June 1, 2017. 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."

TABLE 1
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)[1]

Ownership of Property	*Number of Parcels/Units Owned*	*Homes Completed and Closed to Individual Homeowners*	*Property Development Status*
Individual Homeowners[2]	43	N/A	Completed Homes
Granite Bay[3]	53	N/A	Finished Lots
Granite Bay – Under Contract with Anthem	9	N/A	Finished Lots
Granite Bay – Under Contract with D.R. Horton	15	N/A	Finished Lots
Anthem	37	0	Finished Lots/Homes Under Construction
D.R. Horton	72	8	Finished Lots/Homes Under Construction
Woodside Homes	40	16	Finished Lots/Homes Under Construction
Lennar	108	11	Finished Lots/Homes Under Construction
Pardee[4]	118	0	Blue Top Condition
Totals	**495**	**35**	

(1) As of June 1, 2017.

(2) Consists of the eight homes within Improvement Area No. 1 which were completed and conveyed to individual homeowners prior to the de facto building moratorium taking effect and the 35 homes that have been conveyed to individual homeowners since development recommenced in Improvement Area No. 1. See "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium."

(3) Granite Bay is not a homebuilder and its plan is to sell the lots that it owns within Improvement Area No. 1 to merchant builders.

(4) As of the Date of Value, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Granite Bay.

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

Description of Authorized Facilities

Acquisition Agreement. The City and Pardee, as the original master developer within Improvement Area No. 1, are parties to an Acquisition and Shortfall Agreement, dated as of August 21, 2008 (the "Acquisition Agreement"), which provides, among other things, the means by which Pardee constructed the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire completed segments of the facilities with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the public infrastructure constructed to serve development within the District.

Pardee had substantially completed construction of all the backbone infrastructure necessary to complete development within Improvement Area No. 1. In accordance with the terms of Pardee's sale of certain property within Improvement Area No. 1 to an affiliate of Granite Bay, a portion of the proceeds of the Bonds will be reimbursed to Granite Bay for costs of such 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 facilities authorized to be financed for Improvement Area No. 1, including such facilities which are included in the City's and other governmental agency fee programs, in accordance with the terms of the Indenture and the Acquisition Agreement. As more fully detailed in the Acquisition Agreement, costs of such facilities, including those which are included in the City's and other governmental agency fee programs and are eligible to be financed with the proceeds of the Bonds, consist of backbone infrastructure, including without limitation water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement. Approximately $11.3 million of the costs of such facilities or fees included in the City's governmental fee programs are expected to be reimbursed from Bond proceeds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Status of Facilities. All of the backbone infrastructure with respect to Improvement Area No. 1 has been completed and no discretionary approvals or remediation is necessary in order for Granite Bay and the current or future merchant builders to complete their developments within Improvement Area No. 1. Certain in-tract infrastructure within Improvement Area No. 1 remains to be completed by the current and future merchant builders with respect to their property. The costs of such in-tract infrastructure will be paid by such merchant builders. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

De Facto Building Moratorium and Flood Hazard

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

FEMA has issued a revised map and designated the area within the Natomas Basin (including the District) as Zone A99 effective June 16, 2015, which allows for the resumption of new building construction, subject to the limitations described below. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized.

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

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

As described above, completion of the Levee Project does not eliminate the risk of flood-related property damage within the Natomas Basin (including Improvement Area No. 1). The requirement to purchase flood insurance will remain in effect even though the Natomas Basin is designated as Zone A99. See "SPECIAL RISK FACTORS — Natural Disasters."

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 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 Improvement Area No. 1 and are set forth in Table 2 below (the "Debt Report"). The Debt Report sets forth those entities that have issued debt other than general obligation bonds supported by *ad valorem* taxes. Table 2 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the Improvement Area No. 1's allocable share of any outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. and Goodwin Consulting Group, Inc. as of May 1, 2017. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
OVERLAPPING DEBT SUMMARY

Overlapping District	***Percent Applicable***	***Total Outstanding Bonded Debt***
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	0.009%	$ 18,348
Sacramento Area Flood Control District Operations and Maintenance Assessment District Bonds	0.061	1,769
Sacramento Area Flood Control District Natomas Basin Local Assessment District	0.039	13,612
Improvement Area No. 1 Natomas Meadows CFD No. 2007-01 Bonds	100.000	12,295,000
Total		**$ 12,328,729**

Total Property Value[(1)]: $36,997,599
Value-to-Lien Ratio **3.00:1**

(1) Includes the value of the appraised property as set forth in the Appraisal Report and the assessed value as of the January 1, 2016 lien date provided by the County of eight homes completed prior to the de facto building moratorium taking effect. See "— De Facto Building Moratorium and Flood Hazard."

Source: California Municipal Statistics, Inc.; Appraiser; City.

Estimated Fiscal Year 2016-17 Tax Burden

The following table sets forth the estimated total tax obligation of sample parcels of Developed Property for a single-family detached unit within Improvement Area No. 1 based on the initial principal amount of the Bonds, the Fiscal Year 2016-17 Special Tax levy at the Assigned Special Tax rates and the Fiscal Year 2016-17 tax rates for overlapping taxing entities. The amounts charged and the effective tax rates vary for individual parcels within Improvement Area No. 1 may increase or decrease in future years. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

TABLE 3
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
ESTIMATED TAX OBLIGATION
FOR SAMPLE UNITS

Assumptions		***Tax Zone 1***	***Tax Zone 2***	***Tax Zone 3***	***Tax Zone 4***
Average Home Price[(1)]		$ 280,000	$ 325,000	$ 380,000	$ 400,000
Homeowner's Exemption		(7,000)	(7,000)	(7,000)	(7,000)
Net Expected Assessed Value		$ 273,000	$ 318,000	$ 373,000	$ 393,000
Ad Valorem Property Taxes	***Percent of Total Assessed Value***[(2)]				
General Purposes	1.0000%	$2,730	$3,180	$3,730	$3,930
Los Rios Community College District GO Bonds	0.0141	38	45	53	55
Natomas USD GO Bonds	0.2257	616	718	842	887
Total Ad Valorem Property Taxes	1.2398%	$3,385	$3,943	$4,624	$4,872
Improvement Area No. 1 Charges					
Reclamation District No. 1000 M&O		$25	$25	$25	$25
SAFCA Natomas Basin Local Assessment District		78	78	78	78
Neighborhood Park Maintenance CFD 2002-02		65	65	65	65
North Natomas TMA CFD No. 9901		27	27	27	27
SAFCA O&M Assessment No. 1		6	6	6	6
Sacramento Library Services Tax		32	32	32	32
Citywide L&L Assessment District		79	79	79	79
SAFCA Consolidated Capital Assessment		109	109	109	109
SACTO Core Library Services Tax		13	13	13	13
North Natomas Landscaping CFD No. 3		79	79	79	79
Sacramento Maintenance CFD No. 2014-04[(3)]		122	122	122	122
Improvement Area 1 Natomas Meadows CFD 2007-01[(4)]		1,167	1,273	1,486	1,857
Total Direct Changes		**$1,803**	**$1,909**	**$2,121**	**$2,493**
Total Taxes and Direct Charges[(5)]		**$5,187**	**$5,852**	**$6,746**	**$7,365**
Percent of Average Home Price		**1.85%**	**1.80%**	**1.78%**	**1.84%**

(1) Based on the Appraisal Report.
(2) Based on Fiscal Year 2016-17 *ad valorem* tax rates.
(3) Property owned by Granite Bay, Lennar and Woodside Homes as of the Date of Value have been annexed to such community facilities district.
(4) Reflects the Fiscal Year 2016-17 Assigned Special Tax rates.
(5) Totals may not sum due to rounding.
Source: Goodwin Consulting Group, Inc.; Appraiser; Sacramento County; California Municipal Statistics, Inc.

Property Values

Assessed Value. The assessed value of the property within the District represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 1 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 Improvement Area No. 1 from Fiscal Years 2008-09 through 2016-17.

TABLE 4
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
HISTORICAL ASSESSED VALUES

Fiscal Year	*Land Value*	*Improvement Value*	*Total Assessed Value*	*Percentage Change*
2008-09	$50,834,052	$ 0	$50,834,052	N/A
2009-10	28,397,000	0	28,397,000	(44.1)%[(1)]
2010-11	19,299,010	245,000	19,544,010	(31.2)[(1)]
2011-12	19,475,899	1,682,307	21,158,206	8.3
2012-13	19,837,976	1,576,575	21,414,551	1.2
2013-14	16,531,508	1,774,240	18,305,748	(14.5)[(1)]
2014-15	16,611,382	1,817,944	18,429,326	0.7
2015-16	16,976,507	1,857,717	18,834,224	2.2
2016-17	17,679,511	1,845,258	19,524,769	3.7

(1) Decrease as a result of a reassessment by the County of a substantial portion of the parcels within Improvement Area No. 1.
Source: Sacramento County Assessor's Office; Goodwin Consulting Group, Inc.

Appraisal. The estimated assessed value of the property within Improvement Area No. 1, as shown on the County's assessment roll for Fiscal Year 2016-17, is approximately $19,524,769. 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 Improvement Area No. 1, the City engaged Seevers Jordan Ziegenmeyer, 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 or the owners of the land within Improvement Area No. 1 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 by ownership of the properties in Improvement Area No. 1 subject to the lien of the Special Tax (provided, however, that the eight homes owned by individual homeowners that were completed prior to the de facto build moratorium were not appraised). Market value was estimated by ownership, and the sum of the market values by ownership represented an aggregate value (which is not equivalent to the market value of Improvement Area No. 1 as a whole). 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 Improvement

Area No. 1 was not-less-than $36,997,599 (consisting of $2,297,599 of assessed value of the eight homes completed prior to the de facto building moratorium and owned by individual owners and $34,700,000 of appraised values for the appraised property within Improvement Area No. 1). Table 5 below shows the market value of the various parcels owned by Granite Bay, Lennar, Pardee, D.R. Horton and Woodside Homes and the aggregate of individual owners within Improvement Area No. 1 as set forth in the Appraisal Report as of the Date of Value. Since such date, Granite Bay has sold additional lots to merchant builders and certain of the merchant builders below have sold additional homes to individual homeowners. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

TABLE 5
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
SUMMARY OF APPRAISED AND ASSESSED VALUES
(AS OF MARCH 7, 2017)

Owner[(1)]	***No. of Units***[(1)]	***Property Value***[(2)]
Granite Bay[(3)]	184	$13,380,000
Lennar	119	11,135,000
Pardee[(4)]	118	2,640,000
Woodside Homes	24	3,190,000
D.R. Horton	38	3,010,000
Individual Homeowners[(5)]	12	3,642,599
Total	**495**	**$36,997,599**

(1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(2) Reflects appraised value of property as set forth in the Appraisal Report and assessed value of eight homes owned by individual owners. See footnote 5 below and "INTRODUCTION — Appraisal Report" and "APPENDIX B — Appraisal Report and Update Appraisal Report."

(3) Since the Date of Value, Granite Bay has conveyed additional lots within Improvement Area No. 1 to merchant builders. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(4) As of the Date of Value as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

(5) Reflects the assessed value of eight homes which were completed prior to the de facto building moratorium taking effect and the appraised value of four homes subsequently completed and conveyed by Woodside to individual homeowners as of the Date of Value. See "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium."

Source: Appraiser.

In estimating the value for the lots owned by Granite Bay, Lennar, Woodside Homes, Anthem, D.R. Horton, Pardee and four homes completed and conveyed by Woodside Homes to individual homeowners, the Appraiser used a combination of the sales comparison approach, land residual analysis and the subdivision development method to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 as of the Date of Value and under the conditions specified in the Appraisal. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

The Appraiser has prepared an Update Appraisal Report dated July 7, 2017. 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. In the Update Appraisal Report, the Appraiser states that subsequent to the Date of Value, market conditions have continued to improve, and home construction and sales have continued within the active subdivisions within Improvement Area No. 1. The Appraiser did not re-inspect the appraised properties in connection with the preparation of the Update Appraisal Report.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the City a certification to the effect 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 Improvement Area No. 1 is less than the value of Improvement Area No. 1 reported in the Update 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 Improvement Area No. 1.

Value-To-Lien Ratios

Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within Improvement Area No. 1, including all Taxable Property as of the Date of Value is 3.00-to-1. This ratio includes other land-secured debt (i.e. other community facilities districts or assessment districts) within Improvement Area No. 1 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 6 below is allocated based on each property's share of the estimated Fiscal Year 2017-18 Special Tax levy based on building permits issued as of June 1, 2017.

Table 6 below shows the estimated principal amount of the Bonds and overlapping debt allocable to each category of parcels and the estimated value-to-lien ratios for various categories of parcels based upon land values and property ownership in Improvement Area No. 1 as of the Date of Value, as set forth in the Appraisal Report. Since the Date of Value, Granite Bay has sold additional lots to merchant builders and certain of the merchant builders have sold additional completed homes to individual homeowners within Improvement Area No. 1. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

In the City Reports provided pursuant to the City Continuing Disclosure Certificate, Table 6 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

TABLE 6
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Special Tax Category	*Number of Planned Residential Units*(1)	*Appraised Value*(1)	*Estimated Fiscal Year 2017-18 Special Tax Levy*(2)	*Percent of Estimated Fiscal Year 2017-18 Tax Levy*	*Allocation of City of Sacramento CFD No. 2007-01 IA-1 Bonds* (3)	*Total Direct and Overlapping Debt* (4)	*Value-to-Lien Ratio*
Developed Property(5)							
Individual Homeowners	12	$ 3,642,599	$ 18,564	2.9%	$ 351,251	$ 367,662	9.91:1
Granite Bay Owned(6)	8	778,011	15,154	2.3	286,736	287,063	2.71:1
Lennar Owned	38	5,027,976	66,948	10.3	1,266,757	1,268,069	3.97:1
D.R. Horton Owned	24	1,949,500	38,535	5.9	729,128	730,101	2.67:1
Woodside Homes Owned	23	3,126,923	35,937	5.5	679,973	680,867	4.59:1
Subtotal	105	$ 14,525,009	$ 175,138	27.0%	$ 3,313,845	$ 3,333,762	4.36:1
Undeveloped Property(5)							
Granite Bay Owned(6)	176	$ 12,601,989	$ 228,607	35.2%	$ 4,325,569	$ 4,334,147	2.91:1
Lennar Owned	81	6,107,024	116,456	17.9	2,203,507	2,206,304	2.77:1
Pardee Owned(7)	118	2,640,000	109,096	16.8	2,064,240	2,066,067	1.28:1
D.R. Horton Owned	14	1,060,500	19,185	3.0	363,009	363,581	2.92:1
Woodside Homes Owned	1	63,077	1,312	0.2	24,829	24,868	2.54:1
Subtotal	390	$ 22,472,590	$ 474,656	73.0%	$ 8,981,155	$ 8,994,967	2.50:1
Total	**495**	**$ 36,997,599**	**$ 649,794**	**100.0%**	**$ 12,295,000**	**$ 12,328,279**	**3.00:1**

(1) Based on Appraisal Report as of the Date of Value. Eight parcels on which homes were completed prior to the de facto building moratorium and sold to individual homeowners reflect Fiscal Year 2016-17 assessed values provided by the County. See "— De Facto Flood Hazard and Building Moratorium."

(2) Interest on the Bonds is capitalized through September 1, 2017.

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

(4) Includes land-secured overlapping special tax and assessment lien debt as of May 1, 2017. See "— Direct and Overlapping Indebtedness" above.

(5) Ownership information based on the Appraisal Report as of the Date of Value. Special Tax category is based on building permits issued as of June 1, 2017. Pursuant to the Rate and Method, Undeveloped Property is Taxable Property for which a building permit had not been issued as of June 1 of the prior Fiscal Year.

(6) Since the Date of Value, Granite Bay has sold additional lots to merchant builders, including 37 lots to Anthem. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT— Granite Bay Development Plan."

(7) As of the Date of Value as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Goodwin Consulting Group, Inc.

Property Ownership Summary

Table 7 below shows the taxpayers within Improvement Area No. 1 measured by the percentage of the estimated Fiscal Year 2017-18 Special Tax levy based on ownership status as of the Date of Value. Since the Date of Value, Granite Bay has sold additional lots to merchant builders, including 37 lots to Anthem. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Granite Bay Development Plan." See "SPECIAL RISK FACTORS — Concentration of Ownership."

TABLE 7
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
PROJECTED FISCAL YEAR 2017-18 SPECIAL TAX LEVY BY PROPERTY OWNERSHIP

Property Ownership(1)	*Number of Planned Residential Units* (1)	*Appraised Value*(1)	*Estimated Fiscal Year 2017-18 Special Tax Levy*	*Percent of Estimated Fiscal Year 2017-18 Special Tax Levy*	*Allocation of City of Sacramento CFD No. 2007-01 IA-1 Bonds*(2)	*Total Direct and Overlapping Debt* (3)	*Value-to-Lien Ratio*
Granite Bay	184	$ 13,380,000	$ 243,761	37.5%	$ 4,612,305`	$ 4,621,210	2.90:1
Lennar	119	11,135,000	183,404	28.2	3,470,265	3,474,373	3.20:1
Pardee(4)	118	2,640,000	109,096	16.8	2,064,240	2,066,067	1.28:1
D.R. Horton	38	3,010,000	57,720	8.9	1,092,137	1,093,682	2.75:1
Woodside Homes	24	3,190,000	37,249	5.7	704,802	705,735	4.52:1
Individual Homeowners	12	3,642,599	18,564	2.9	351,251	367,662	9.91:1
Total	**495**	**$ 36,997,599**	**$ 649,794**	**100.0%**	**$ 12,295,000**	**$ 12,328,729**	**3.00:1**

(1) Based on Appraisal Report as of the Date of Value. Eight parcels on which homes were completed prior to the de facto building moratorium and sold individual homeowners reflect Fiscal Year 2016-17 assessed values provided by the County. See "— De Facto Flood Hazard and Building Moratorium."
(2) Allocated based on share of the estimated Fiscal Year 2017-18 levy.
(3) Includes land-secured overlapping special tax and assessment lien debt as of May 1, 2017. See "— Direct and Overlapping Indebtedness" above.
(4) As of the Date of Value as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Goodwin Consulting Group, Inc.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in Improvement Area No. 1 for Fiscal Years 2012-13 through 2016-17. Improvement Area No. 1 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 Improvement Area No. 1, without regard to the actual amount of collections. See "SECURITY FOR THE BONDS— Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

TABLE 8
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2011-12 THROUGH 2016-17

			Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied			*Delinquencies as of April 17, 2017*			
Fiscal Year	*Amount Levied*	*Parcels Levied*	*Parcels Delinquent*	*Amount Delinquent*	*Percent Delinquent*	*Parcels Delinquent*	*Amount Delinquent*	*Percent Delinquent*	*Special Tax Collected*
2011-12	$16,840	8	0	$ 0	0.0%	0	$ 0	0%	$16,840
2012-13	17,177	8	0	0	0.0	0	0	0	17,177
2013-14	11,900	8	0	0	0.0	0	0	0	11,900
2014-15	12,138	8	0	0	0.0	0	0	0	12,138
2015-16	12,381	8	1	1,457	11.8	0	0	0	12,381
2016-17	12,628	8	0	0	0.0	0	0	0	12,628

Source: the City; Sacramento County Auditor-Controller Division.

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 Improvement Area No. 1 will occur in a timely manner or in the configuration or to the density described in this Official Statement, or that Granite Bay, Anthem, Lennar, Pardee, D.R. Horton, Woodside Homes, or any owners or affiliates thereof, or any other property owner described in this Official Statement will or will not retain ownership of its respective property within Improvement Area No. 1. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within Improvement Area No. 1. The Bonds are secured by and payable solely from the Special Tax and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within Improvement Area No. 1 or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.

General

Development Within Improvement Area No. 1. Improvement Area No. 1 encompasses a portion of the Natomas Meadows master-planned community. The Natomas Meadows master-planned community is expected to include approximately 900 residential units at build-out. Improvement Area No. 1 is planned for the development of 495 residential units, consisting of 377 single family detached homes and 118 attached townhomes, plus a public park and public right of ways. Construction within Improvement Area No. 1 commenced in 2007. All of the property within Improvement Area No. 1 has been graded and all backbone infrastructure necessary to complete the development as currently planned in Improvement Area No. 1 has been completed. The City is expected to construct a public park covering approximately 11 acres following conveyance of the park site by Granite Bay to the City. Such conveyance is anticipated to occur in the fourth quarter of 2017 following completion by Granite Bay of frontage improvements to the park site.

A summary of the development status by the merchant builders within Improvement Area No. 1 is set forth in the table below. The column labeled "Total Planned Units at Buildout" assumes that the parcels for which Granite Bay has entered into contracts to convey to certain merchant builders are conveyed pursuant to the terms of such contracts. See Table 10. Granite Bay is not a homebuilder and is actively marketing and expects to sell the property it owns to merchant builders, which does, and may in the future include, affiliates of Granite Bay.

TABLE 9
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
SUMMARY OF ACTIVE MERCHANT BUILDER DEVELOPMENTS
(As of June 1, 2017)

Developer	*Neighborhood Name*	*Closed to Individual Homeowners*	*Total Planned Units at Buildout*[1]	*Estimated Home Square Footage*	*Estimated Base Home Prices*[2]
Anthem	Willows	0	46	2,500 – 3,000	$430,000 - $480,000
Lennar	Edgewood	11	119	2,110 – 2,786	$386,990 - $465,990
Woodside Homes	Natomas Meadows	16	56	1,697 – 2,264	$318,990 - $351,990
D.R. Horton	Blossom	8	95	1,974 – 2,328	$345,990 - $365,990
Pardee[3]	N/A	0	118	1,554 – 1,743	--
Total		**35**	**434**		

(1) Excludes the 53 parcels owned by Granite Bay which, as of June 1, 2017, were not under contract to be sold to merchant builders. Also excludes the eight homes within Improvement Area No. 1 which were completed and conveyed to individual homeowners prior to the de facto building moratorium taking effect. See "IMPROVEMENT AREA NO. 1 — De Facto Flood Hazard and Building Moratorium."

(2) Base home prices shown exclude the builder's estimate of lot premiums, the sales of options and extras and any incentives or price reductions. Base home prices fluctuate frequently based on, among other things, market and inventory conditions.

(3) As of the Date of Value as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Granite Bay.

Property Ownership Within Improvement Area No. 1. Prior to 2008, Pardee owned all of the property within Improvement Area No. 1. In 2008, affiliates of Granite Bay acquired the property owned by Pardee, with the exception of one lot that was previously planned for construction of 118 attached townhomes, which lot remains owned by Pardee (the "Pardee Parcel"). Pardee is considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

As of June 1, 2017, property within Improvement Area No. 1 was owned by Granite Bay, Anthem, Lennar, Pardee, D.R. Horton, Woodside Homes and individual homeowners, as described in the following table:

TABLE 10
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)

Ownership of Property as of June 1, 2017	***Number of Actual/Projected Residential Units***
Individual Homeowners	43
Granite Bay[1]	53
Granite Bay – Under Contract with Anthem[1]	9
Granite Bay – Under Contract with D.R. Horton[1]	15
Anthem	37
D.R. Horton	72
Woodside Homes	40
Lennar	108
Pardee[2]	118
Total Project Residential Units at Buildout	**495**

(1) As of the Date of Value, Granite Bay owned 184 lots. As shown above, since the Date of Value, Granite Bay has conveyed additional lots within Improvement Area No. 1 to merchant builders.

(2) The Pardee Parcel consists of one lot that was planned for 118 attached townhome residential units. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Subdivision Map Status. The residential portion of the Natomas Meadows Project has been divided into six Villages that are expected to be developed with single family detached homes, plus the Pardee Parcel that is expected to be developed with attached townhomes. Village 2, Village 3, Village 4, Village 6 (each a "Village" and collectively, the "Villages"), and the Pardee Parcel are located within Improvement Area No. 1. Village 1 and Village 5 are located within Improvement Area No. 2 of the District ("Improvement Area No. 2"). ***Information regarding Improvement Area No. 2 is provided for contextual purposes only; the Bonds are secured and payable only by the Special Tax levied on property within Improvement Area No. 1.***

The Pardee Parcel is currently a single parcel and has not yet been subdivided. The status of the tract maps for the four Villages (which does not include the Pardee Parcel) as of June 1, 2017, in Improvement Area No. 1 is shown below:

TABLE 11
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
STATUS OF TRACT MAPS WITHIN IMPROVEMENT AREA NO. 1

Final Tract Map	***Number of Residential Parcels***	***Map Recorded***
Village 2, Phase 1	9	June 27, 2007
Village 2, Phase 2	119	August 26, 2016
Village 3	126	May 7, 2007
Village 4	53	June 14, 2007
Village 6, Phase 1	12	August 9, 2007
Village 6, Phase 2	58	November 23, 2016
Total	**377**	

Source: Granite Bay.

The development and financing plans of Granite Bay and the merchant builders are described in further detail below.

Granite Bay

General. Granite Bay-Natomas Meadows, LP, a Washington limited partnership (previously defined as "Granite Bay"), was established in September 2009 for the purpose of acquiring property within the District. Granite Bay is a 100%-owned subsidiary of 2008 Granite Bay Lands Fund L.P., a Washington limited partnership ("Granite Funds"). Granite Funds is owned (i) 75.0% by a number of investors which are primarily Canadian-based and (ii) 25.0% by Anthem United Homes, Inc. (formerly known as GBD Communities, Inc.), a Washington corporation ("Anthem United"), which is ultimately owned by United Communities, L.P., a Canadian entity. Anthem United is a land development and homebuilding company. Anthem, which owns property in Improvement Area No. 1, is an affiliate of Anthem United.

Effective December 29, 2016, the former GBD Communities, Inc. changed its corporate name to Anthem United Homes, Inc. Anthem United has been developing property in the greater Sacramento area since 2002 and has been successful in controlling over 1,000 acres of land for residential entitlement, development, and sale to residential home builders. Anthem United specializes in every step of the land planning and development process. Anthem United serves in the role as a master developer in the Sacramento area, providing high-quality planned communities with fully constructed lots featuring creative land plan design, entry monumentation, architectural theming, and controls.

Granite Bay is not a homebuilder and its plan is to sell the lots that it owns within Improvement Area No. 1 to merchant builders, which may include affiliates of Anthem United or Granite Bay.

The following table shows several projects that Anthem United or its affiliates are developing in the greater Sacramento market:

CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
ANTHEM UNITED DEVELOPMENTS IN THE GREATER SACRAMENTO MARKET

Project	***Number of Projected Lots***	***Location***	***Development Status***
Fiddyment Ranch	419	West Roseville	All lots developed; all lots sold.
Enclave (custom half-acre lots)	12	Granite Bay	All lots sold to D.R. Horton entity.
Los Cerros	115	Rocklin	Project under land development with active lot sale program in place.

Granite Bay Development Plan

General. Granite Bay is not a homebuilder and does not intend to perform any residential construction. Granite Bay has improved the lots it acquired in Improvement Area No. 1 to finished lot condition, which improvements included grading, paving, installation of sewers and storm drains, and other required infrastructure. Granite Bay has actively marketed its lots within Improvement Area No. 1 for sale to merchant homebuilders, including affiliates of Granite Bay. As of June 1, 2017, all lots within Improvement Area No. 1 owned by Granite Bay were in finished lot condition. As of such date, Granite Bay owned 77 lots within Improvement Area No. 1, all of which are being marketed to merchant builders. The following sections describe the sales of property within Improvement Area No. 1 by Granite Bay through June 1, 2017.

Sales to Lennar. On December 3, 2015, Granite Bay sold seven lots in finished condition and 112 lots in blue top condition (property with a recorded subdivision map and mass graded with no intract streets cut) to Lennar. The property sold to Lennar comprises all 119 residential lots in Village 2, Phase 2.

Sales to D.R. Horton. As of June 1, 2017, Granite Bay has entered into three contracts with D.R. Horton to sell a total of 95 lots in several phased take-downs. Each contract is described below. As of the date of this Official Statement, D.R. Horton had acquired all lots under the Horton PSAs as shown in Table 12.

Pursuant to the Purchase and Sale Agreement, originally dated June 30, 2015, by and between Granite Bay and D.R. Horton, as amended (the "Horton PSA 1"), Granite Bay sold 53 single family lots located in Villages 2 and 3 to D.R. Horton. Pursuant to the Horton PSA 1, D.R. Horton was obligated to acquire the 53 single family lots in a series of phased takedowns according to the schedule shown in Table 12 below.

Pursuant to the Purchase and Sale Agreement, originally dated July 1, 2015, by and between Granite Bay and D.R. Horton, as amended (the "Horton PSA 2"), Granite Bay originally sold 30 single family lots to D.R. Horton, 18 of which are located in Village 3 and 12 of which are located in Village 6, Phase 1. Pursuant to an amendment to the Horton PSA 2, D.R. Horton and Granite Bay agreed that the 12 lots located in Village 6, Phase 1 that were to be conveyed to D.R. Horton would no longer be acquired by D.R. Horton. Instead, such lots are now the subject of the Anthem PSA, as described under "— Sales to Anthem" below. Pursuant to the Horton PSA 2, D.R. Horton was obligated to acquire the 18 single family lots in Village 3 in a series of phased takedowns according to the schedule shown in Table 12 below.

Pursuant to the Purchase and Sale Agreement, dated December 20, 2016, by and between Granite Bay and D.R. Horton (the "Horton PSA 3" and, together with the Horton PSA 1 and Horton PSA 2, the "Horton PSAs"), Granite Bay sold 24 single family lots located in Village 6, Phase 2 to D.R. Horton. Pursuant to the Horton PSA 3, D.R. Horton acquired such 24 single family lots in a single takedown according to the schedule shown in Table 12 below.

TABLE 12
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
HISTORICAL D.R. HORTON TAKE-DOWN SCHEDULE

Take Down Date	*Number of Lots (Horton PSA 1)*	*Number of Lots (Horton PSA 2)*	*Number of Lots (Horton PSA 3)*	*Total Number of Lots (All Horton PSAs)*
June 24, 2016	8	8	--	16
January 4, 2017	8	10	--	18
February 7, 2017	4	--	--	4
March 7, 2017	6	--	--	6
April 11, 2017	6	--	--	6
April 27, 2017	--	--	24	24
May 11, 2017	6	--	--	6
June 13, 2017	6	--	--	6
July 13, 2017	9	--	--	9
Totals	**53**	**18**	**24**	**95**

Source: Granite Bay.

In addition to the purchase price of such lots, D.R. Horton has agreed to pay Granite Bay a profit participation amount and fee credits associated with property purchased under the Horton PSAs. Such fee credits are expected to be paid from portion of the proceeds of Bonds issued for Improvement Area No. 1.

Sale to Woodside Homes. Under a Purchase and Sale Agreement, dated August 14, 2015, by and between Granite Bay and Woodside Homes (the "Woodside Homes PSA"), Granite Bay sold 56 single family lots located in Village 3 to Woodside Homes. Under the Woodside Homes PSA, Woodside Homes was obligated to acquire the 56 single family lots in a series of phased takedowns in accordance with the schedule set forth in Table 13 below. As of June 1, 2017, Woodside Homes had acquired all 56 lots from Granite Bay under the Woodside Homes PSA, as shown below in Table 13.

TABLE 13
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
HISTORICAL WOODSIDE TAKE-DOWN SCHEDULE

Take Down Date	*Number of Lots*
November 24, 2015	4
March 2, 2016	6
May 31, 2016	6
November 30, 2016	9
February 28, 2017	9
March 13, 2017	2
May 19, 2017	20
Total	**56**

Source: Granite Bay.

In addition to the purchase price of such lots, Woodside Homes has agreed to pay Granite Bay a profit participation amount and fee credits associated with property purchased under the Woodside Homes PSA. Such fee credits are expected to be paid from portion of the proceeds of Bonds issued for Improvement Area No. 1.

Sales to Anthem. Pursuant to the Purchase and Sale Agreement, dated October 3, 2016 (the "Anthem PSA"), by and between Granite Bay and Anthem, Granite Bay sold 68 single family lots to Anthem, of which 46 are in Improvement Area No. 1. The 46 lots are located in Village 6, Phase 1 and Village 6, Phase 2 of Improvement Area No. 1. Pursuant to the Anthem PSA, Anthem is obligated to acquire the 46 single family lots in a two phased takedowns in accordance with the schedule set forth in Table 14 below.

TABLE 14
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 1)
HISTORICAL AND EXPECTED ANTHEM TAKE-DOWN SCHEDULE

Take Down Date (1)	***Number of Lots***
April 21, 2017	37
January 31, 2018	9
Total	**46**

(1) Sale on April 21, 2017 has been completed as reflected in the table. The takedown scheduled to occur by January 31, 2018 is subject to adjustments to account for any limitations on the number of single-family building permits that the City will issue pursuant to the Building Ordinance. See "IMPROVEMENT AREA NO. 1 — De Facto Building Moratorium and Flood Hazard —*De Facto Building Moratorium*."
Source: Granite Bay.

The number of lots to be acquired as set forth in Table 14 above reflects the minimum number of lots to be acquired in each takedown and Anthem has the option under the Anthem PSA to accelerate the rate of takedowns. The failure to take down the lots in accordance with the phased takedown schedule set forth above would constitute an event of default under the Anthem PSA, which would permit Granite Bay to terminate the Anthem PSA. In such an event of default, Granite Bay expects to seek other homebuilders to acquire the remaining lots. In addition, if there is a default by Anthem, the non-refundable deposit provided by Anthem in connection with the Anthem PSA would be forfeited.

As of June 1, 2017, Anthem had acquired 37 lots within Improvement Area No. 1 from Granite Bay in one takedown, as shown above in Table 14. The remaining 9 lots subject to the Anthem PSA within Improvement Area No. 1, currently owned by Granite Bay, are expected to be purchased by Anthem prior to January 31, 2018.

In addition to the purchase price of the lots to be purchased under the Anthem PSA, Anthem has agreed to pay Granite Bay fee credits associated with property purchased under its contract with Granite Bay which fee credits are expected to be paid from portion of Bonds issued for Improvement Area No. 1.

No assurance can be given that Anthem will acquire any additional lots from Granite Bay. To the extent that Anthem does not acquire any lots as currently contemplated and there is a default under the Anthem PSA, Granite Bay expects to attempt to sell such lots to another merchant builder, but no assurance can be given as to the success or timing of any such sales.

Remaining Granite Bay Lots. As of June 1, 2017, Granite Bay owned 77 lots within Improvement Area No. 1, 53 of which (all located in Village 4) were not the subject of an executed purchase agreement with a merchant builder. Granite Bay is actively marketing such remaining lots to homebuilders.

Granite Bay's Financing Plan. As of June 1, 2017, Granite Bay had expended approximately $25 million to acquire its property within the District, including approximately $14 million to acquire property within Improvement Area No. 1, and approximately $5 million on development and holding costs to convert lots into finished lot condition within Improvement Area No. 1. Granite Bay expects to expend an additional approximately $200,000 to complete development and sale of its property within Improvement Area No. 1.

Granite Bay is financing the remaining development costs and the marketing of homesites to merchant builders utilizing equity, sales proceeds, the proceeds of the Bonds, and a loan with Umpqua Bank (the "Umpqua Loan"). On August 30, 2016, Granite Bay obtained a revolving loan with Umpqua Bank in the maximum amount of $8 million for the purpose of completing site improvements to (i) 58 lots in Village 6, Phase 2, (ii) 74 lots in Village 5 of Improvement Area No. 2, and (iii) the community recreation center located in Improvement Area No. 2. As of June 1, 2017, the balance due on the Umpqua Loan was approximately $2.7 million. The Umpqua Loan is payable in full in September 2018; provided, however, that Granite Bay may extend the term of the Umpqua Loan in accordance with its terms. The Umpqua Loan is secured by a deed of trust recorded against the lots in Village 4 and Village 6, Phase 2 in Improvement Area No. 1 and Villages 1 and 5 of Improvement Area No. 2. Proceeds that are drawn from the Umpqua Loan attach to the lots in the Village for which such proceeds are used, and are repayable on a lot by lot basis as the lots in the applicable Village are conveyed to homebuilders. Although the loan proceeds attach to particular Villages, all of the property in the other Villages that serve as collateral are available to Umpqua Bank in the case of a default in the repayment of the Umpqua Loan. As Granite Bay sells property in Village 6, Phase 2 to Anthem and D.R. Horton, Granite Bay will pay the applicable portion of the Umpqua Loan so as to release the deed of trust from the property conveyed.

Other than the deeds of trust securing the Umpqua Loan, there are no other deeds of trust securing loans on any of the property owned by Granite Bay in Improvement Area No. 1.

Notwithstanding Granite Bay's belief that it will have sufficient funds to complete its planned development in Improvement Area No. 1, no assurance can be given that sources of financing available to Granite Bay will be sufficient to complete the property development as currently planned. While Granite Bay has made internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither Granite Bay nor any affiliate thereof, has any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and sales revenues are inadequate to pay the costs to complete Granite Bay's planned development within Improvement Area No. 1 and other financing by Granite Bay is not put into place, there could be a shortfall in the funds required to complete the proposed development by Granite Bay and portions of the project may not be developed.

Anthem

General. Anthem United Willow Homes Limited Partnership, a Washington limited partnership (previously defined as "Anthem"), is an entity established to acquire finished lots in the District for the purposes of constructing single family homes and selling single family homes to the general public. Anthem is 100% owned by Premier Communities, LP, which is ultimately owned primarily by Anthem United.

Anthem Development Plan. As described under "Granite Bay Development Plan – Sales to Anthem," Anthem has entered into a contract with Granite Bay to purchase 46 finished lots in two phased take downs for a total purchase price of $3,220,000 (approximately $70,000 per lot). As of June 1, 2017, Anthem had exercised its option to purchase 37 of such lots. Anthem expects to close on the remaining nine lots from Granite Bay by January 31, 2018. See "Granite Bay Development Plan — *Sales to Anthem*" above.

Anthem plans to develop the lots that it owns within Improvement Area No. 1 into 46 single family detached homes in a project marketed as "Willow at Natomas Meadows." Anthem estimates that home sizes in such project will range from approximately 2,500 square feet to 3,200 square feet with base sales prices ranging from approximately $430,000 to $480,000. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. As of June 1, 2017, Anthem had completed three model homes and pulled building permits on 5 lots for which construction has commenced. Anthem has completed all site development and intract infrastructure necessary to develop the property that it owns within Improvement Area No. 1. Anthem commenced home sales in May 2017, and expects sellout of the Willow at Natomas Meadows project in Improvement Area No. 1 by November 2018.

Notwithstanding Anthem's projections regarding home construction and sellout of its planned development, no assurance can be given that Anthem will complete such development as currently anticipated.

Anthem Financing Plan. Anthem estimates that its remaining construction costs will be approximately $13 million. Anthem expects to finance such costs using a combination of available equity and future credit facilities. There can be no assurance that Anthem will complete its homebuilding activities in Improvement Area No. 1 as described in this Official Statement.

No assurance can be given that amounts necessary to fund the planned development by Anthem will be available when needed. Neither Anthem nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Anthem's proposed development within Improvement Area No. 1. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Lennar

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

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

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

Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com. *The foregoing internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official*

Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.

Lennar Development Plan. As described under "Granite Bay Development Plan – Sales to Lennar," in December 2015, Lennar purchased 119 lots from Granite Bay located within Improvement Area No. 1, consisting of 87 lots of 3,995 square feet and 32 lots of 4,950 square feet, for a total purchase price of $4,788,000 (approximately $40,235 per lot). Lennar plans to develop such lots into 119 single family detached homes in a project marketed as "Edgewood at Natomas Meadows." Lennar estimates that home sizes in the Edgewood at Natomas Meadows project will range from approximately 2,110 square feet to approximately 2,786 square feet and be marketed at base sales prices ranging from approximately $386,990 to approximately $465,990. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. Lennar has completed all site development and intract infrastructure necessary to develop the property that it owns within Improvement Area No. 1. As of June 1, 2017, Lennar had completed and conveyed 11 homes to individual homeowners and owned three model homes. As of such date, Lennar had commenced construction of additional production homes on the remaining 105 lots that it owns within Improvement Area No. 1, however, the majority of such property was in a finished lot condition. Lennar commenced home sales in April 2017 and expects sellout of the Edgewood at Natomas Meadows project by the end of 2020.

Notwithstanding Lennar's projections regarding home construction and sellout of its planned development, no assurance can be given that Lennar will complete such development as currently anticipated.

Lennar Financing Plan. Lennar expects to finance the remaining costs to complete its development in Improvement Area No. 1 using internal funds. There can be no assurance that Lennar will complete its homebuilding activities in Improvement Area No. 1 as described in this Official Statement.

No assurance can be given that amounts necessary to fund the planned development by Lennar will be available when needed. Neither Lennar nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Lennar's proposed development within Improvement Area No. 1. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Woodside Homes

General. Woodside 05N, LP, a California limited partnership (previously defined as "Woodside Homes"), is wholly owned by Woodside Homes Group, LLC, a Nevada limited liability company ("Woodside Homes Group"), directly or through its wholly owned subsidiaries. Woodside Homes is owned 99% directly by Woodside Homes Group, as a limited partner. The remaining 1% interest is owned by WDS GP, Inc., a California corporation, as its general partner, which is wholly owned by Woodside Homes of California, Inc., a California corporation, which in turn is wholly owned by Woodside Homes Group. The parent of Woodside Homes Group is Woodside Homes Company, LLC, a Delaware limited liability company. The ultimate parent of Woodside Homes Company, LLC, is Sekisui House Ltd.

Woodside Homes Group and its subsidiaries were reorganized effective December 31, 2009, under Chapter 11 of the U.S. Bankruptcy Code, following the bankruptcy petitions that were filed on or about August 20, 2008, in the United States Bankruptcy Court for the Central District of California (Riverside Division). The bankruptcy cases for the reorganized Woodside Homes Group entities were closed in August 2011. As of that date, pre-bankruptcy liability related to these entities had all been resolved, settled, or discharged in the bankruptcy process.

Woodside Homes Group's subsidiaries engage in the design, construction, and sale of single-family homes in Arizona, California, Nevada, Texas, and Utah under the brand name of "Woodside Homes." Upon emergence from bankruptcy on December 31, 2009, the parent of Woodside Homes Group became PH

Holding, LLC, a Delaware limited liability company, which later changed its name to Woodside Homes Company, LLC.

Woodside Homes Development Plan. As described under "Granite Bay Development Plan – Sales to Woodside Homes," Woodside Homes has entered into a contract with Granite Bay to purchase 56 alley-loaded finished lots in phased take downs for a total purchase price of $3,416,000 (approximately $61,000 per lot). As of June 1, 2017, Woodside Homes had exercised its option to purchase all 56 of such lots. See "Granite Bay Development Plan — *Sales to Woodside Homes*" above.

Woodside Homes plans to develop its alley-loaded lots into 56 single family detached homes. Alley-loaded lots consist of smaller lots without individual driveways, front yard garage access, and fenced rear yards. The in-tract infrastructure necessary to develop such property has been completed. Woodside Homes estimates that home sizes in such project will range from approximately 1,697 square feet to 2,264 square feet with base sales prices ranging from approximately $318,990 to $351,990. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. As of June 1, 2017, Woodside Homes had completed and conveyed 16 homes within Improvement Area No. 1 to individual homeowners and owned three model homes. As of such date, Woodside has commenced construction of additional production homes on the remaining 37 lots that it owns within Improvement Area No. 1, however, the majority of such property was in a finished lot condition. Woodside Homes commenced home sales in October 2016 and expects close out of the project in the third quarter of 2018.

Notwithstanding Woodside Homes' projections regarding home construction and sellout of its planned development, no assurance can be given that Woodside Homes will complete such development as currently anticipated.

Woodside Homes Financing Plan. Woodside Homes expects to finance such costs using a combination of cash generated from the sale of completed homes, available equity, and credit facilities.

No assurance can be given that amounts necessary to fund the planned development by Woodside Homes will be available when needed. Neither Woodside Homes nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Woodside Homes' proposed development within Improvement Area No. 1. See "SPECIAL RISK FACTORS – Failure to Develop Property."

D.R. Horton

General. D.R. Horton CA2, Inc., a California corporation (previously defined as "D.R. Horton") is a subsidiary of D.R. Horton, Inc., a Delaware corporation ("D.R. Horton, Inc."), a public company whose common stock is traded on the New York Stock Exchange under the symbol "DHI." Founded in 1978 and headquartered in Fort Worth, Texas, D.R. Horton, Inc. constructs and sells homes in 26 states and 79 metropolitan markets of the United States under the names of D.R. Horton, America's Builder, Emerald Homes, Express Homes, Freedom Homes, and Pacific Ridge Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly D.R. Horton, Inc.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as filed by D.R. Horton, Inc. with the SEC on November 18, 2016, and D.R. Horton Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, as filed by D.R. Horton Inc. with the SEC on April 25, 2017, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including D.R. Horton, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is www.sec.gov. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of D.R. Horton, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.'s website at www.drhorton.com. *The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on such Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made as to the accuracy or adequacy of the information contained on such Internet sites.*

D.R. Horton Development Plan. As described under "Granite Bay Development Plan — *Sales to D.R. Horton*," D.R. Horton has entered into contracts with Granite Bay to purchase a total of 95 lots within Improvement Area No. 1, all of which have been conveyed to D.R. Horton.

D.R. Horton plans to develop the lots that it owns within Improvement Area No. 1 into 95 single family detached homes in a project to be marketed as "Blossom at Natomas Meadows," under the Express Homes brand name. D.R. Horton estimates that home sizes in such project will range from approximately 1,974 square feet to approximately 2,328 square feet, with base sales prices ranging from approximately $345,990 to approximately $365,990. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions to be offered. As of June 1, 2017, D.R. Horton had completed and conveyed eight homes to individual homeowners and owned two model homes under construction. As of such date, D.R. Horton had commenced construction of additional production homes on a portion of the remaining lots that it owns within Improvement Area No. 1, however, the majority of such property was in a finished lot condition. All site development and intract infrastructure necessary to develop the property that D.R. Horton owns within Improvement Area No. 1 has been completed. D.R. Horton commenced home sales in December 2016 and expects to reach full buildout of the Blossom at Natomas Meadows project by the middle of 2018.

Notwithstanding D.R. Horton's projections regarding home construction and sellout of its planned development of the proposed Blossom at Natomas Meadows project, no assurance can be given that D.R. Horton will commence home construction, and complete such development as currently anticipated.

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

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

Pardee

General. Pardee is an indirect wholly-owned subsidiary of TRI Pointe Group, Inc., a Delaware corporation ("TRI Pointe Group"), a public company whose common stock is traded on the New York Stock

Exchange under the symbol "TPH." TRI Pointe Group is engaged in the design, construction, and sale of single-family homes through its portfolio of six quality brands across eight states, including Maracay Homes in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California and Colorado, and Winchester Homes in Maryland and Virginia.

TRI Pointe Group is subject to the information requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information, including its Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at prescribed rates at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad, New York, New York 10005. All documents subsequently filed by TRI Pointe Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above. Copies of TRI Pointe Group's Annual Report and related financial statements are also available from TRI Pointe Group.

Pardee Development Plan. Pardee was the master developer within the District at the time of formation of the District. In 2008, Pardee sold the property that it owned within Improvement Area No. 1, with the exception of the Pardee Parcel, to an affiliate of Granite Bay. The Pardee Parcel is in a blue top condition with frontage streets and wet and dry utilities completed to the property line. The Pardee Parcel is currently entitled for the construction of 120 condominium units. Pardee had previously considered submitting an application to the City for discretionary entitlements authorizing the construction of 118 townhomes. As of the date of this Official Statement, Pardee is considering the submission of an application for discretionary entitlements to authorize the development of 94 single-family detached units instead of 118 townhomes. If the application for the discretionary entitlements for 94 single-family detached units is approved by the City, Pardee estimates that home sizes in such project will range from approximately 1,500 square feet to approximately 2,200 square feet and expects to begin construction in the first quarter of 2019. Pardee has not yet developed base sales prices for its project within Improvement Area No. 1.

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 Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes 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 Improvement Area No. 1. See "— Land Values" and "— Limited Secondary Market."

THIS OFFICIAL STATEMENT IS FURNISHED SOLELY FOR THE PURPOSE OF CONSIDERATION OF AN INVESTMENT IN THE BONDS BY QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED WITH THE EXPERIENCE AND FINANCIAL EXPERTISE TO UNDERSTAND AND EVALUATE THE HIGH DEGREE OF RISK INHERENT IN THE INVESTMENT. PURCHASE OF THE BONDS WILL CONSTITUTE AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST AND THE LOSS OF ALL OR PART OF THE INVESTMENT. DEBT SERVICE ON THE BONDS IS PAYABLE FROM SPECIAL TAX LEVIES ON PROPERTY IN IMPROVEMENT AREA NO. 1 AND THERE CAN BE NO ASSURANCE THAT THE PROPERTY OWNERS IN IMPROVEMENT AREA NO. 1 WILL PAY THE SPECIAL TAX LEVIED ON SUCH PROPERTY WHEN DUE. SEE "SOURCES OF PAYMENT

FOR THE BONDS" AND "SPECIAL RISK FACTORS" HEREIN, AND "APPENDIX I — FORM OF INVESTOR LETTER."

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 Improvement Area No. 1, 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 Granite Bay, the current or any future merchant builders or any future homeowners within Improvement Area No. 1 will pay Special Taxes in the future or that they will be able to pay such Special Taxes 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 Improvement Area No. 1 as of the Date of Value, approximately 97.1% of the estimated Fiscal Year 2017-18 Special Taxes would be paid by Granite Bay and the merchant builders with 37.5% and 28.2% payable by Granite Bay and Lennar, respectively. Based on development status as of the Date of Value, approximately 73.0% of the estimated Fiscal Year 2017-18 Special Tax would be levied on Undeveloped Property. Since the Date of Value, Granite Bay has conveyed additional lots to merchant builders and certain merchant builders have conveyed completed homes to individual homeowners within Improvement Area No. 1. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" above.

The table below summarizes the property ownership within Improvement Area No. 1 as of the March 7, 2017 Date of Value and as of June 1, 2017.

Owner[(1)]	***No. of Projected Units as of March 7, 2017***[(1)]	***No. of Projected Units as of June 1, 2017***[(2)]
Granite Bay	184	77
Anthem	0	37
Lennar	119	108
Pardee[(3)]	118	118
Woodside Homes	24	40
D.R. Horton	38	72
Individual Homeowners	12	43
Total	**495**	**495**

(1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(2) Reflects ownership information as of June 1, 2017 and the total projected number of units within Improvement Area No. 1 at buildout. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(3) As of March 7, 2017 as set forth in the Appraisal Report, such parcel was entitled for 120 condominium units. Pardee had considered submitting an application for discretionary entitlements for such parcel of approximately 8.23 acres to construct 118 townhomes. Pardee is currently considering the submission of an application for discretionary entitlements for such parcel to construct 94 single-family detached homes. See "—Changes Since the Preliminary Official Statement" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Pardee — *Pardee Development Plan.*"

Source: Appraiser; Granite Bay.

Failure of any developers currently owning property within Improvement Area No. 1, any future developers or any of their successor(s), to pay the Special Tax when due could result in a draw on the Bond Reserve Fund or the Supplemental 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 Granite Bay, the current or any future merchant builders or their successors, will complete the remaining intended construction and development in Improvement Area No. 1. See "— Failure to Develop Properties."

The City expects to levy the Special Tax on Undeveloped Property within Improvement Area No. 1 in Fiscal Year 2017-18, which as of the date of this Official Statement, is owned by Granite Bay, Lennar, Woodside Homes, D.R. Horton, Pardee and Anthem. In the event that such developers fail to complete the intended construction and development in Improvement Area No. 1, the Special Tax will continue to be levied on Undeveloped Property owned by such entities. No assurance can be given that Granite Bay, Lennar, Woodside Homes, D.R.. Horton, Pardee, Anthem or any future merchant builders will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

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

Insufficiency of Special Tax

Under the Rate and Method, the annual amount of Special Tax to be levied on Taxable Property in Improvement Area No. 1 will generally be based on the Zone to which a parcel of Developed Property is assigned. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax.*"

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund." The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

In addition, Granite Bay will assign a portion of the Bond proceeds that Granite Bay will be entitled to receive on the same day from the Acquisition and Construction Fund for the acquisition of eligible public facilities to fund the Supplemental Reserve Fund to the initial Supplemental Reserve Requirement on the date of delivery of the Bonds. The City may only replenish any draws on the Supplemental Reserve Fund from receipt (whether by proceedings for foreclosure or otherwise) of any delinquent installment of the Special Tax (including any penalties and interest thereon) for which a transfer was previously made for delinquencies on Undeveloped Property by the Trustee from the Supplemental Reserve Fund to the Bond Redemption Fund under the Indenture (as determined by the Treasurer). The City may not levy additional special taxes under the Rate and Method to replenish the Supplemental Reserve Fund. If there are high delinquencies in Special Taxes levied on Undeveloped Property, the Supplemental Reserve Fund could be depleted and a default on the Bonds could occur. In no event will the amount deposited in the Supplemental Reserve Fund increase above the Initial Supplemental Reserve Requirement. The amount deposited into the Supplemental Reserve Fund is subject to reduction and the Supplemental Reserve Fund may be closed as described under the caption "SOURCES OF PAYMENT FOR THE BONDS — Supplemental Reserve Fund."

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 Bond Reserve Fund and under certain circumstances, the Supplemental Reserve Fund, has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in Improvement Area No. 1, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in Improvement Area No. 1 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Assessor's Parcels of Public Property, parcels that are owned by a public utility for an unoccupied facility, parcels that are subject to an easement or other instrument that precludes any other use on the Parcel, and Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site or other site that will ultimately be owned by a public agency. See Section F of APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within Improvement Area No. 1 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 Improvement Area No. 1. 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1, 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 Improvement Area No. 1 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 Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of Granite Bay and the merchant builders, or any property owner to pay the Special Tax when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

Granite Bay reports that the area included in Improvement Area No. 1 has been graded and backbone infrastructure (sewer, water, storm drains, utilities, and arterial roads) within Improvement Area No. 1 has been completed. As of the date of this Official Statement, the property owned by Granite Bay and the merchant builders vary from lots in a blue top condition to completed homes. All merchant builders, with the exception of Pardee, have commenced construction of production homes. Certain in-tract improvements remain to be constructed by the merchant builders owning property within Improvement Area No. 1. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 to pay the Special Tax when due.

There can be no assurance that land development operations within Improvement Area No. 1 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 Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 to pay the Special Tax when due.

The City expects to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18 and in future fiscal years until the Special Tax levied on Developed Property is sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Holders should it be necessary for the City to foreclose on Undeveloped Property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within Improvement Area No. 1 as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on Undeveloped Property. A slowdown or stoppage in the continued development of Improvement Area No. 1 could reduce the willingness and ability of Granite Bay and the merchant builders to make Special Tax payments on Undeveloped Property that they own and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "— Land Values."

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of the merchant builders who currently own property in Improvement Area No. 1 or of any other purchaser or potential purchaser of property in Improvement Area No. 1 or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within Improvement Area No. 1 beyond the current stage of development. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." The description of expected development by merchant builders in this Official Statement is based on information provided to the City by Granite Bay, the merchant builders and the Appraiser. In making an investment decision, purchasers of the Bonds should not assume that any current or future merchant builders or such other persons or entities that purchase property within Improvement Area No. 1 will develop such properties beyond the current stage of development reached by Granite Bay and the current merchant builders.

Natural Disasters

The market value of the property within Improvement Area No. 1 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 Improvement Area No. 1 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.

Improvement Area No. 1 is located within the Natomas Basin, which is currently designated as Zone A99, meaning that, among other things, at least 50% of the improvements required to achieve 100-year flood protection have been completed. See "IMPROVEMENT AREA NO. 1 — De Facto Building Moratorium and Flood Hazard." The area within the Natomas Basin has experienced flood events. For instance, in 1986, flooding caused seepage in the levees within the proximity of the Sacramento International Airport. As described in this Official Statement, completion of the Levee Project does not eliminate the risk of flood-related property damage within the Natomas Basin (including Improvement Area No. 1).

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 Improvement Area No. 1, 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. Granite Bay has represented to the City that it is not aware of any hazardous substance condition of the property within Improvement Area No. 1. The City has not independently determined whether any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

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

Land Values

The value of the property within Improvement Area No. 1 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 "IMPROVEMENT AREA NO. 1 —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 Improvement Area No. 1, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 1 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 by ownership, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT 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 Improvement Area No. 1 below that estimated by the Appraiser.

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

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

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1. See "IMPROVEMENT AREA NO. 1 — 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 Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 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 Improvement Area No. 1 described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness" and "—Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the parcel; (2) was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy: and (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area No. 1 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 Improvement Area No. 1 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 City 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 City'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 Improvement Area No. 1 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 Improvement Area No. 1, 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 Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. The special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within Improvement Area No. 1 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 the Supplemental Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

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

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

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

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

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

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

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

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

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

Proposition 218

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

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

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

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

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

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

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

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in Improvement Area No. 1 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 Improvement Area No. 1. 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 Improvement Area No. 1 approved the Special Tax and the issuance of bonds on December 9, 2013. 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 Granite Bay or the merchant builders within Improvement Area No. 1 to complete the remaining proposed development within Improvement Area No. 1.

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 Improvement Area No. 1 and the District and to provide notices of the occurrence of certain enumerated events (the "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 CITY CONTINUING DISCLOSURE CERTIFICATE." 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 will be due March 31, 2018.

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, failed to link annual filing documents to all CUSIP numbers to which such 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 notice of late filings in the past five years. With respect to event notices, on one occasion the City inadvertently failed to file a notice of an insurer-related rating change and on another occasion, the City filed a notice of a rating change in a timely manner but failed to link such notice to all CUSIP numbers to which such rating change was applicable. The City has taken appropriate steps to minimize the possibility of duplicating errors that have occurred in the past.

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

The City is required to file certain financial statements with the 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

To provide updated information with respect to the development within Improvement Area No. 1, Granite Bay will execute a Continuing Disclosure Certificate of the Developer (the "Developer Continuing Disclosure Certificate, and will covenant to provide the Developer Reports semiannually not later than June 15 and December 15 of each year beginning December 15, 2017, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The Developer Reports provided by Granite Bay will contain updates regarding the development within Improvement Area No. 1 as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as Appendix G. In addition to its Developer Reports, Granite Bay 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."

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 body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City's ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

MUNICIPAL ADVISOR

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

NO RATING

The City 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 $12,869,684.98, being $12,295,000.00 aggregate principal amount thereof, plus original issue premium of $729,441.50 and less Underwriter's discount of $154,756.52. 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.

FINANCIAL INTERESTS

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

PENDING LEGISLATION

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

ADDITIONAL INFORMATION

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

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

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

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

CITY OF SACRAMENTO

By: ______________________________
City Treasurer

APPENDIX A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento (the "District"). An Annual Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Amended and Restated 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.

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 1 in the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (herein "CFD No. 2007-01") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1 in CFD No. 2007-01, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2007-01 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2007-01.

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

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

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.b below.

"Authorized Facilities" means those facilities that are authorized to be funded by CFD No. 2007-01.

"Backup Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.c below.

"Bonds" means any bonds or other debt (as defined in the Act), whether in one or more series, issued, insured, or assumed by Improvement Area No. 1 of CFD No. 2007-01 related to Authorized Facilities.

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

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

"CFD No. 2007-01" means City of Sacramento Natomas Meadows Community Facilities District No. 2007-01.

"City" means the City of Sacramento.

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

"County" means the County of Sacramento.

"Designated Buildable Lot" means a Buildable Lot for which a building permit has not been issued by the City before June 1 of the previous Fiscal Year.

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

"Exempt Property" means:

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

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

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

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

"Expected Residential Lot Count" means 120 Buildable Lots of Residential Property in Tax Zone 1, 113 Buildable Lots of Residential Property in Tax Zone 2, 168 Buildable Lots of Residential Property in Tax Zone 3, and 96 Buildable Lots of Residential Property in Tax Zone 4 or, as determined by the Administrator, the number of Buildable Lots of Residential Property in the applicable Tax Zone based on the most recently recorded Final Map or modified Final Map.

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

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

"Improvement Area No. 1" means Improvement Area No. 1 of CFD No. 2007-1.

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

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax" means the Maximum Special Tax determined in accordance with Section C.1.a below that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential use.

"Proportionately" means (a) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within Improvement Area No. 1 or, if necessary pursuant to Section D below, that the ratio of the increase from the Assigned Special Tax to the Backup Special Tax levy, for those Assessor's Parcels where the Backup Special Tax is greater than the Assigned Special Tax, is equal for Assessor's Parcels of Developed Property; and (b) for Undeveloped Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property within Improvement Area No. 1.

"Public Property" means any property within the boundaries of Improvement Area No. 1 of CFD No. 2007-01 that is owned by the City, federal government, State of California or other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned property that is otherwise constrained by public use and necessity through easement, lease, or license shall be considered Public Property.

"Residential Floor Area" has the same meaning as that defined for the School Mitigation Fee by California Government Code Section 65995 for "Accessible Space," which is "all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area.

"Resolution of Change" means the resolution adopted by the City Council on XXXX with respect to, among other matters, the alteration of the rate and method of apportionment of special tax for Improvement Area No. 1.

"Residential Property" means all Assessor's Parcels of Taxable Property for which a building permit may be issued for purposes of constructing one or more residential dwelling units.

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

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

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

"Special Tax Requirement" means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes within Improvement Area No. 1 which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2007-01. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes within Improvement Area No. 1, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

"Tax Zone" means a mutually exclusive geographic area, within which particular Special Tax rates may be levied within Improvement Area No. 1 pursuant to this RMA. Attachment 1 identifies the Tax Zones in Improvement Area No. 1 in CFD No. 2007-01.

"Tax Zone 1" means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 1.

"Tax Zone 2" means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 2.

"Tax Zone 3" means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 3.

"Tax Zone 4" means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 4.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area A in CFD No. 2007-01 which are not exempt from the Special Tax pursuant to law or Section F below.

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

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel Numbers for all Parcels of Taxable Property within Improvement Area No. 1. The Administrator shall also determine: (i) within which Tax Zone each Assessor's Parcel is located, (ii) whether each Assessor's Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in Improvement Area No. 1 in CFD No. 2007-01 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly- created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor's Parcel classified as Developed Property in Improvement Area No. 1 shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax that may be levied in Fiscal Year 2013-14 for each Land Use Class in Improvement Area No. 1 is shown below in Table 1.

Table 1
IMPROVEMENT AREA NO. 1
CFD NO. 2007-1
ASSIGNED SPECIAL TAX
DEVELOPED PROPERTY

Land Use Class	Description	Residential Floor Area	2013-14 Assigned Special Tax *
Tax Zone 1			
1	Residential Property	> 1,300 sq. ft.	$1,100 per Residential Unit
2	Residential Property	< 1,300 sq. ft.	$750 per Residential Unit
3	Non-Residential Property		$18,720 per Acre
Tax Zone 2			
4	Residential Property	> 1,950 sq. ft.	$1,600 per Residential Unit
5	Residential Property	< 1,950 sq. ft.	$1,200 per Residential Unit
6	Non-Residential Property		$22,448 per Acre
Tax Zone 3			
7	Residential Property	> 2,500 sq. ft.	$1,750 per Residential Unit
8	Residential Property	< 2,500 sq. ft.	$1,400 per Residential Unit
9	Non-Residential Property		$18,474 per Acre
Tax Zone 4			
10	Residential Property	> 2,300 sq. ft.	$1,750 per Residential Unit
11	Residential Property	< 2,300 sq. ft.	$1,200 per Residential Unit
12	Non-Residential Property		$17,253 per Acre

** On July 1, 2014 and each July 1 thereafter, the Assigned Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

c. Backup Special Tax

The Backup Special Tax shall be $902 per Residential Unit for Residential Property in Tax Zone 1, $1,405 per Residential Unit for Residential Property in Tax Zone 2, $1,575 per Residential Unit for Residential Property in Tax Zone 3, and $1,648 per Residential Unit for Residential Property in Tax Zone 4.

On July 1, 2014 and each July 1 thereafter, the Backup Special Tax per Residential Unit within each of the Tax Zones shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

d. Mandatory Prepayment

If, in any Fiscal Year after the City has issued Bonds, a Final Map is proposed that results in a reduction in the Expected Residential Lot Count in the area affected by the Final Map, then the following steps shall be applied:

Step 1: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 in CFD No. 2007-01 based on the Expected Residential Lot Count prior to the proposed reduction;

Step 2: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 in CFD No. 2007-01 assuming the Final Map is approved hereby reducing the Expected Residential Lot Count;

Step 3: If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain the greater of 110% coverage on the Bonds' debt service or the coverage required within the official bond documents, the landowner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of the Bonds and maintain the greater of 110% coverage on the Bonds' debt service or the coverage required within the official bond documents. The required prepayment shall be calculated using the formula set forth in Section G below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map on which the land use change has occurred, the Administrator shall levy the amount of the mandatory prepayment on the Parcel(s) affected by the land use change or on any of the landowner's Parcel(s) of Undeveloped Property within that Final Map, and if this amount should, in any instance, exceed the Maximum Special Tax as defined herein, it shall nonetheless be authorized and shall not exceed the maximum special tax as that term is used in the Act.

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

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property in Improvement Area No. 1 shall be \$18,720 per Acre for such property in Tax Zone 1, \$22,448 per Acre for such property in Tax Zone 2, \$18,474 per Acre for such property in Tax Zone 3, and \$17,253 per Acre for such property in Tax Zone 4. On July 1, 2014 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year for Improvement Area No. 1. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 1 up to 100% of the applicable Assigned Special Tax as shown in Table 1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

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

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the levy of the Special Tax on each Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Parcel;

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section F below, up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances shall the Special Tax levied on any Assessor's Parcel of Residential Property for which a building permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1 in CFD No. 2007-01.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for Improvement Area No. 1 in CFD No. 2007-01 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2053-2054.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels in Improvement Area No. 1 that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

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

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

"Previously Issued Bonds" means all Bonds that have been issued in Improvement Area No. 1 prior to the date of prepayment.

"Public Facilities Requirements" means either approximately $9,445,000 in 2013 dollars, which shall increase on January 1, 2014, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News-Record or other comparable source if the Engineering News-Record is discontinued or otherwise not available, or such other number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by Improvement Area No. 1 in CFD No. 2007-01.

1. Prepayment in Full

The Special Tax obligation applicable to an Assessor's Parcel in Improvement Area No. 1 in CFD No. 2007-01 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds. Attachment 2 herein provides a sample prepayment calculation for a Parcel in Tax Zone 2. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

Bond Redemption Amount

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

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

Step 1: Compute the Assigned Special Tax and Backup Special Tax for the Assessor's Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. If this Section G is being applied to calculate a prepayment pursuant to Section C.l.d above, use, for purposes of this Step 1, the amount by which the expected Maximum Special Tax revenues have been reduced below the amount needed to maintain the greater of 110% coverage on the Bond's debt service or the coverage required within the official bond documents due to the change in land use that necessitated the prepayment.

Step 2: (a) Divide the Assigned Special Tax computed pursuant to Step 1 by the total estimated Assigned Special Taxes for Improvement Area No. 1 in CFD No. 2007-01 based on the Developed Property Special Tax which could be charged, using the rates for the current Fiscal Year, on all expected development through buildout of Improvement Area No. 1 in CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to Step 1 by the total estimated Backup Special Taxes at buildout of Improvement Area No. 1 in CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid.

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

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

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

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

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

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

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

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

Step 11: If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "***Reserve Fund Credit***").

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

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel or Buildable Lot for which a final inspection, or equivalent, has not yet been completed may be partially prepaid. However, such partial prepayment must be made in an amount equal to 25%, 50%, or 75% of the amount of the full prepayment calculated pursuant to Section G.1 above. In calculating the partial prepayment, the Administrator shall round up the amount required for the partial prepayment in order to redeem whole bonds, including any redemption premium. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds.

Upon issuance of a certificate of occupancy for an Assessor's Parcel, no partial prepayments will be accepted for the Parcel. In addition, only one partial prepayment shall be permitted for an Assessor's Parcel or Buildable Lot within Improvement Area No. 1 in CFD No. 2007-01.

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the Administrator of the percentage of the Special Tax to be prepaid. The Administrator shall provide the owner with a statement of the amount required for the partial prepayment within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Administrator shall (i) distribute the remitted prepayment funds according to Section G.1, and (ii) indicate in the records of CFD No. 2007-01 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the un-prepaid percentage of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

H. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by resolution of the City Council for purposes of clarifying any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and any definition applicable to Improvement Area No. 1 in CFD No. 2007-01. The City Council's interpretation will be conclusive.

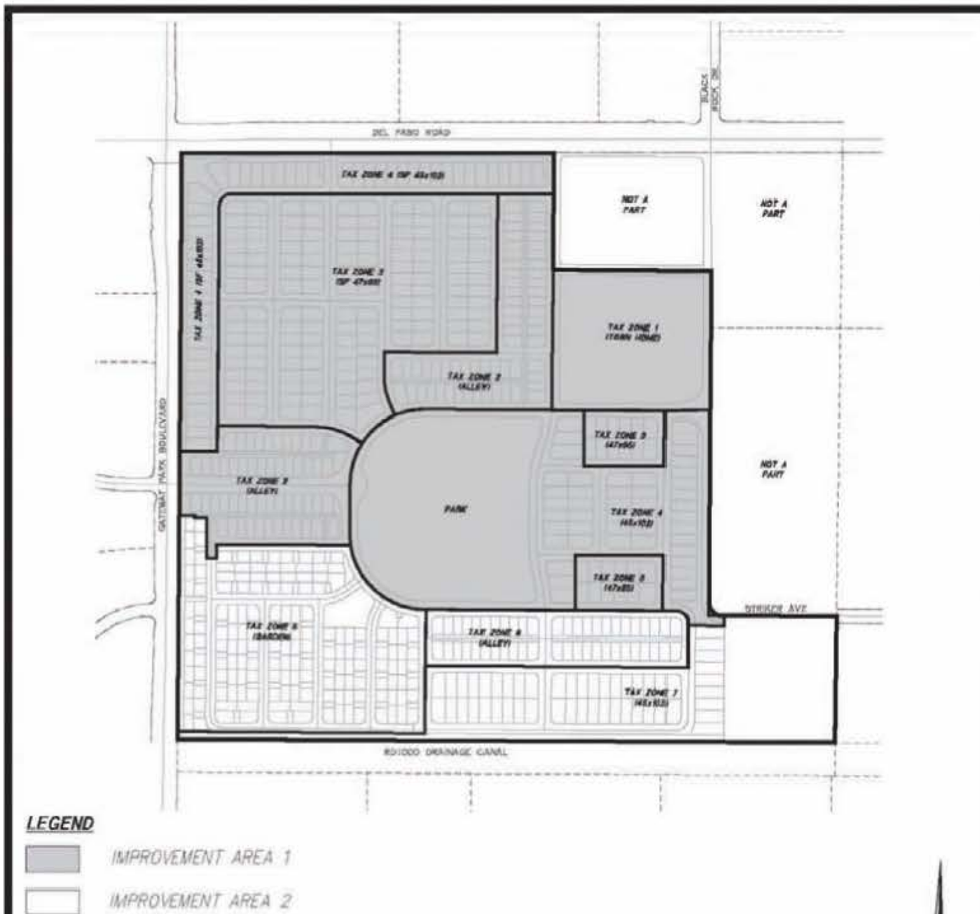
I. APPEALS

Any taxpayer who believes that the amount of the Special Tax assigned to a Parcel in Improvement Area No. 1 is in error may file a notice appealing the levy of the Special Tax with the City Treasurer's Office and the City Planning Department, Public Improvement Financing Division. City representatives shall then promptly review the appeal and, if necessary, meet with the taxpayer. If the City representatives determine that the Special Tax is in error, they shall recommend to the City Council that the Special Tax levy be corrected and, if applicable in any case, that a refund be granted. The City Council's decision on the recommendation will be final.

ATTACHMENT 1

IMPROVEMENT AREA NO. 1
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

IDENTIFICATION OF TAX ZONES



IMPROVEMENT AREA 1		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.1	TOWN HOME	120
NO.2	ALLEY	113
NO.3	SF 47x85	168
NO.4	SF 45x102	96

IMPROVEMENT AREA 2		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.5	GARDEN	163
NO.6	ALLEY	48
NO.7	SF 45x102	49

—N—

ATTACHMENT 1
PROPOSED TAX ZONES
NATOMAS MEADOWS
COMMUNITY FACILITIES DISTRICT 2007-01
PARDEE HOMES

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS • PLANNERS • SURVEYORS
2541 WARREN DRIVE, SUITE 100 ROCKLIN, CA 95677
PHONE: (916) 630-8900 FAX: (916) 630-8909

SCALE:	DATE:	JOB NO.:
N/A	07/11/2013	085023

ATTACHMENT 2

City of Sacramento
Natomas Meadows Community Facilities District No. 2007-1

Sample Prepayment Calculation
for One Buildable Lot in Tax Zone 2 in Improvement Area 1

Assumptions	*Source of Calculation*	
Assigned Special Tax on a 2,261 Sq. Ft. Residential Unit in Tax Zone 3	[Per Table 1 of RMA]	$1,600
Backup Special Tax on a 2,2261 Sq. Ft. Residential Unit in Tax Zone 3	[Per Exhibit 2-B]	$1,405
Total Expected Special Tax Revenues in CFD		$1,024,950
Total Expected Special Tax Revenues in Improvement Area A in CFD		$691,450
Improvement Area A Percentage of Total Expected Special Tax Revenues in CFD		67.46%
Total Public Facilities Requirement for CFD	[Per definition]	$14,000,000
Total Public Facilities Requirement for Improvement Area A	[67.46% of $20,000,000]	$9,444,656
Construction Proceeds from First Bond Issue		$8,453,285
Total Remaining Facilities Costs		$991,371
Redemption Premium %		3.0%
Reserve Fund Requirement %		10.0%
Outstanding Bonds	[Gross Bond Amount for Improvement Area A]	$10,585,000

Sample Prepayment Calculation (2,261 Sq. Ft. Residential Unit in Tax Zone 3)

Steps from Section G of RMA		*Source of Calculation*		
Step 1	Assigned Special Tax per Unit | Backup Special Tax Per Unit	[From above assumptions]	$1,600	$1,405
Step 2	Special Tax as a % of Total Expected Special Tax Revenues	[Step 1 divided by Total Expected Special Tax Revenues]	0.23%	0.20%
Step 3	**"Bond Redemption Amount"**	[Larger quotient from Step 2 multiplied by Outstanding Bonds]		$24,493
Step 4	Total Remaining Facilities Costs	[From above]		$991,371
Step 5	**"Remaining Facilities Amount"**	[Larger quotient from Step 2 multiplied by Step 4]		$2,015
Step 6	**"Redemption Premium"**	[Step 3 multiplied by Redemption Premium %]		$735
Step 7	Interest Accured on Bond Redemption Amount	[Covered by Special Tax levied in the year of prepayment]		$0 [1]
Step 8	Interest Earned on Bond Redemption Amount and Bond Premium	[None due to bonds being retired at next interest payment]		$0
Step 9	**"Defeasance Requirement"**	[Step 7 minus Step 8]		$0
Step 10	**"Administrative Fees and Expenses"**	[Assumes $500 per Residential Unit]		$500
Step 11	**"Reserve Fund Credit"**	[Step 3 multiplied by Reserve Fund Requirement %]		(2,449)
Step 12	**"Prepayment Amount"**	**[Sum of Steps 3, 5, 6, 9, and 10; minus Step 11]**		**$25,294**

Partial Prepayment	25%	$6,323
Partial Prepayment	50%	$12,647
Partial Prepayment	75%	$18,970

[1] Assumes bonds can be redeemed at the first interest payment date after the prepayment has been received.

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APPENDIX B

APPRAISAL REPORT AND UPDATE APPRAISAL REPORT

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Appraisal Report

Properties within City of Sacramento Community Facilities District No. 2007-01, Natomas Meadows (portion of)
Sacramento, California 95831

Date of Report: April 28, 2017

Prepared For:

Mr. Brian Wong, MBA, CPFO
Debt Manager
City of Sacramento
Office of the City Treasurer
915 I Street, HCH – 3rd Floor
Sacramento, CA 95814

Prepared By:

Kevin K. Ziegenmeyer, MAI
Eric A. Segal, MAI
Sara A. Gilbertson, Appraiser

Seevers Jordan Ziegenmeyer

Real Estate Appraisal & Consultation

April 28, 2017

Mr. Brian Wong, MBA, CPFO
Debt Manager
City of Sacramento
Office of the City Treasurer
915 I Street, HCH – 3rd Floor
Sacramento, CA 95814

RE: Properties within City of Sacramento
Community Facilities District No. 2007-01,
Natomas Meadows (portion of)
Sacramento, California 95831

Dear Mr. Wong:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an appraisal report for the purpose of estimating the market value (*fee simple estate*) of certain undeveloped properties within the boundaries of the City of Sacramento Community Facilities District No. 2007-01, Natomas Meadows (the "CFD"), under the assumptions and limiting conditions contained in this report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the 2016-17 edition 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 (2004). Furthermore, the valuation completed in the attached report is performed consistent with City's stated policies for Land Secured Financing appraisals, which dictates that the value estimates are less the net present value (NPV) of the annual special taxes proposed for the financing. This document is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the USPAP.

The appraised properties represent certain undeveloped land areas in Improvement Area No. 1, a portion of the Natomas Meadows master planned community, within the boundaries of City of Sacramento Community Facilities District ("CFD") No. 2007-01 (Natomas Meadows). More specifically, the appraised properties consist of 489 residential units (369 improved, detached single-family residential lots and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. Any properties within the boundaries of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), as well as eight existing single-family homes with assigned assessed improvement values, are not a part of this appraisal. Natomas Meadows is generally located at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2).

It's worth noting Seevers • Jordan • Ziegenmeyer initially prepared an appraisal, dated May 18, 2016, of the CFD for the City of Sacramento in conjunction with the proposed financing noted above; however, due to schedule delays in the financing, the appraisal was not finalized.

3825 Atherton Road, Suite 500 | Rocklin, CA 95765 | Phone: 916.435.3883 | Fax: 916.435.4774

The aforementioned appraisal was subject to peer review/comment, the results of which were incorporated into the final Appraisal Report (dated January 10, 2017), as of a September 16, 2016 date of value. During the time elapsed from our previous date of value (inspection), residential market conditions have continued to improve and additional site development has been completed, which has contributed to increased value of the District. Seevers • Jordan • Ziegenmeyer has completed the attached Appraisal Report as of March 7, 2017 (date of value), which reflects the enhancements to value associated with completed site development, completed single-family homes and consideration of the prepayment of impact fees associated with the proposed City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bond issuance.

As of the date of inspection, March 7, 2017, Lennar Homes of California, Inc. owns 119 lots, of which three homes (models) are complete and 21 lots are under construction with single-family homes. There are three rolling-option contracts between the master developer and two homebuilders (Woodside and D.R. Horton). Woodside is vested in 24 finished lots, of which five homes are complete (including three models) and six lots are under construction with single-family homes. D.R. Horton is vested in 38 finished lots, of which two homes (models) are under construction. The master developer (Granite Bay Natomas Meadows) owns 184 improved lots, of which three lots are under construction with homes (models). The 120-unit townhome site comprises a single unimproved 8.23± acre parcel vested with Pardee Homes (d/b/a TriPoint). There are four completed homes transferred to individual homeowners from the Woodside (Woodside Homes at Natomas Meadows) subdivision without an assessed value for both land and (structural) improvements.

We have been requested to provide a market value of the appraised properties by ownership, as well as a cumulative, or aggregate, value of the appraised properties within the District, under the assumptions and conditions cited in the attached report.

The value estimates assume a transfer would reflect a cash transaction or terms that are considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest and assuming neither is under duress.

The market value of the appraised properties, by ownership, as well as the cumulative, or aggregate, value, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, accounts for the impact of the Lien of the Special Tax securing the Natomas Meadows CFD No. 2007-01 Bonds.

As a result of our analysis, it is our opinion the market value of the fee simple interest in the appraised properties, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, in accordance with the assumptions and conditions set forth in the attached document, as of the date of value (inspection), March 7, 2017, is presented in the table on the following page.

Property Owner	Lot Description	Lot Size (SF)	No. of Lots	Concluded Lot Value (Rd.)*	Permits & Fees**	Extension (Rd.)
Lennar Homes of California, Inc.	Completed Single-Family Homes without AV's					
	The Orchid		1	$375,000	$0	$375,000
	The Daliah		1	$435,000	$0	$435,000
	The Hydrangea		1	$455,000	$0	$455,000
		Subtotal	*3*			*$1,265,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	47 x 85	3,995	21	$90,000	$38,782	$2,700,000
		Subtotal	*21*			*$2,700,000*
	Improved Single-Family Lots					
	47 x 85	3,995	63	$90,000	-$16,263	$4,650,000
	45 x 102	4,590	32	$95,000	-$16,263	$2,520,000
		Subtotal	*95*			*$7,170,000*
Lennar Homes of California Total			***119***			***$11,135,000***
Woodside 05N, LP	Completed Single-Family Homes without AV's					
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		2	$340,000	$0	$680,000
	Plan 4		2	$350,000	$0	$700,000
		Subtotal	*5*			*$1,710,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	Alley	2,831	6	$79,000	$30,967	$660,000
		Subtotal	*6*			*$660,000*
	Improved Single-Family Lots					
	Alley	2,831	13	$79,000	-$16,263	$820,000
		Subtotal	*13*			*$820,000*
Woodside 05N, LP Total			***24***			***$3,190,000***
D.R. Horton CA2, Inc.	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	2	$95,000	$45,942	$280,000
		Subtotal	*2*			*$280,000*
	Improved Single-Family Lots					
	47 x 85	3,995	20	$90,000	-$16,263	$1,470,000
	45 x 102	4,590	16	$95,000	-$16,263	$1,260,000
		Subtotal	*36*			*$2,730,000*
D.R. Horton CA2, Inc.			***38***			***$3,010,000***
Granite Bay Natomas Meadows (d/b/a GBD Communities & Anthem United)	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	3	$95,000	$45,942	$420,000
		Subtotal	*3*			*$420,000*
	Improved Single-Family Lots					
	Alley	2,831	81			
	47 x 85	3,995	56	$71,602 /lot		$12,960,000
	45 x 102	4,590	44	(average)		
		Subtotal	*181*			*$12,960,000*
Granite Bay Natomas Meadows Total			***184***			***$13,380,000***
Individual Homeowners	Completed Single-Family Homes without AV's					
	Plan 1		1	$325,000	$0	$325,000
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		1	$340,000	$0	$340,000
	Plan 4		1	$350,000	$0	$350,000
		Subtotal	*4*			*$1,345,000*
Individual Homeowners Total			***4***			***$1,345,000***
Pardee Homes (d/b/a TriPointe)	Townhome	N/Ap	120	$22,000	$0	$2,640,000
		Subtotal	*120*			*$2,640,000*
Pardee Homes (d/b/a TriPointe) Total			***120***			***$2,640,000***
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN THE DISTRICT			**489**			**$34,700,000**
Aggregate Retail Value of 8 Existing Homes (Based on Assessed Value)***			***8***			***$2,297,599***
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN THE DISTRICT			**497**			**$36,997,599**

* As of the date of value (inspection), March 7, 2017

** Merchant Builders are not eligible for the permit and fee credits

*** Provided by the Assessor's Office

Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Please note the aggregate value noted herein ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the District are not marketed concurrently, which would suggest a market under duress.

We hereby certify the properties have been inspected and we have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the properties.

The subject properties do not have any significant natural, cultural, recreational or scientific value. The appraiser certifies this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This letter must remain attached to the report, which contains 163 pages plus related tables, exhibits and Appendix, in order for the value opinions set forth herein to be considered valid.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,

Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567
Expires: June 4, 2017

Eric A. Segal, MAI
State Certification No.: AG026558
Expires: February 18, 2019

Sara A. Gilbertson, Appraiser
State Certification No.: 3002204
Expires: May 29, 2018
\dtn

17-025

TABLE OF CONTENTS

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Description:

The appraised properties represent certain undeveloped land areas in Improvement Area No. 1 within the boundaries of the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows). Specifically, the appraised properties consist of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. A summary of the appraised properties' APNs, lot/unit counts and lot sizes by ownership is provided in the table below.

Property Owner	APNs	Lot Description			Lot Size (SF)	No. of Lots
Lennar Homes of California, Inc.	225-2790-001 through -061 and	47	x	85	3,995	87
	225-2800-001 through -058	45	x	102	4,590	32
					Subtotal	*119*
Woodside 05N, LP	225-2620-021 through -027, -028 through -034;	Alley			2,831	24
	225-2630-010 through -003, -010 through -012,				*Subtotal*	*24*
	and -050 through -053					
D.R. Horton CA2, Inc.	225-2620-001 through -018, -037 through -043,	47	x	85	3,995	20
	-061 through -064; 225-2630-013 through -019,	45	x	102	4,590	18
	-026 and -027				*Subtotal*	*38*
Granite Bay Natomas Meadows	225-2620-44 through -060; 225-2630-004 through -009,	Alley			2,831	81
(d/b/a GBD Communities & Anthem United)	-020 through -025, -028 through -049, -054 through -058,	47	x	85	3,995	56
	-065, -066, -071 through -073; 225-2640-001 through -053,	45	x	102	4,590	47
	225-2660-001 through -012 and -014 through -071				*Subtotal*	*184*
Individual Homeowners (sold by Woodside)	225-2620-019, -020, -035 & -036	Alley			2,831	4
					Subtotal	*4*
Pardee Homes (d/b/a TriPointe)	225-0060-078	Townhome			N/Ap	120
					Subtotal	*120*
Total Number of Lots Appraised within the District						**489**

It should be noted that any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the net assigned assessed values for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District. It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits ($16,263 per lot).

Location:

In general, the appraised properties are contained within the boundaries identified as follows: at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the master planned community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2).

Zoning and Entitlements: According to the City of Sacramento Planning Department, the majority of the subject is zoned R-1A-PUD – Single-Family Alternative Residential (15 units per acre), Planned Unit Development. The townhome site owned by TriPoint/Pardee Homes is zoned R-2B-PUD – Multifamily Residential (21 units per acre), Planned Unit Development. Additionally, the appraised properties represent a portion of the Natomas Meadows Master Planned Community, which in its entirety encompasses 110 acres. At build-out, Natomas Meadows is planned to include over 900 homes and living units with a 12-acre park and bike trails linked to the city's master trail system.

For a complete description of the underlying zoning ordinance and entitlements, please refer to the respective *Property Legal Data* section of this report.

Flood Zone: Zone A99 – Areas subject to inundation by the 1-percent-annual-chance flood event, but which will ultimately be protected upon completion of an under-construction Federal flood protection system. These are areas of special flood hazard where enough progress has been made on the construction of a protection system, such as dikes, dams, and levees, to consider it complete for insurance rating purposes. Zone A99 may only be used when the flood protection system has reached specified statutory progress toward completion. No Base Flood Elevations (BFEs) or depths are shown. Mandatory flood insurance purchase requirements and floodplain management standards apply.

Earthquake Zone: Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)

Highest and Best Use: Near-term residential development

Property Rights Appraised: Fee simple estate

Date of Inspection: March 7, 2017

Effective Date of Value: March 7, 2017

Date of Report: April 28, 2017

Exposure Time: 12 months

Conclusion of Cumulative, or Aggregate, Value: As a result of our analysis, it is our opinion the market value of the fee simple interest in the appraised properties, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, in accordance with the assumptions and conditions set forth in this document, as of the date of value (inspection), March 7, 2017, is presented on the following page.

Property Owner	Lot Description	Lot Size (SF)	No. of Lots	Concluded Lot Value (Rd.)*	Permits & Fees**	Extension (Rd.)
Lennar Homes of California, Inc.	Completed Single-Family Homes without AV's					
	The Orchid		1	$375,000	$0	$375,000
	The Daliah		1	$435,000	$0	$435,000
	The Hydrangea		1	$455,000	$0	$455,000
		Subtotal	*3*			*$1,265,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	47 x 85	3,995	21	$90,000	$38,782	$2,700,000
		Subtotal	*21*			*$2,700,000*
	Improved Single-Family Lots					
	47 x 85	3,995	63	$90,000	-$16,263	$4,650,000
	45 x 102	4,590	32	$95,000	-$16,263	$2,520,000
		Subtotal	*95*			*$7,170,000*
Lennar Homes of California Total			***119***			***$11,135,000***
Woodside 05N, LP	Completed Single-Family Homes without AV's					
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		2	$340,000	$0	$680,000
	Plan 4		2	$350,000	$0	$700,000
		Subtotal	*5*			*$1,710,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	Alley	2,831	6	$79,000	$30,967	$660,000
		Subtotal	*6*			*$660,000*
	Improved Single-Family Lots					
	Alley	2,831	13	$79,000	-$16,263	$820,000
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	47 x 85	3,995	20	$90,000	-$16,263	$1,470,000
	45 x 102	4,590	16	$95,000	-$16,263	$1,260,000
		Subtotal	*36*			*$2,730,000*
D.R. Horton CA2, Inc.			***38***			***$3,010,000***
Granite Bay Natomas Meadows (d/b/a GBD Communities & Anthem United)	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	3	$95,000	$45,942	$420,000
		Subtotal	*3*			*$420,000*
	Improved Single-Family Lots					
	Alley	2,831	81			
	47 x 85	3,995	56	$71,602 /lot		$12,960,000
	45 x 102	4,590	44	(average)		
		Subtotal	*181*			*$12,960,000*
Granite Bay Natomas Meadows Total			***184***			***$13,380,000***
Individual Homeowners	Completed Single-Family Homes without AV's					
	Plan 1		1	$325,000	$0	$325,000
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		1	$340,000	$0	$340,000
	Plan 4		1	$350,000	$0	$350,000
		Subtotal	*4*			*$1,345,000*
Individual Homeowners Total			***4***			***$1,345,000***
Pardee Homes (d/b/a TriPointe)	Townhome	N/Ap	120	$22,000	$0	$2,640,000
		Subtotal	*120*			*$2,640,000*
Pardee Homes (d/b/a TriPointe) Total			***120***			***$2,640,000***
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN THE DISTRICT			**489**			**$34,700,000**
Aggregate Retail Value of 8 Existing Homes (Based on Assessed Value)**			***8***			***$2,297,599***
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN THE DISTRICT			**497**			**$36,997,599**

* As of the date of value (inspection), March 7, 2017

** Merchant Builders are not eligible for the permit and fee credits

*** Provided by the Assessor's Office

Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Please note the aggregate value noted above ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership. The estimates of market value account for the impact of the Lien of the Special Taxes securing the Bonds. The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the District are not marketed concurrently, which would suggest a market under duress.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user of this appraisal report is the City of Sacramento. The appraisal report is intended for use in bond underwriting, and will be included in the official statement used to market the bonds.

APPRAISAL REPORT FORMAT

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016-17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP), as well as the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004). Furthermore, the valuation completed in the attached report is performed consistent with City's stated policies for Land Secured Financing appraisals which dictates that the value estimates are less the net present value of the annual special taxes proposed for the financing.

TYPE AND DEFINITION OF VALUE

The purpose of this appraisal is to estimate the market value (*fee simple estate*), by ownership, and the cumulative, or aggregate, value of the appraised properties comprising a portion of the City of Sacramento CFD No. 2007-01 (Natomas Meadows), subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid. Market value and aggregate value are defined as follows:

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

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) 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.[1]

[1] Code of Federal Regulations, Title 12, Section 34.42 (55 Federal Register 34696, Aug. 24, 1990; as amended at 57 Federal Register 12202, Apr. 9, 1992; 59 Federal Register 29499, June 7, 1994).

Aggregate Value: The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions[2]

Please refer to the *Glossary of Terms* in the Appendix to this report for the definition of *hypothetical condition.*

PROPERTY RIGHTS APPRAISED

The market values estimated herein are for the fee simple estate, defined as follows:

***Fee Simple Estate*:** absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[3]

DATES OF INSPECTION, VALUE AND REPORT

An inspection of the appraised properties was completed on March 7, 2017, which represents the effective date of market value. This Appraisal Report was completed and assembled on April 28, 2017.

SCOPE OF WORK

This Appraisal Report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an "appraisal assignment," as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the appraised properties were researched and documented. A physical inspection of the properties was completed and serves as the basis for the site description contained in this report. Various documents were provided to the appraisers for review including purchase agreements and related amendments, side development cost budget, tentative subdivision map and site map. The sales history was verified by consulting public records and discussions with Mr. David Ragland, Vice President of Land and Development for GBD Communities (master developer). The subjects' zoning and entitlement information, earthquake zones, flood zones, utilities and tax information were obtained from the respective agencies.

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[2] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 6.
[3] The Dictionary of Real Estate Appraisal, 90.

Data relating to the subjects' neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, land brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject properties as though vacant and improved was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

We have been requested to estimate the market value (*fee simple estate*), by ownership, and the cumulative, or aggregate, value of the appraised properties comprising a portion of the City of Sacramento CFD No. 2007-01 (Natomas Meadows), subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid. The market values of the various production-oriented residential lot categories and the 120-unit townhome site will be estimated by employing the use of the sales comparison and land residual approaches to value.

As directed by the City of Sacramento, the market value of the recently completed single-family homes within the boundaries of the District without an assessed improvement value on the Assessor's Tax Roll will be appraised herein using the sales comparison approach to value. As previously mentioned, there are 32 homes under various stages of construction throughout the District; however, no contributory value will be given to the partially completed homes. Instead, for those lots with homes under construction, the payment of permits and impact fees associated with home construction will be considered in the underlying land valuation, net of the permit and fee credits ($16,263 per lot).

In terms of the detached single-family residential lots, we analyzed comparable bulk lot sales from the region and adjusted the datum for attributes that varied from the subjects' various lot size categories. Since the de-facto building moratorium in North Natomas was lifted in June 2015, there was an extended period of inactivity in the submarket. Thus, a second approach was employed in the valuation of the subject lots, the land residual analysis. A land residual analysis was also utilized to estimate the market value of the subjects' detached and attached land use components. The land residual analysis is a discounted cash flow (DCF) analysis that considered home prices and costs, leading to an estimate of residual land value. A DCF analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. In the analysis described, the revenue component of the DCF was based on the market value for the hypothetical average home size for each lot size category. A number of assumptions were made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the homes comprising the subject property. The lot values indicated by each approach were then reconciled into an opinion of market value for the subjects' various lot size categories.

As for the subject 120-unit townhome site, there was limited available data for recent transactions for properties similar to the subjects' high density residential component; thus, the land residual analysis was employed to determine the market value for the subjects' high density residential land component (townhome site) based on the market value of a hypothetical average unit size.

In light of the fact several of the vested property owners (Lennar, Woodside and D.R. Horton) have acquired lots in recent months, it is the appraisers' assumption these property owners could sell their lots in bulk to one buyer within 12 months and no discounting is necessary. Therefore, the as-is market value by ownership, subject to the impact of the Lien of the Special Tax securing the Natomas Meadows CFD No. 2007-01 Bonds, for Lennar Homes of California, Inc. and Woodside 05N, LP, as well as Pardee Homes (d/b/a TriPoint), are estimated based on the improved (finished) lot values concluded from the sales comparison approach and land residual analysis.

As for the market value of the production-oriented residential lots vested with the master developer (Granite Bay Natomas Meadows), in bulk, we employed the use of another discounted cash flow analysis (DCF), the subdivision development method to value. The expected revenue, absorption period, expenses and discount rate associated with the development and sell-off of the improved single-family residential lots will be taken into account. The revenue component of the DCF was derived in the previous analysis by valuing the production-oriented residential lots using the sales comparison and land residual approaches to value. A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. Surveys suggest a forecasted disposition period for the subject property may be as little as two years or as long as five years. The result of the discounted cash flow is the final conclusion of market value of the master developer's holdings, in bulk, as of the date of value.

The income capitalization approach to value was not considered applicable to the valuation of the subject property, since the subject land has limited, if any, income producing potential.

The cumulative, or aggregate, value of the appraised properties, subject to the aforementioned hypothetical condition, represents the sum of the value estimates concluded for each ownership interest, which is not equivalent to the market value of the District as a whole. Additionally, We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1 It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in 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 (2004). Furthermore, the valuation completed in the attached report is performed consistent with City's stated policies for Land Secured Financing appraisals, which dictates the value estimates are less the net present value of the annual special taxes proposed for the financing.

The individuals involved in the preparation of this appraisal include Kevin K. Ziegenmeyer, MAI, Eric A. Segal, MAI, and Sara A. Gilbertson, Appraiser. Ms. Gilbertson assisted in 1) inspected the subject properties, 2) reviewing the subjects' information provided, 3) the collection and confirmation of market data, 4) the analysis of the market data and 5) preparing the draft report. Messrs. Ziegenmeyer and Segal 1) inspected the appraised properties, 2) reviewed the subjects' information provided, 3) reviewed Ms. Gilbertson's research, 4) provided professional input and direction, 5) made any necessary revisions and/or amplifications to the draft report and 6) completed the final report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

It is noted the use of an extraordinary assumption or hypothetical condition may have affected the results of the appraisal.

Extraordinary Assumptions

1. We have been requested to estimate the market value of the appraised properties, *by ownership*, as well as the cumulative, or aggregate, value as of the date of inspection (March 7, 2017), subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid. Several of the appraised lots are currently under contract as part of three separate options and purchase agreements. According to the contracts the seller grants to the buyers the exclusive option to purchase the subject lots during the term of the option. However, the market values estimated by ownership are premised on the vested owner as of our date of value (March 7, 2017).

2. Lot counts, by ownership, were provided from various sources, including the master developer (Granite Bay Natomas Meadows d/b/a GBD Communities) and the master developer consultant, DPFG. Lot counts between these two sources did not completely reconcile with public records with respect to the transfer of lots between the master developer and merchant builders regarding the rolling takedown of developable lots. Specifically, the 28 Woodside lots correspond to the first 5 takedowns stipulated in their rolling option purchase contract. The 38 DR Horton lots comprise the first three takedowns of the 3,995 SF lots (20 lots), as well as the first two takedowns of the 4,590 SF lots (14 lots) and at the time of inspection, public records indicated only a portion of the third takedown of 4,590 SF lots, 4 of the 6 lots, were vested with DR Horton resulting in 38 lots (20+14+4). Consequently, public records were relied upon in this appraisal report.

3. A preliminary title report was not provided for this appraisal. As a result, the appraiser assumes no negative title restrictions or easements affect the subject property. The client is advised to obtain a title report to determine any possible conditions of title affecting the property appraised. The appraiser accepts no responsibility for matters pertaining to title, and the opinion(s) of value stated herein could be negatively impacted by title restrictions.

4. According to the City of Sacramento, the master developer (Granite Bay Natomas Meadows d/b/a GBD Communities) will receive reimbursement from City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bond proceeds in the amount of $5.6 million related to infrastructure costs associated with development of Natomas Meadows, including an existing detention basin, with the balance of the Bond proceeds eligible to prepay impact fees. Specifically, North Natomas Public Facilities Fees of $4,584.53 per lot and City Fees of $11,678.16 per lot, for a total of $16,262.69 per lot, will be paid by proceeds from the Bonds [please refer to the *Table 3. List of Authorized Fees (Improvement Area #1 and #2)* in the Appendix to this Report]. According to the City of Sacramento, bonding capacity is limited to a 3:1 value-to-lien on the aggregate of the value of the District, by ownership. Based on the estimates of value, by ownership, presented in this Appraisal Report, an anticipated Bond size of approximately $12,330,000, based on a 3:1 value-to-lien, is estimated. Considering the costs of issuance, estimated at 13.54% per the Finance Team, construction fund proceeds of

approximately \$10,660,000 are estimated for this analysis. Deducting the \$5.6 million described above suggests approximately \$5,060,000 in potential Bond proceeds eligible to fund prepaid fees, or approximately 311 lots (\$5,060,000 ÷ \$16,262.69 per lot), which is more than sufficient to prefund the impact fees for the 181 lots held by the master developer.

Hypothetical Conditions

1. We have been requested to estimate the market value of the appraised properties, *by ownership*, as well as the cumulative, or aggregate, value as of the date of inspection (March 7, 2017), subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. No responsibility is assumed for matters of law or legal interpretation.

3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.

5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.

8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.

10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.

11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics,

the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subjects' physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. 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.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.

13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.

14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.

15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.

16. An inspection of the appraised properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.

17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have made an inspection of the properties that are the subject of this report.
- Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567 (Expires June 4, 2017)

April 28, 2017
DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have made an inspection of the properties that are the subject of this report.
- Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Eric A. Segal, MAI
State Certification No.: AG026558 (Expires February 18, 2019)

April 28, 2017
DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have made an inspection of the properties that are the subject of this report.
- Kevin Ziegenmeyer, MAI, and Eric A. Segal, MAI, reviewed this report.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.

Sara A. Gilbertson, Appraiser State Certification No.: 3002204 (May 29, 2018)	April 28, 2017 DATE

PROPERTY OWNERSHIP AND HISTORY

Property Description

The appraised properties consist of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. These properties are of improved condition. Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), as well as eight single-family lots with completed homes with assigned assessed values for both land and improvements, are not a part of this appraisal. Natomas Meadows is generally located at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2).

Construction came to an immediate halt in 2008 when the Federal Emergency Management Agency (FEMA) imposed a de-facto building moratorium, which was lifted in June 2015, for the Natomas area after they announced it would revise its flood-risk maps to show Natomas as a Special Flood Hazard Area. The action came in response to a ruling by the U.S. Army Corps of Engineers, which found that Natomas levees no longer meet a minimal 100-year flood protection standard. The City of Sacramento applied for A99 and then AR flood zone designations for the Natomas area, both of which were denied by FEMA. The area was remapped to an AE flood zone designation, which took effect on December 8, 2008 making flood insurance required for properties in the Natomas area with federally backed mortgages or home-equity loans.

Under the AE flood zone designation, all structures are required to be built one foot above the base flood elevation, which is 33 feet above sea level. Since most of the elevation in the Natomas area is generally close to sea level, this essentially created a de-facto building moratorium, which was lifted in June 2015, because structures would need to be elevated substantially off the ground (which could be upwards of 20 to 30 feet).

Since then, the federal government has spent $400 million in improving 18 miles of levees to provide 200-year flood protection. Last year, Congress and President Barack Obama approved plans to spend an estimated $760 million for the remaining levee work (24 miles of levees along the eastern side of the Natomas basin).With the recent federal authorization, Sacramento city and county officials petitioned FEMA to draw new flood maps for Natomas and lift the de-facto moratorium. FEMA reportedly had no opposition to this proposal and the de-facto moratorium was lifted in June 2015. Although the de-facto moratorium was lifted in Natomas in June 2015, the current FEMA map classification does not change the flood risk. The Natomas area still remains a high-risk flood zone as work continues on the levees, which may reduce but not eliminate flood risks and, for that reason, FEMA still requires flood insurance for Natomas property owners.

As of the date of inspection, March 7, 2017, Lennar Homes of California, Inc. owns 119 lots, of which three homes (models) are complete and 21 lots are under construction with single-family homes. There are three rolling-option contracts between the master developer and two homebuilders (Woodside and D.R. Horton). Woodside is vested in 24 finished lots, of which five homes are complete (including three models) and six lots are under construction with single-family homes. D.R. Horton is vested in 38 finished lots, of which two homes (models) are under construction. The master developer (Granite Bay Natomas Meadows) owns 184 improved lots, of which three lots are under construction with homes (models). The 120-unit townhome site comprises a single unimproved 8.23± acre parcel vested with Pardee Homes (d/b/a TriPoint). There are four completed homes transferred to individual homeowners from the Woodside (Woodside Homes at Natomas Meadows) subdivision without an assessed value for both land and (structural) improvements. A summary of lot status by ownership is provided on the next page.

Description	Acres	No. Homes/Lots
Lennar Homes of California, Inc.		
Completed Single-Family Homes without AV's		3
Partially Improved Single-Family Homes (Under Construction)		21
Improved Single-Family Lots		
3,995 SF Lots		63
4,590 SF Lots		32
	Subtotal	*119*
Woodside 05N, LP		
Completed Single-Family Homes without AV's		5
Partially Improved Single-Family Homes (Under Construction)		6
Improved Single-Family Lots		
Alley Loaded Lots		13
	Subtotal	*24*
D.R. Horton CA2, Inc.		
Completed Single-Family Homes without AV's		0
Partially Improved Single-Family Homes (Under Construction)		2
Improved Single-Family Lots		
3,995 SF Lots		20
4,590 SF Lots		16
	Subtotal	*38*
Granite Bay Natomas Meadow (d/b/a GBD Communities & Anthem United)		
Completed Single-Family Homes without AV's		0
Partially Improved Single-Family Homes (Under Construction)		3
Improved Single-Family Lots		
Alley Loaded Lots		81
3,995 SF Lots		56
4,590 SF Lots		44
	Subtotal	*184*
Individual Homeowners		
Completed Single-Family Homes without AV's		4
Completed Single-Family Homes *with* AV's*		8
	Subtotal	*12*
Pardee Homes (d/b/a TriPointe)		
Townhomes		120
	Subtotal	*120*
Total Properties within the District		**497**

* Any completed single-family home with an assessed value for improvements is not considered in this appraisal.

We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Sales History

Lennar Homes of California, Inc. purchased 119 lots [(87) 3,995 SF lots and (32) 4,590 SF lots] from Granite Bay Natomas Meadows (the master developer) on December 3, 2015. Lennar paid $4,788,000 for these lots, of which 7 of the 4,590 SF lots were finished, the balance (112 lots) were in "blue top" (partially improved) condition. Remaining costs to complete were reported at $3,684,954, or $30,966 per lot (119 lots).

Woodside 05N, LP (buyer) and Granite Bay Natomas Meadows (the master developer) are currently in a rolling-option contract for a total of 56 improved lots (alley loaded). As of the date of inspection (March 7, 2017), Woodside has closed on 28 lots in five takedowns, four of which home construction is complete and have transferred to individual homeowners; therefore, Woodside is currently vested with 24 lots. According to the Phased Closing Agreement of Purchase and Sale (dated August 14, 2015), as well as all associated Amendments, Woodside 05N, LP will purchase a total of 56 improved lots for $3,416,000 ($61,000 per lot) in multiple takedowns comprising no less than six lots every quarter after the first takedown, with the last takedown occurring no later than 18 months following the first takedown (or May 24, 2017). In addition to the improved lot purchase price, Woodside has agreed to pay the master developer a profit participation amount (50% of the amount by which the total net profits exceed 10% of the gross sale revenue received by Woodside), as well as building fee credits in the amount of $2,539 per lot.

Additionally, Granite Bay Natomas Meadows (the master developer) is in two rolling-option contracts for 53 improved lots (3,995 SF) and 30 improved lots (4,590 SF) to D.R. Horton CA2, Inc. As of the date of inspection (March 7, 2017), D.R. Horton has closed on a total of 38 lots within both contracts, 20 of the 3,995 SF lots and 18 of the 4,590 SF lots. According to both of these contracts, each takedown is to consist of eight lots each (for a total of 16 lots between the two contracts). Six months following the first takedown, the second takedown is to occur and consist of six lots each (12 lots total), with the remaining takedowns occurring one month following the previous closing with each takedown consisting of at least six lots. Based on this schedule, all lots subject to these two rolling options should be transferred to D.R. Horton within a 12 month period or less.

According to the Purchase and Sale Agreement (dated June 30, 2015), as well as all associated Amendments, D.R. Horton CA2, Inc. will purchase a total of 53 improved lots (3,995 SF) for $3,074,000 ($58,000 per lot), which is subject to an annual escalation of this base price in the amount of 4% per annum, compounded annually.

As for the larger lots (30 improved lots of 4,590 SF), the Purchase and Sale Agreement (dated July 1, 2015), as well as all associated Amendments, D.R. Horton CA2, Inc. will purchase these lots for $2,250,000 ($75,000 per improved lot). These lots are also subject to an annual escalation of this base price in the amount of 4% per annum, compounded annually.

In order to try to quantify price differences between a bulk lot transfer and a rolling option transfer, if any, we contacted representatives with the Appraisal Institute, more specifically the Louise Lee Lum Library, for publications relating to the implications of rolling option style purchases to market value. A rolling option is defined in the article titled Appraising Land Options in the Summer 1984 Edition of The Real Estate Appraiser and Analyst as "a large area divided in contiguous lots. The developer may build a few lots at a time and, upon payment of additional premiums, may exercise this option on a few more lots. He thus rolls his option over and over until the whole area is developed. Of course the rolling option is kept alive only if the partial options are exercised according to the agreed upon development schedule. We know of no theory to price these options." While we considered all publications provided by the Louise Lee Lum Library, the bulk of the publications addressed land anticipated for substantial appreciation in value under an option agreement as opposed to rolling option agreements.

Based on previous conversations with Mr. David Ragland, Vice President of Land and Development for GBD Communities (master developer); the lots subject to the rolling options described herein were initially marketed for bulk transfers. Mr. Ragland indicated the first takedown option prices were consistent with the market prices of the lots stipulated in these agreements. The master developer asserts risk and carrying costs associated with these rolling option agreements is accounted for and compensated for in the profit participation component of the agreements.

However, as will be illustrated in our analysis herein, the current market transactions do not exhibit a clear trend line as it relates to values for bulk lots in the subjects' submarket. The rolling option style purchase agreements covering lots within the subject project reflect cross currents in pricing and typical correlations between lot size and pricing is not present. Further, it should also be noted that the other recent bulk lot transactions from the Natomas submarket also exhibits some inconsistencies in the prices negotiated by buyers and sellers. It is likely that these cross currents in price points relates to the fact this submarket has been dormant for more than a decade, due to the de-facto moratorium, which was lifted in June 2015.

Finally, Anthem United, an entity of the master developer, is currently developing a project identified as Willow. This project will encompass 46 lots in Village 6 Phase 1 (4,590 SF lots), with homes ranging from 2,535 and 3,272 square feet with price points of $430,000 to $485,000.

According to public records, the appraised properties have not been involved in any other sale transactions within the previous three years.

Strengths, Weaknesses, Opportunities, Threats

***Strengths*:**

- Desirable regional location (near Sacramento Business District)
- Good condition of surrounding homes

- Bulk of backbone infrastructure is completed
- Good transportation linkages with proximity to State Highway 99/Interstate 5 and Interstate 80

***Weaknesses*:**

- The housing market is still in a state of recovery, which could impact pricing in the near term
- Natomas flood concerns may impact project's in the area

***Opportunities*:**

- Recent lift of the de-facto building moratorium in June 2015
- Strengthening residential sector may be signal the local economy may be entering an expansionary cycle
- Affordability in North Natomas market area as compared to competing markets in the Sacramento region

***Threats*:**

- Macroeconomic factors
- Unforeseen delays/costs/risks before construction occurs
- North Natomas annual new home cap (1,000 homes/year), a more detailed discussion of the new home cap is provided in the *Neighborhood* and *Residential Market* sections of this report
- Interim flood zone designation A99 may constrain FHA financing for new home buyers; though, conventional financing closely mirrors the FHA with low down payment options (current absorption rates suggest FHA financing constraints is not impacting sales)

PROPERTY LEGAL DATA

Assessor's Parcel Number(s) & Owner(s) of Record

The appraised properties consist of 489 residential units (369 improved, detached single-family residential lots and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners, detailed in the table below.

Property Owner	APNs	Lot Description			Lot Size (SF)	No. of Lots
Lennar Homes of California, Inc.	225-2790-001 through -061 and	47	x	85	3,995	87
	225-2800-001 through -058	45	x	102	4,590	32
					Subtotal	*119*
Woodside 05N, LP	225-2620-021 through -027, -028 through -034;		Alley		2,831	24
	225-2630-010 through -003, -010 through -012,				*Subtotal*	*24*
	and -050 through -053					
D.R. Horton CA2, Inc.	225-2620-001 through -018, -037 through -043,	47	x	85	3,995	20
	-061 through -064; 225-2630-013 through -019,	45	x	102	4,590	18
	-026 and -027				*Subtotal*	*38*
Granite Bay Natomas Meadows	225-2620-44 through -060; 225-2630-004 through -009,		Alley		2,831	81
(d/b/a GBD Communities & Anthem United)	-020 through -025, -028 through -049, -054 through -058,	47	x	85	3,995	56
	-065, -066, -071 through -073; 225-2640-001 through -053,	45	x	102	4,590	47
	225-2660-001 through -012 and -014 through -071				*Subtotal*	*184*
Individual Homeowners (sold by Woodside)	225-2620-019, -020, -035 & -036		Alley		2,831	4
					Subtotal	*4*
Pardee Homes (d/b/a TriPointe)	225-0060-078		Townhome		N/Ap	120
					Subtotal	*120*
Total Number of Lots Appraised within the District						**489**

It should be noted any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites) are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Location

In general, the appraised properties are contained within the boundaries identified as follows: at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2).

Legal Description

A complete legal description, which would typically be included in a preliminary title report, was not provided to the appraiser.

Assessment and Tax Information

Ad Valorem Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual inflationary increases cannot exceed 2% per year. The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the political jurisdiction in which the property is located, can be added to the 1% tax rate.

According to the Sacramento County Treasurer-Tax Collector's Office, the subject parcels have a cumulative annual tax rate of 1.2398% based on assessed value, exclusive of Special Taxes, which are discussed below.

Special Taxes and Assessments

As referenced, the appraised properties are located within the boundaries of City of Sacramento CFD No. 2007-01 (Natomas Meadows). The District includes existing and proposed land use components encumbered by Bonds associated with the CFD.

A copy of the Improvement Area No. 1 CFD No. 2007-01 Assigned Special Tax Table for development properties is provided on the next page.

Land Use Class	Description	Residential Floor Area	2013-14 Assigned Special Tax *
Tax Zone 1			
1	Residential Property	> 1,300 sq. ft.	$1,100 per Residential Unit
2	Residential Property	≤ 1,300 sq. ft.	$750 per Residential Unit
3	Non-Residential Property		$18,720 per Acre
Tax Zone 2			
4	Residential Property	> 1,950 sq. ft.	$1,600 per Residential Unit
5	Residential Property	≤ 1,950 sq. ft.	$1,200 per Residential Unit
6	Non-Residential Property		$22,448 per Acre
Tax Zone 3			
7	Residential Property	> 2,500 sq. ft.	$1,750 per Residential Unit
8	Residential Property	≤ 2,500 sq. ft.	$1,400 per Residential Unit
9	Non-Residential Property		$18,474 per Acre
Tax Zone 4			
10	Residential Property	> 2,300 sq. ft.	$1,750 per Residential Unit
11	Residential Property	≤ 2,300 sq. ft.	$1,200 per Residential Unit
12	Non-Residential Property		$17,253 per Acre

** On July 1, 2014 and each July 1 thereafter, the Assigned Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

The valuation herein takes into account three years of 2% increases on the 2013-14 Assigned Special Tax referenced in the table above.

In order to calculate the present value about of the special tax for consideration herein, we have utilized the approximate current annual payment, 4.50% yield and 30 year term.

Additionally, the subject properties are encumbered by multiple direct charges – Reclamation District #1000 M & O, SAFCA Natomas Basin Local Assessment District, N. Natomas TMA CFD #9901, Neighborhood Park Maintenance CFD 2002-02, Sacramento Library Services Tax, Sacto Core Library Service Tax, SAFCA Consolidate Capital Assessment, and N. Natomas Landscaping CFD #3. These direct charges average $210 per residential unit per year.

Most of these are reportedly direct charges that cannot be paid off (are in perpetuity and do not represent bonds); however, SAFCA Natomas Basin Local Assessment District and SAFCA Consolidate Capital Assessment are bonds that mature in 2037.

Conditions of Title

A preliminary title report was not provided for this appraisal. As a result, the appraiser assumes no negative title restrictions or easements affect the subject property. The client is advised to obtain a title report to determine any possible conditions of title affecting the property appraised. The appraiser accepts no responsibility for matters pertaining to title, and the opinion(s) of value stated herein could be negatively impacted by title restrictions.

Zoning and Entitlements

According to the City of Sacramento Planning Department, the majority of the subject is zoned R-1A-PUD – Single-Family Alternative Residential (15 units per acre), Planned Unit Development. The purpose of the R-1A designation is to permit single-unit or duplex dwellings, whether attached or detached, at a higher density than is permitted in the R-1 zone. Dwellings that have no interior side yards, such as townhouses and rowhouses, are allowed. The maximum density allowed is 15 units per acres on a minimum lot size of 2,900 square feet per dwelling unit.

The subject townhome site is zoned R-2B-PUD – Multifamily Residential (21 units per acre), Planned Unit Development. The purpose of the R-2B zone is to accommodate broader density flexibility as a transition from the garden-apartment setting to a more traditional apartment setting. This zone allows for a maximum of 21 units per acre on a 2,000 square foot minimum lot.

Additionally, the appraised properties represent a portion of the Natomas Meadows Master Planned Community, which in its entirety encompasses 110 acres. At build-out, Natomas Meadows is planned to include over 900 homes and living units with a 12-acre park and bike trails linked to the city's master trail system. The 120 attached townhome site (market rate) was approved in 2006, entitlement permit number P06-124.

The appraised properties are located within Improvement Area No. 1 of Natomas Meadows, which consists of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners.

The map on the following page details the Natomas Meadows Master Planned Community. Note Improvement Area No. 2, which is not within the scope of this assignment, has been shaded. Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), as well as eight single-family lots with completed homes with assigned assessed values for both land and improvements, are not a part of this appraisal.

Flood Zone

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) the appraised properties are located on Community Panels 06067C-0045J and 06067C-0063J, both dated June 16, 2015. All of the appraised properties are situated in Flood Zone A99, described as areas an interim flood zone designation, which is still considered a high risk flood zone, but allows for construction with conditions.

In 2005, FEMA reinforced the agency's long-standing regulation to ensure that levee owners or communities document that a levee meets federal standards for protection against the 1% annual chance flood. After re-evaluation of the levees by the US Army Corps of Engineers, FEMA remapped the Natomas Basin area into a floodplain with an AE flood zone designation in December 2008. The AE flood zone designation required elevating or flood-proofing structures at or above the

100-year floodplain, which would be up to 20 feet in some areas. This caused a de-facto building moratorium, which was lifted in June 2015. Now, the City has received the A99 flood zone designation, which, as described above, is an interim flood zone designation that is still considered a high risk flood zone, but allows for construction with conditions.

The FEMA National Flood Hazard Layer map for the subject property is provided below.

Property owners in the Natomas Basin who have federally-backed mortgages require flood insurance as the levee improvements are not complete. The A99 status allows property owners located in the Natomas Basin to continue to receive a discount for their flood insurance (now known as "Properties Newly Mapped," formerly known as "Preferred Risk Policy Eligibility Extension"). New construction and properties that are substantially improved are rated based on the new A99 flood designation and will not qualify for the "Properties Newly Mapped" discount. However, A99 flood zone policyholders are currently eligible to receive a 10% discount as part of the City's participation in the National Flood Insurance Program's Community Rating System. The A99 flood zone rates are currently significantly higher than other flood zone rates, including the "Properties Newly Mapped" rates.

Overall, based on current absorption rates being achieved in the North Natomas submarket area, subsequent to the building (de-facto) moratorium, additional homeowner costs attributable to flood insurance and lack of FHA financing do not appear to be discernibly impacting home price appreciation and sales. It should also be noted conventional lenders are offering loan options similar to the FHA programs (e.g., low down payments).

Earthquake Zone

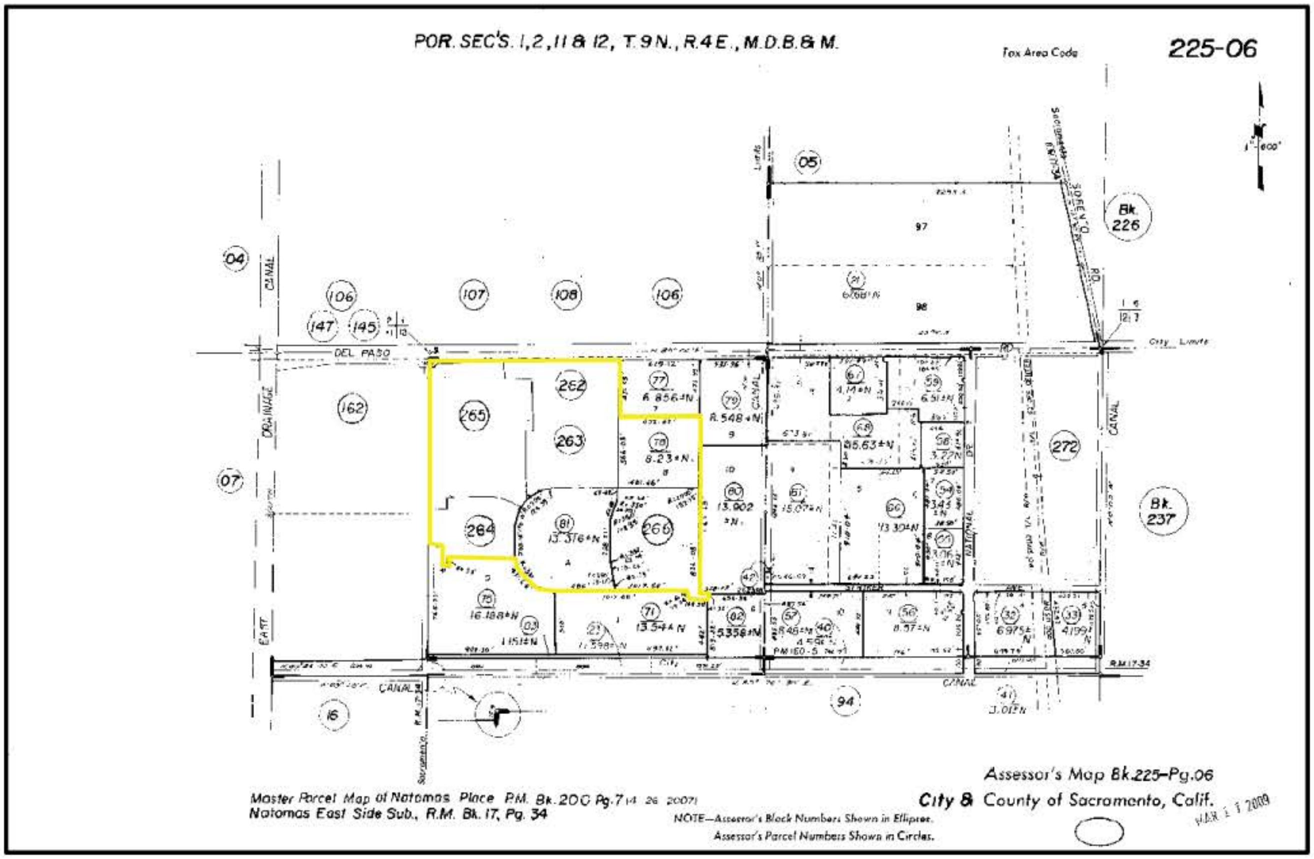
According to the Seismic Safety Commission, the appraised properties are located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

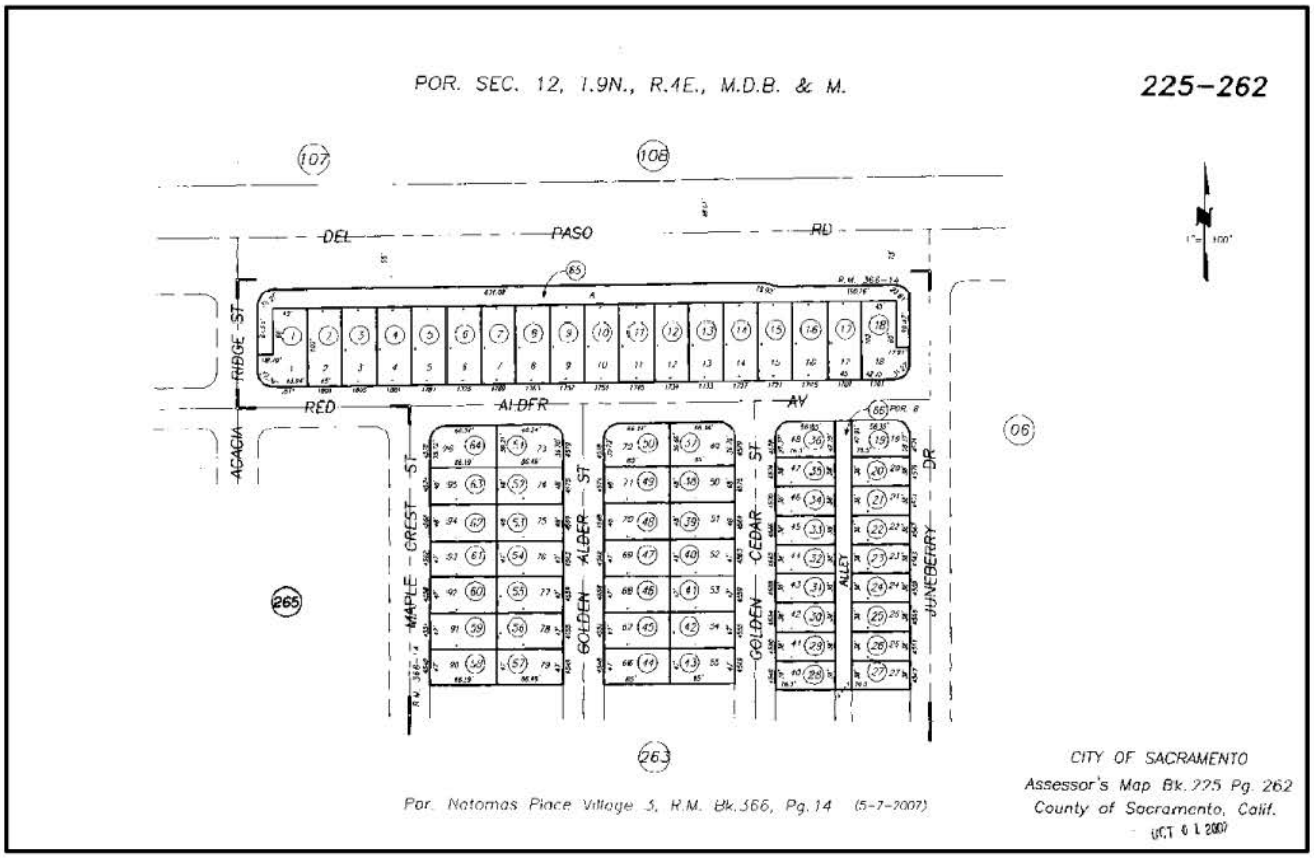
Easements

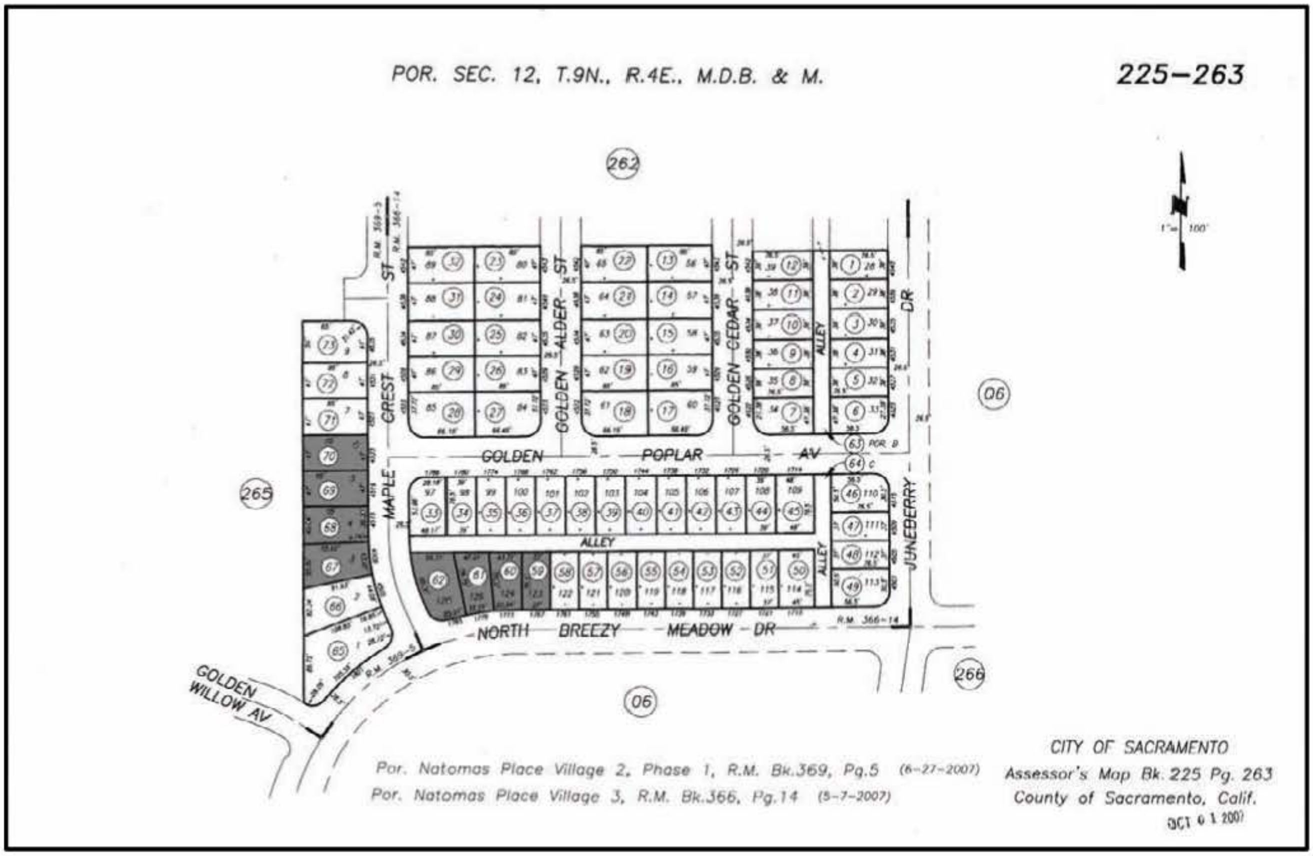
An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed any easements noted in a current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value contained herein.

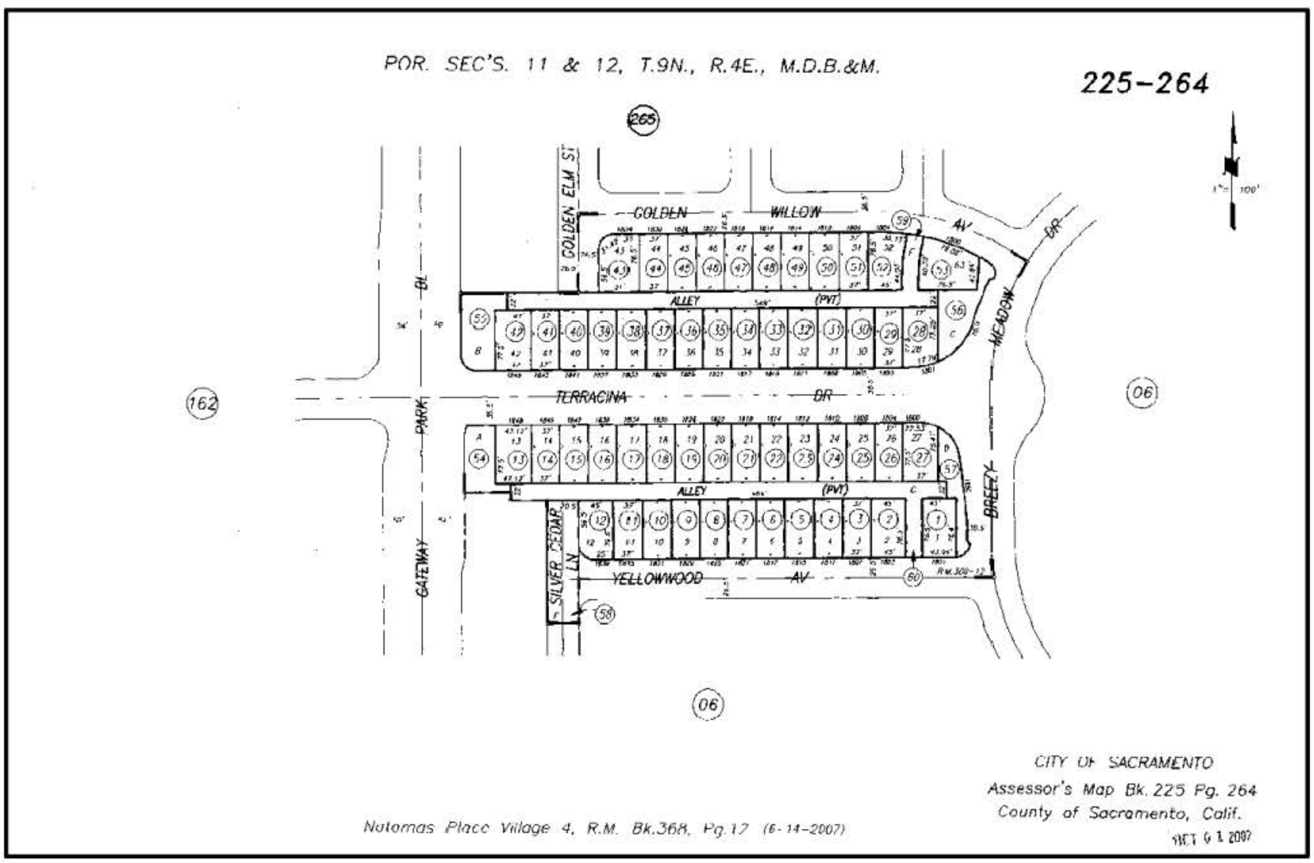
Assessor's Parcel Maps

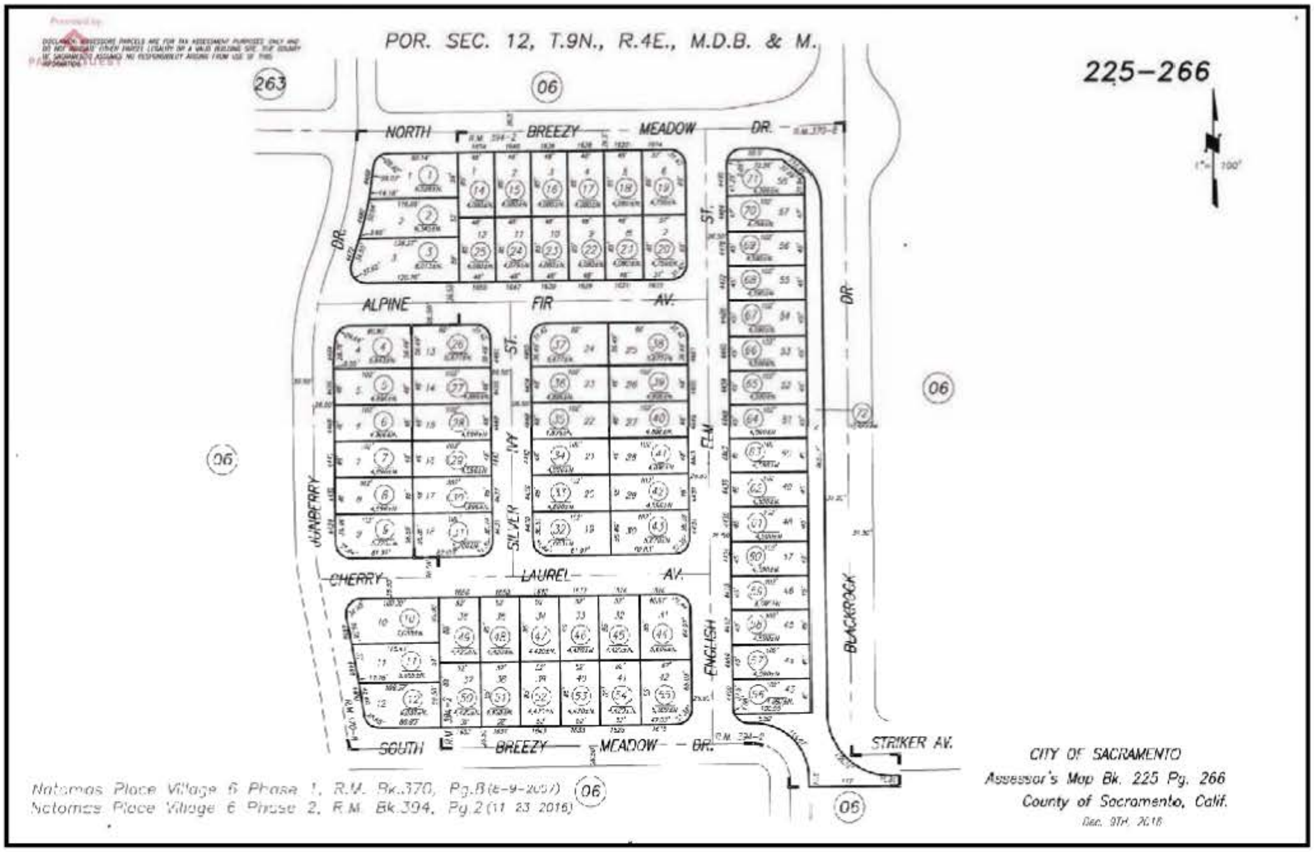
Assessor's parcel maps encompassing the Natomas Meadows CFD No. 2007-01 are included on the following pages. In the first parcel map the appraised properties are outlined in yellow, which encompasses Improvement Area No. 1. Those parcels shaded grey represent parcels with improved single-family homes with an assessed value, which were not appraised herein. All remaining single-family residential lots, as well as the townhome site (APN 225-0600-078), that are not shaded, identify the appraised properties herein.

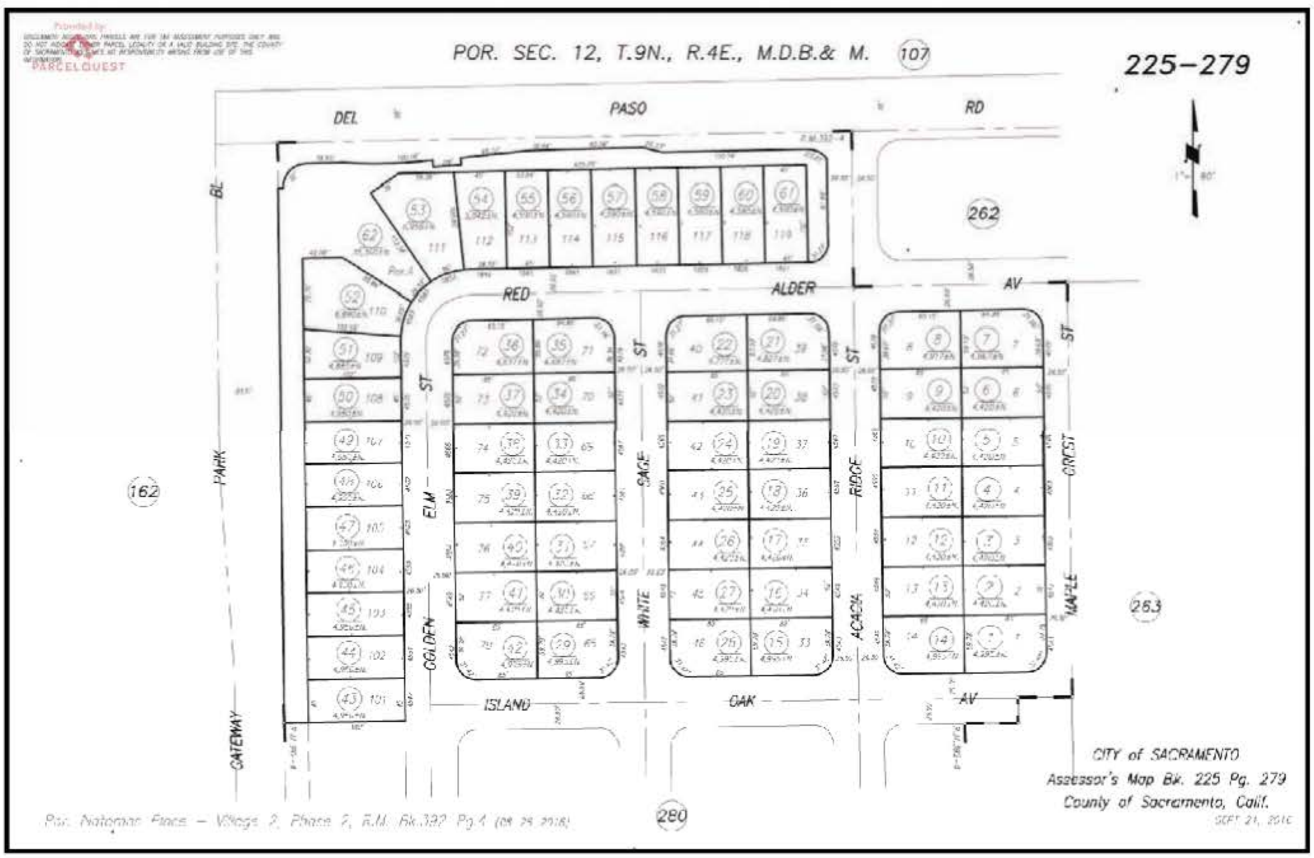

POR. SEC'S. 1,2,11 & 12, T.9N., R.4E., M.D.B.& M.
Tax Area Code
225-06
DEL PASO
CANAL
DRAINAGE
EAST
NATIONAL DR.
Bk. 226
Bk. 237
City Limits
Master Parcel Map of Natomas Place P.M. Bk.200 Pg.7
Natomas East Side Sub., R.M. Bk. 17, Pg. 34
NOTE—Assessor's Block Numbers Shown in Ellipses.
Assessor's Parcel Numbers Shown in Circles.
Assessor's Map Bk.225-Pg.06
City & County of Sacramento, Calif.

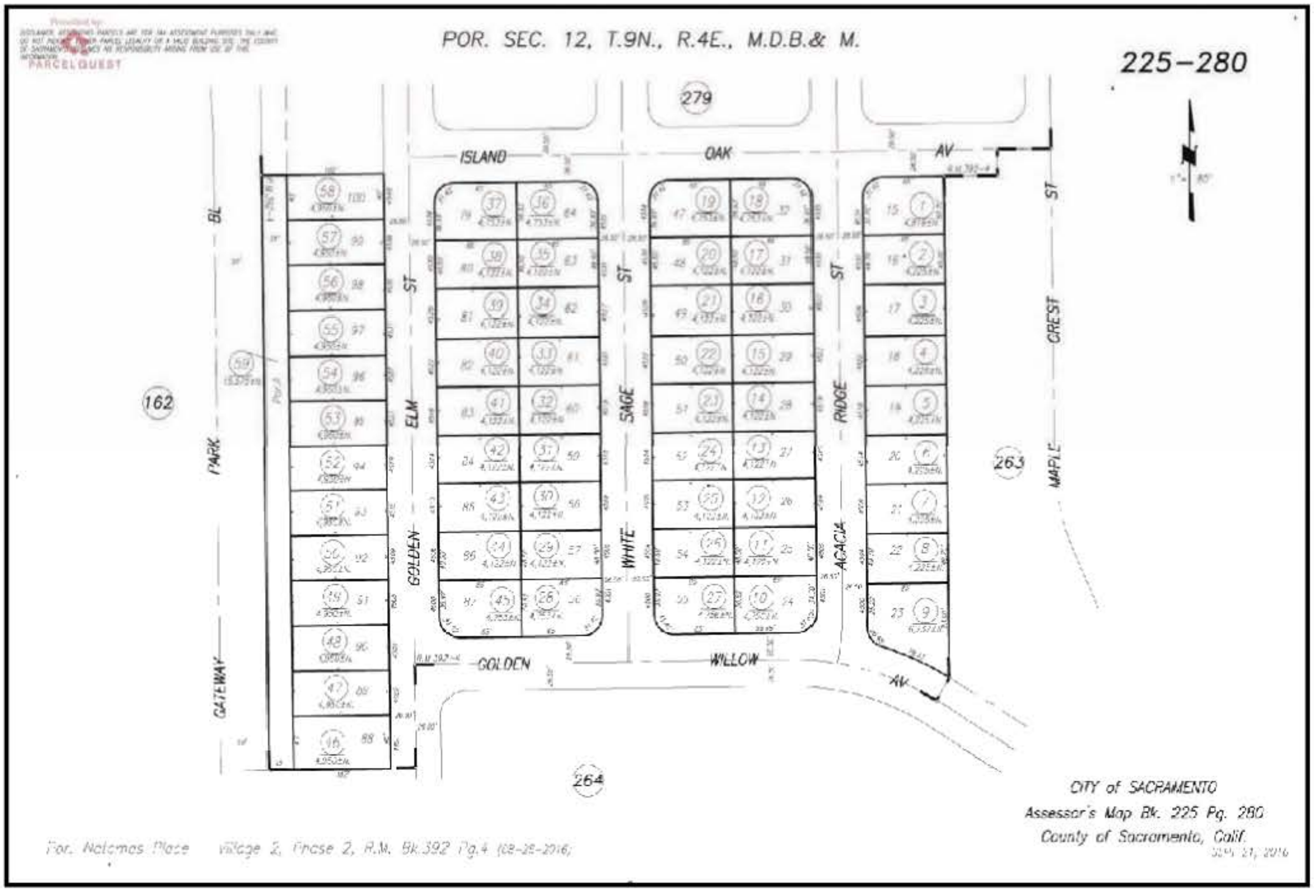

POR. SEC. 12, T.9N., R.4E., M.D.B. & M.
225-262
DEL PASO RD
RIDGE ST
ACACIA
RED ALDER AV
MAPLE CREST ST
GOLDEN ALDER ST
GOLDEN CEDAR ST
ALLEY
JUNEBERRY DR
CITY OF SACRAMENTO
Assessor's Map Bk. 225 Pg. 262
County of Sacramento, Calif.
Por. Natomas Place Village 5, R.M. Bk.366, Pg.14 (5-7-2007)


POR. SEC. 12, T.9N., R.4E., M.D.B. & M.
225-263
GOLDEN POPLAR AV
NORTH BREEZY MEADOW DR
MAPLE CREST ST
GOLDEN ALDER ST
GOLDEN CEDAR ST
JUNEBERRY DR
GOLDEN WILLOW AV
ALLEY
Por. Natomas Place Village 2, Phase 1, R.M. Bk.369, Pg.5 (6-27-2007)
Por. Natomas Place Village 3, R.M. Bk.366, Pg.14 (5-7-2007)
CITY OF SACRAMENTO
Assessor's Map Bk. 225 Pg. 263
County of Sacramento, Calif.


POR. SEC'S. 11 & 12, T.9N., R.4E., M.D.B.&M.
225-264
GOLDEN WILLOW AV
GOLDEN ELM ST
TERRACINA DR
YELLOWWOOD AV
SILVER CEDAR LN
GATEWAY PARK BL
BREEZY MEADOW DR
ALLEY (PVT)
CITY OF SACRAMENTO
Assessor's Map Bk. 225 Pg. 264
County of Sacramento, Calif.
Natomas Place Village 4, R.M. Bk.368, Pg.12 (6-14-2007)


POR. SEC. 12, T.9N., R.4E., M.D.B. & M.
225–266
NORTH BREEZY MEADOW DR.
ALPINE FIR AV.
CHERRY LAUREL AV.
SOUTH BREEZY MEADOW DR.
JUNIBERRY DR.
SILVER IVY ST.
ENGLISH ELM ST.
BLACKROCK DR.
STRIKER AV.
Natomas Place Village 6 Phase 1, R.M. Bk.370, Pg.8 (6-9-2007)
Natomas Place Village 6 Phase 2, R.M. Bk.394, Pg.2 (11 23 2016)
CITY OF SACRAMENTO
Assessor's Map Bk. 225 Pg. 266
County of Sacramento, Calif.


POR. SEC. 12, T.9N., R.4E., M.D.B.& M.
225–279
DEL PASO RD
RED ALDER AV
ISLAND OAK AV
GATEWAY PARK BL
GOLDEN ELM ST
WHITE SAGE ST
ACACIA RIDGE ST
MAPLE CREST ST
PARCELQUEST
CITY of SACRAMENTO
Assessor's Map Bk. 225 Pg. 279
County of Sacramento, Calif.


POR. SEC. 12, T.9N., R.4E., M.D.B.& M.
225–280
PARCELQUEST
ISLAND
OAK
AV
PARK
BL
GATEWAY
ELM
ST
GOLDEN
SAGE
WHITE
RIDGE
ACACIA
CREST
MAPLE
WILLOW
162
263
264
279
CITY of SACRAMENTO
Assessor's Map Bk. 225 Pg. 280
County of Sacramento, Calif.
Por. Natomas Place Village 2, Phase 2, R.M. Bk.392 Pg.4 (02-25-2016)

SITE DESCRIPTION

Source: Google maps

The appraised properties represent a portion of the City of Sacramento CFD No. 2007-01 (Natomas Meadows). The appraised properties consist of 489 residential units (369 improved, detached single-family residential lots and 120 attached townhome units).

The appraised properties are generally located at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2). The appraised properties are further discussed as follows.

Size and Shape: The subject land areas are primarily irregular in shape, yet functional for development under their respective land use and zoning designations. The subject consists of detached and attached residential units. The detached single-family units consist of three lot size categories: 3,995 SF lots, 4,590 SF lots, and alley loaded lots (2,831 SF). The attached residential units consist of a single parcel (8.23± acres) proposed for 120 townhome units.

Topography: Generally level

Soils: A soils report was not provided for this analysis. However, based on the existence of residential and commercial structures situated within the immediate area, it appears the appraised properties possess adequate load bearing capacity for development.

Adjacent Uses:

North — Residential development and community uses (schools)
East — Light industrial/flex development
South — Office and light industrial development
West — Multifamily residential and retail/service development

Drainage: Based on the development plan, a physical inspection of the appraised properties, and assuming typical grading and paving work was completed, it is expected the appraised properties have adequate drainage.

Access, Frontage, Visibility: The subject has access, frontage and visibility from Del Paso Road and Gateway Park Boulevard. Del Paso Road is a primary east-west thoroughfare, providing access to Interstate 5 approximately 1.5 miles to the west. Interior streets extend from Del Paso Road and Gateway Park Boulevard for access to individual lots. Overall, the accessibility and visibility of the property are considered average for residential use.

Utilities: Public utilities, including electricity, natural gas, sewer, public water, telephone, etc., are available to the subject parcels.

Environmental Issues: At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the properties. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties. The value estimates are predicated on the assumption there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

Improved Lots: The subject portion of Natomas Meadows CFD No. 2007-01 includes 369 fully improved single-family lots (curbs, gutters, sidewalks, street lighting, utilities stubbed, etc.). It is noted due to weather delays, approximately $190,000 in landscaping improvements are still required for Village 6 Phase 2, which will be considered in our analysis herein. Additionally, with regard to the 120 attached townhome site, all required utilities are stubbed to the site and all frontage roads are complete.

Permits and Fees:

According to a fee summary provided by the master developer, permits and fees due at building permit (including school fees) total approximately $55,045/lot for the 3,995 SF lots, $62,205/lot for the 4,590 SF lots, and $47,230/lot for the alley lots.

Permit and fee information was not provided for the townhome component. Further, conversations with the City of Sacramento Building Department indicate estimates for permits and fees for the townhome component could not be made without a specific proposal for the development (product size, unit mix, etc.). Consequently, in an effort to estimate permits and fees for the subject townhome component, we did consider the permit and fee structure for the Retreat project in the Westshore Masterplan area of the Natomas submarket. This project is offering product similar to the product line anticipated for the subject's townhouse site. Total permits and fees are reported at just over $43,000 per unit at this project. It should be noted that over each category line, between the Westshore development and the subject, the Westshore total fee structure is slightly lower. Thus, for purposes of this analysis we have trended the total permit and fee structure amount to $45,000 for the subject's townhome units

A detailed summary of the development impact fees for the Natomas Meadows project, which includes both Improvement Areas 1 and 2 (not a part), as provided by the master developer, is provided in the table on the following page (most recent available).

Development Impact Fee Summary
Granite Bay Development
Natomas Meadows
1/27/2015

Plan Type	Units	Square Footage	Valuation	City Building & Impact Fees	Neighborhood Fees	Other Agency Fees	School Fees	Fee Credits	Total Fees Per Unit	Total Fees
Alley 37x76.5										
Alley 37x76.5-4	39	1,655	$ 205,751	$ 15,928	$ 14,172	$ 9,186	$ 5,561	$ -	$ 44,847	$ 1,749,036
Alley 37x76.5-1	40	1,836	$ 225,907	$ 16,734	$ 14,172	$ 9,554	$ 6,169	$ -	$ 46,628	$ 1,865,136
Alley 37x76.5-2	41	2,008	$ 245,061	$ 16,766	$ 14,172	$ 9,903	$ 6,747	$ -	$ 47,588	$ 1,951,101
Alley 37x76.5-3	41	2,261	$ 273,235	$ 17,533	$ 14,172	$ 10,417	$ 7,597	$ -	$ 49,718	$ 2,038,445
Total	161									$ 7,603,718
D-3 47x85										
D-3 47x85-1	28	2,159	$ 261,876	$ 17,124	$ 17,186	$ 10,699	$ 7,254	$ -	$ 52,264	$ 1,463,387
D-3 47x85-3a	28	2,243	$ 271,230	$ 17,700	$ 17,186	$ 10,869	$ 7,536	$ -	$ 53,292	$ 1,492,176
D-3 47x85-2	28	2,427	$ 291,721	$ 17,761	$ 17,186	$ 11,243	$ 8,155	$ -	$ 54,345	$ 1,521,649
D-3 47x85-4a	28	2,585	$ 309,316	$ 18,302	$ 17,186	$ 11,563	$ 8,686	$ -	$ 55,737	$ 1,560,646
D-3 47x85-3b/c	28	2,717	$ 324,015	$ 18,615	$ 14,172	$ 11,831	$ 9,129	$ -	$ 56,762	$ 1,589,342
D-3 47x85-4b/c	28	2,859	$ 339,828	$ 18,952	$ 14,172	$ 12,120	$ 9,606	$ -	$ 57,865	$ 1,620,212
Total	168									$ 9,247,412
D-4 45x102										
D-4 45x102-1	27	1,900	$ 233,034	$ 16,510	$ 22,869	$ 10,389	$ 6,384	$ -	$ 56,151	$ 1,516,071
D-4 45x102-3	27	2,524	$ 302,523	$ 18,367	$ 22,869	$ 11,655	$ 8,481	$ -	$ 61,372	$ 1,657,033
D-4 45x102-2	29	2,662	$ 317,890	$ 18,319	$ 22,869	$ 11,935	$ 8,944	$ -	$ 62,067	$ 1,799,945
D-4 45x102-4	31	3,040	$ 359,984	$ 19,382	$ 22,869	$ 12,703	$ 10,214	$ -	$ 65,168	$ 2,020,205
D-4 45x102-2x	31	3,066	$ 362,880	$ 19,444	$ 22,869	$ 12,756	$ 10,302	$ -	$ 65,370	$ 2,026,463
Total	145									$ 9,019,717

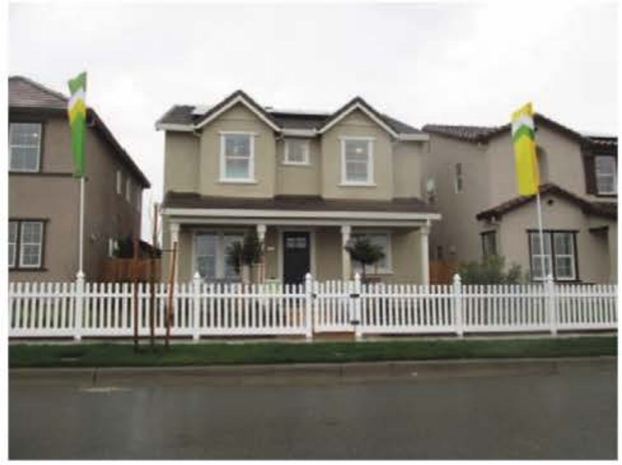
As previously discussed, a portion of anticipated construction fund proceeds from City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds will be used to pay a portion of required impact fees, based on a ***hypothetical condition***. Specifically, North Natomas Public Facilities Fees of $4,584.53 per lot and City Fees of $11,678.16 per lot, for a total of $16,262.69 per lot, will be paid by proceeds from the Bonds [please refer to the *Table 3. List of Authorized Fees (Improvement Area #1 and #2)* in the Appendix to this Report]. The anticipated Bond proceeds will more than provide for the prepayment of impact fees for all 181 lots held by the master developer (presuming a 3:1 value-to-lien ratio on the aggregate, or cumulative, value of the District, and accounting for costs of issuance of approximately 13.54%).

Therefore, net of the anticipated fees to be paid from the bonds, and based on the hypothetical condition of this Report, the subject's anticipated remaining permits and fees (including school fees) will total approximately $38,782/lot for the 3,995 SF lots, $45,942/lot for the 4,590 SF lots, and $30,967/lot for the alley lots. Based on the information provided, it does not appear the townhome component will benefit from the prepaid impact fees; therefore, our analysis herein will utilize the previously mentioned $45,000 per unit.

Conclusion:

Overall, the subject property is functional in terms of its size, topography, shape and overall location within the market area. There appears to be no unusual or restrictive physical limitations of the properties. The subject properties are considered physically suitable for development.

SUBJECT PHOTOGRAPHS



SACRAMENTO REGION

Introduction

The Sacramento MSA is the largest metropolitan area in the Central Valley and the fourth-largest in the state of California. The region includes four counties – Sacramento, Placer, El Dorado and Yolo – and spans from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. The region's largest city, Sacramento, is the State Capital and the seat of government for Sacramento County. Sacramento is located approximately 385 miles north of Los Angeles, 500 miles south of Oregon, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada. The region has relatively stable seismic conditions, especially compared to the San Francisco Bay Area and Southern California. Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake.

Population

The region has a population of over 2.2 million, and has grown at a moderate rate of 0.9% per year for the past five years. The following table illustrates recent population trends for each county in the region over the past few years.

POPULATION TRENDS - SACRAMENTO MSA							
County	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**%/Yr**
Sacramento	1,429,653	1,440,456	1,452,666	1,465,654	1,481,803	1,495,297	0.9%
Placer	353,228	358,152	362,417	367,176	370,238	373,796	1.2%
El Dorado	181,170	180,952	180,588	181,731	182,743	183,750	0.3%
Yolo	202,836	204,578	207,380	208,961	211,813	214,555	1.2%
Total	**2,166,887**	**2,184,138**	**2,203,051**	**2,223,522**	**2,246,597**	**2,267,398**	**0.9%**
Source: California Department of Finance							

Placer and Yolo Counties have led the region with growth of 1.2% per year over the past five years. Most of this growth has occurred in the cities of Roseville, Rocklin, Lincoln and West Sacramento. Much of the region's growth is attributed to in-migration of residents from other locations.

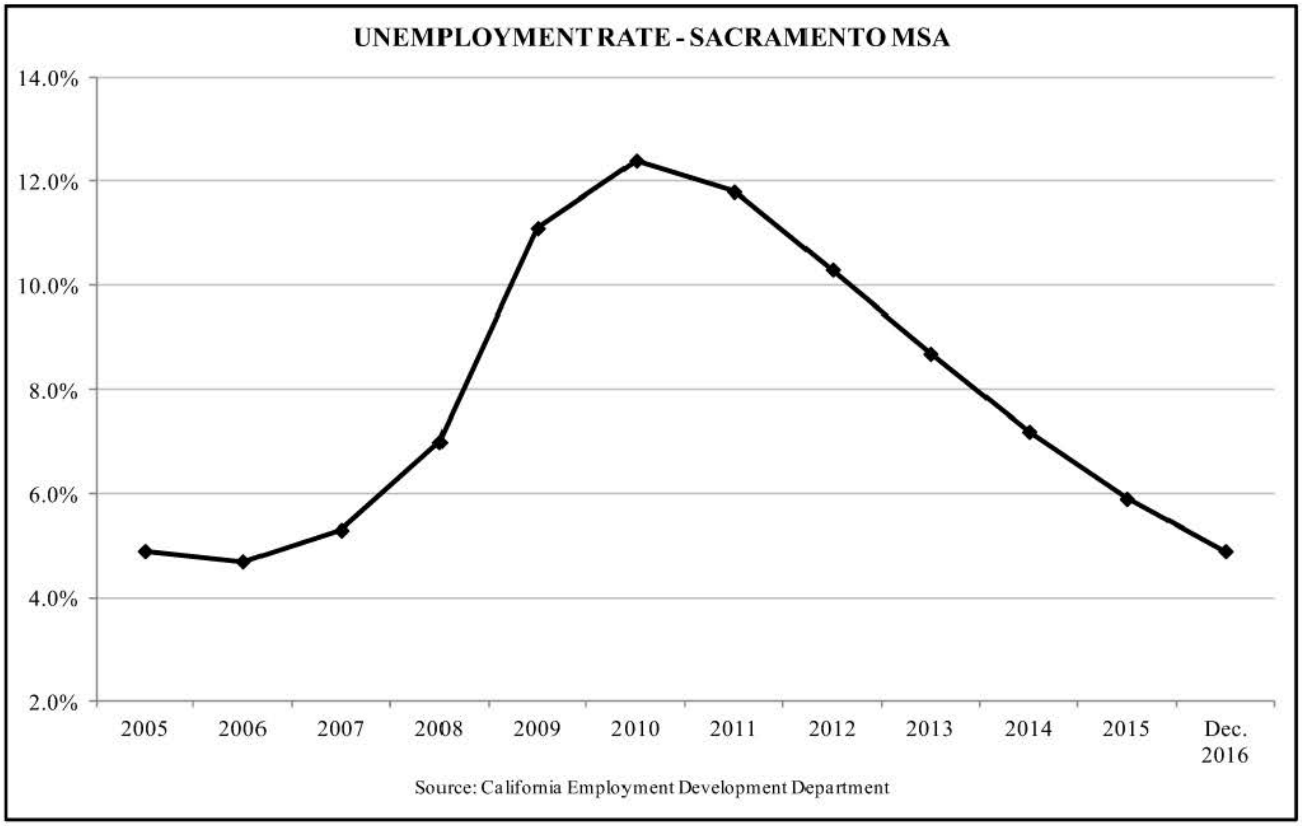
The population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento MSA is projected to increase to about 2.84 million by 2030 and 3.57 million by 2050. The region's growth is expected to outpace the growth of most other metropolitan areas in California, as well as the state as a whole.

Employment & Economy

Historically, the Sacramento region has been one of the more stable employment centers in California, with a significant number of jobs in State government. The California Employment Development Department has reported the following employment data for the Sacramento MSA over the past few years.

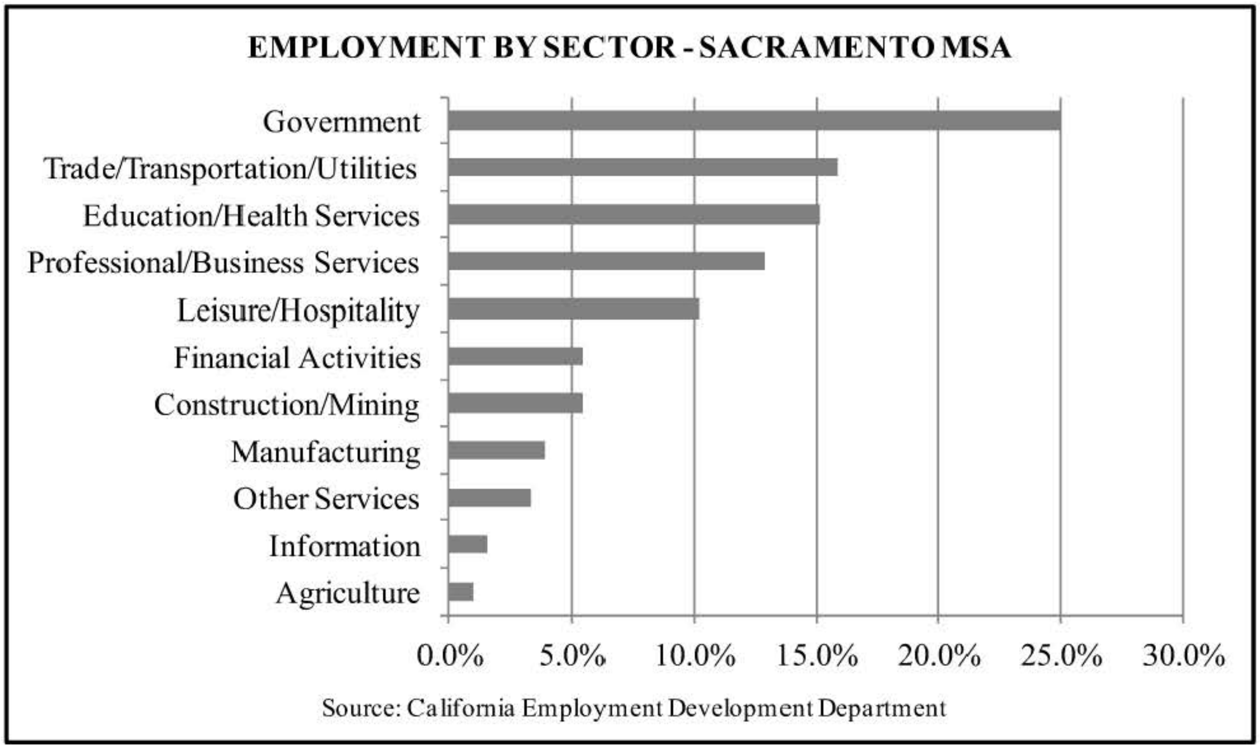
EMPLOYMENT TRENDS - SACRAMENTO MSA						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Labor Force	1,049,800	1,045,200	1,049,500	1,049,100	1,050,800	1,060,200
Employment	920,100	921,600	941,300	958,200	976,100	998,100
Job Growth	(17,000)	1,500	19,700	16,900	17,900	22,000
Unemployment Rate	12.4%	11.8%	10.3%	8.7%	7.1%	5.9%
Source: California Employment Development Department						

The unemployment rate in the four-county region was 4.9% in December 2016, which compares to rates of 5.2% for California and 4.7% for the U.S. For most areas within the state and nation, including the Sacramento MSA, unemployment declined from 2004 through 2006, increased from 2007 to 2010, and declined during 2011-2016.



The region experienced a significant decline in jobs in 2009, but the rate of decline moderated in 2010, and job growth was positive in each year from 2011 through 2015. In the one-year period ending in December 2016, the region gained 29,200 jobs, which equates to a job growth rate of 3.1%. Employment conditions should continue to slowly improve over the next few years.

The local economy has transitioned from a government and agricultural center to a more diverse economy. Growing industries in the region include healthcare, technology, clean energy and life sciences. The region is a western hub for data processing, customer call centers and other corporate back office support activities. The following chart indicates the percentage of total employment for each sector within the region.



As can be seen in the chart above, the region's largest employment sectors are Government, Trade/Transportation/Utilities (including retail and wholesale trade), Education and Health Services, and Professional and Business Services. Government jobs account for about 25% of total employment in the region. This percentage has declined only slightly in the past couple of decades – government employment was about 30% of the total in 1990. The region's largest employers are listed in the following table (based on the number of employees in the four-county region).

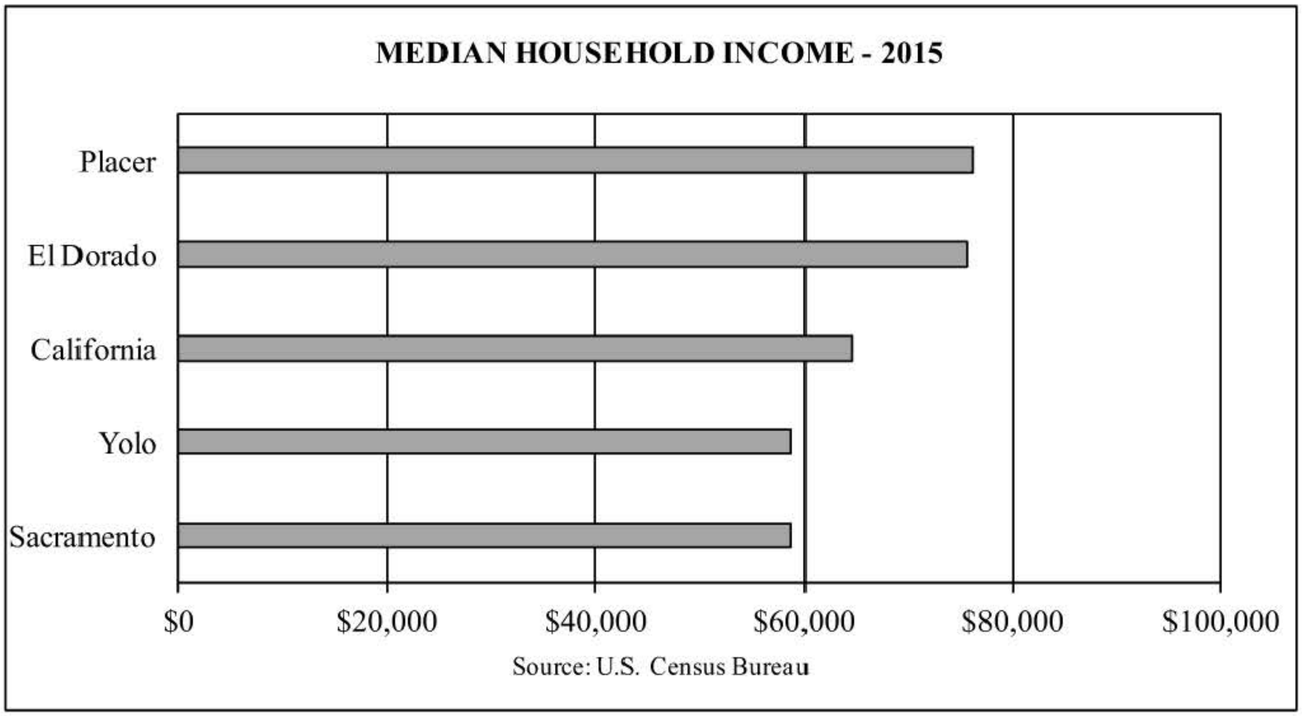
LARGEST EMPLOYERS - SACRAMENTO MSA

	Company	Industry	Employees
1	State of California	Government	78,045
2	Sutter Health	Healthcare	15,014
3	Kaiser Permanente	Healthcare	14,368
4	U.S. Government	Government	13,791
5	Sacramento County	Government	11,950
6	UC Davis Health System	Healthcare	10,145
7	University of California Davis	University	9,599
8	Dignity Health (formerly Mercy)	Healthcare	7,853
9	Intel Corp.	Semiconductors	6,000
10	Elk Grove Unified School District	Education	5,863
11	Raley's Inc.	Retail Grocery	5,597
12	City of Sacramento	Government	4,300

Source: Sacramento Business Journal, Book of Lists 2016

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The following chart shows income for each county in the region, as well as the state of California, for the year 2015 (most recent available).



As indicated in the chart above, Placer and El Dorado Counties exhibit the highest income levels in the region. Household incomes in these counties are among the highest in California.

Transportation

A significant strategic advantage of the Sacramento region is its proximity to large markets and its transportation accessibility to these markets provided by extensive highway, rail, water and air systems.

The Sacramento region has over 800 miles of maintained state highways. The hub of freeways in the region makes the Sacramento Area a good center for freight distribution. U.S. Highway 50, Interstate 80, and the Capital City Freeway are the principal routes for commuters living in the densely populated eastern suburbs. Commuters from the north and south of Sacramento travel on Interstate 5 and State Highway 99. State Highways 65 and 70 link Placer County to Yuba and Sutter Counties to the north. Interstate 5 provides a direct route to Redding, Oregon and Washington to the north and Los Angeles to the south. Interstate 80 permits travel to Nevada and Utah to the east and the San Francisco Bay Area to the west. Lake Tahoe and Nevada are reachable within a couple hours on U.S. Highway 50, which originates in Sacramento. State Highway 99 provides access to the San Joaquin and upper Sacramento Valleys.

The main public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by other local public and private transit operators. Regional Transit covers a 418-square-mile service area that is serviced by 182 buses and 76 light rail vehicles, transporting over 31.5 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In 2005, an eastward extension to the city of Folsom was completed.

The Sacramento region has access to a number of railroads. The north-south and east-west main lines of the Union Pacific Railroad intersect in Sacramento and, as a result of the merger of Union Pacific and Southern Pacific in 1996, Sacramento has access to the Burlington Northern Santa Fe Railway. Union Pacific's major freight classification facility for Northern California, Nevada and Oregon is located in Roseville (Placer County). Amtrak provides daily passenger service in all directions from Sacramento. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

The region has good water transportation capabilities. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products.

Finally, the region includes several air transport facilities. Most notably, Sacramento International Airport is served by 11 passenger carriers and numerous cargo carriers. Major expansions of the terminals and parking facilities were completed between 2004 and 2012. Each year, about 9 million passengers travel through Sacramento International. The region is also served by Sacramento Executive Airport, Lincoln Regional Airport, McClellan Airfield, Mather Airport (the latter two being former Air Force Bases), and several smaller airports and airfields.

Recreation & Culture

The Sacramento region offers innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both sides of the river for 30 miles, with

Folsom Lake situated at the eastern end. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region. Professional sports teams in Sacramento include an NBA team (the Kings) and a Triple-A minor league baseball team (the River Cats).

Cultural attractions in the region include the Old Sacramento Historic District, California State Railroad Museum, Crocker Art Museum, Historic Governor's Mansion, Sutter's Fort State Historic Park and Sacramento Zoo. Sacramento is home to several theaters and performing arts centers offering world-class shows. Annual events in Sacramento include the California State Fair, the Music Circus and the Sacramento Jazz Jubilee.

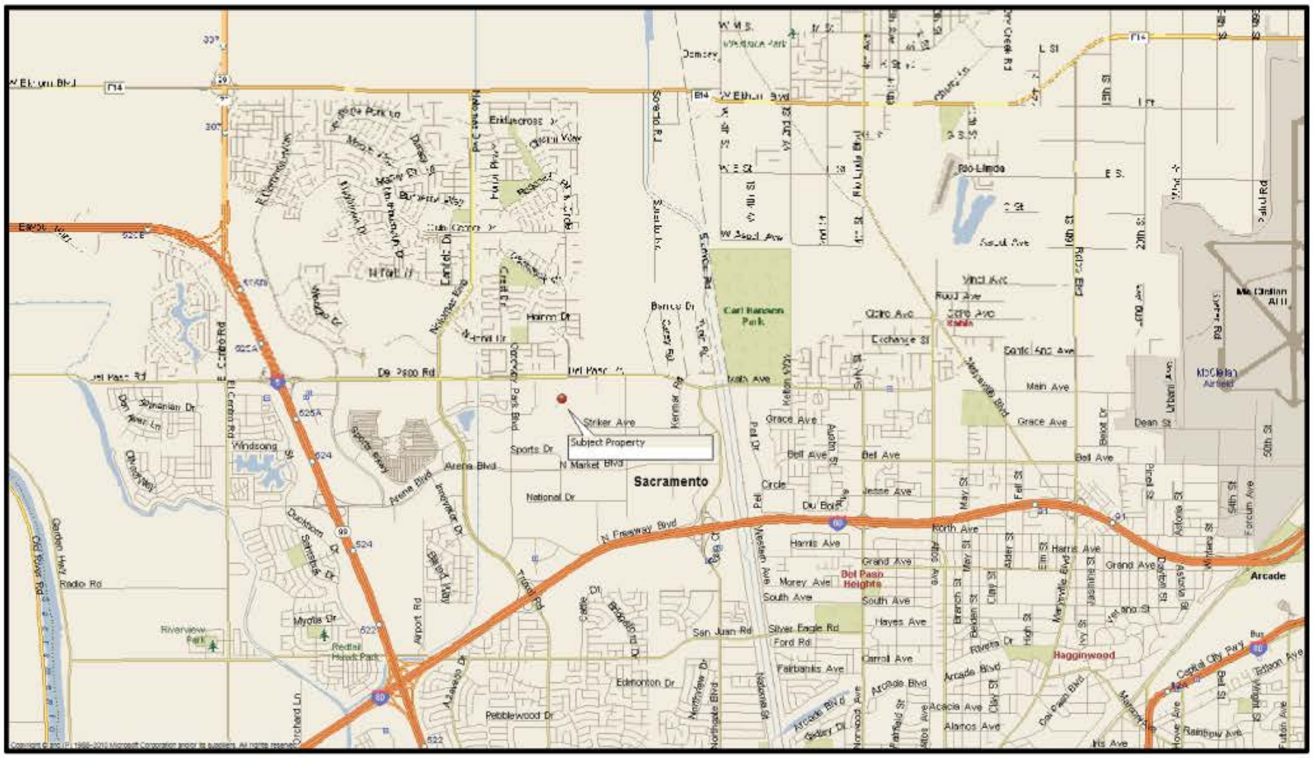
In terms of higher education, the region's largest universities are the University of California Davis and Sacramento State University. Six community colleges are located in the region, including Sierra College, American River, Cosumnes River, Folsom Lake, Sacramento City and Woodland Community College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools.

Other recreational and cultural opportunities are available within a short drive of the Sacramento area. To the west are the San Francisco Bay Area, the Napa Valley wine country, the coastal redwood forests, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than a dozen snow-skiing resorts. Legalized casino gambling is available in Nevada, as well as several tribal casinos in the Sacramento region.

Conclusion

The Sacramento region is the fourth-largest metropolitan area in California, and has seen moderate population growth of about 0.9% per year over the past five years. The area's advantages include a diverse economy, mild climate, seismic stability, ample recreational and cultural opportunities, and expansive transportation systems. Further, the region offers greater affordability compared to the Bay Area and Southern California. Like most metropolitan areas in the state and nation, the Sacramento region experienced high unemployment and real estate market declines during the period of roughly 2008-2010. However, employment conditions have been improving since 2011 and most real estate sectors are showing signs of expansion. As the economy continues to improve, the long-term outlook for the region is good.

NEIGHBORHOOD



Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises."[4]

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 property is located within a portion of Sacramento known as North Natomas. The neighborhood boundaries can generally be described as State Highway 99/Interstate 5 to the west, W. Elkhorn Boulevard to the north, Northgate Boulevard to the east and Interstate 80 to the south.

[4] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 156.

Demographics

According to demographic reports prepared by Esri Business Analyst Online (Esri) current and projected demographics within the subjects' neighborhood are summarized in the following table.

Population (2016)	39,885
Population (2021), % change	41,526 persons, +4.11%
Median Age	33
Number of Households	14,017
Average Household Size	2.84 persons
% of Households Owner-Occupied	57.9%
% of Households Renter Occupied	42.1%
Median Household Income	$79,526

As reported by CoreLogic, the median resale home price in the city of Sacramento, as of January 2017 (latest available) was $270,000, which marks an increase of 14.9% from the same period last year. A more detailed discussion of the residential marker of the subjects' immediate area is provided in the *Residential Market* section, presented next.

Transportation

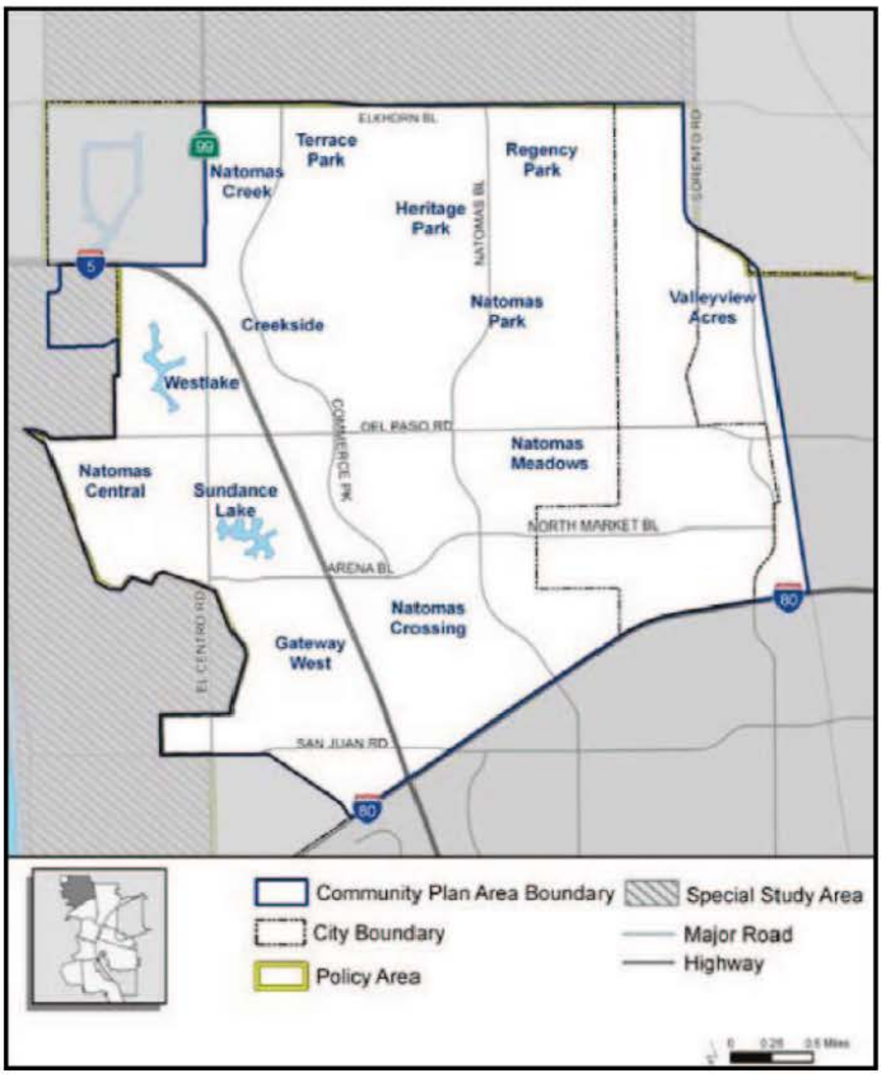
The subject lots are located south of Del Paso Road, east of Interstate 5. Del Paso Road is a primary neighborhood thoroughfare that provides access to Interstate 5/State Highway 99. Other major neighborhood thoroughfares within the neighborhood include West Elkhorn Road, which represents the northern boundary of current residential development in North Natomas, and Truxel Road. Truxel Roads also serve as primary transportation route through the residential areas of Natomas, connecting North Natomas with South Natomas. This eight-lane thoroughfare also contains the area's highest concentration of retail development and provides access to Interstate 80 to the south.

In general, the appraised properties have good accessibility to major neighborhood thoroughfares and to the regional highway system. Interstate 5 is a major north-south freeway that travels to Redding and Eureka to the north before continuing into Oregon, Washington and, eventually, Canada. To the south, Interstate 5 provides access to the Sacramento Central Business District (CBD) and continues to the cities of Los Angeles and San Diego, then terminates at the Mexican border. Interstate 80 is located to the south of the subject, with easy access from Truxel Road. Interstate 80 is an east-west freeway that provides access to the cities of Davis, Vallejo and Fairfield, before reaching the San Francisco Bay Area, located approximately 60 miles to the west. Generally, interior streets within the subjects' neighborhood consist of two-lane roads in average to good condition.

Land Uses

The subject is located in the North Natomas Community Plan, in the northwest portion of the city of Sacramento. The North Natomas Community Plan encompasses about 9,000-acres, of which approximately 83% lies within the city limits and the remaining 17% is in Sacramento County. The southern edge of the community is about three miles from Downtown Sacramento and the northwestern edge (the generally area of the subject property) is 2.5 miles from the Sacramento International Airport.

The community, at build-out, will consist of a combination of residential, employment, commercial, and civic uses. Residential development is predominately suburban single-family with some multi-family units. Neighborhoods within the community include Natomas Creek, Regency Park, Heritage Park, Natomas Meadows, Valleyview Acres, Natomas Park, Terrace Park, Creekside, Natomas Central, Westlake, Sundance Lake, Natomas Crossing and Gateway West.



Since the Natomas de-facto building moratorium was lifted about a year ago (June 2015) after being in place for the majority of the last decade, there 10 active projects in the North Natomas area, the bulk of which are located in the Westlake neighborhood. These projects are discussed in more detail in the *Residential Market* section.

According to an article published in the *Sacramento Business Journal* on June 16, 2015 titled "Builders, start your engines: Natomas construction ban is officially history," the city's chief building official indicated the city is reviewing 42 master plans across Natomas, of which the New Home Company has three of those master plans approved by the city, Taylor Morrison has four approved for 59 lots (although building permits have not been pulled). In total, the master plans being reviewed total 1,142 lots with builders who include, but is not limited to, KB Homes, K. Hovnanian and Beazer. However, it has been recommended to the City Council for their approval that there be a residential cap on building permits issued per calendar year in Natomas (1,000 single-family units), which would fill the immediate allotment with the plans under review. It is noted, according to the City website, the residential cap would have a rollover unit count, whereby if fewer than 1,000 new single-family dwellings are used in a calendar year, then the remaining number of dwelling units qualifying for building permits will be added to the allowed number for the following calendar year. Based on quarterly absorption numbers for the Natomas area since the de-facto moratorium was lifted in June 2015, the highest quarterly absorption was for the First Quarter 2016 (123 units).

At that highest quarterly rate the area is on pace to absorb less than 500 units over the next 12 months. With a number of the projects that represent the future supply of residential lots still years away from fully improved lots, the 1,000 residential unit cap is expected to have nominal impact on the subject properties.

The *Sacramento Business Journal* article goes on to report the city has not received any applications for new commercial projects since the de-facto moratorium, which was lifted in June 2015, although two potential retail developments in south Natomas, predating the de-facto moratorium lift, are pending review by the city, while some commercial developments are already approved, but couldn't move forward during the de-facto moratorium, which was lifted in June 2015.

In its current condition, the subject neighborhood consists primarily of residential uses with supporting commercial uses. Adjacent land uses include single and multi-family residential development to the north and west, as well as retail/service development to the west, industrial/flex development to the south and east. The de-facto moratorium, which was lifted in June 2015, resulted in a number of remnant lots throughout the neighborhood.

The most notable retail developments in the subjects' neighborhood are The Promenade and Natomas Marketplace. The Promenade retail development, located along North Freeway Boulevard, is an anchored commercial center that includes a variety of nationally-recognized retail tenants. This 663,000 square foot center is anchored by Target, Cost Plus World Market, Barnes & Noble and Old Navy. The Promenade is the Sacramento area's largest non-mall retail development. While the project is substantially built-out, it should be noted that there are still various vacant pad sites that at one time were proposed for immediate commercial construction; however, the recently (June 2015) lifted de-facto building moratorium in the Natomas area had placed development on hold for the last seven years.

In addition, The Natomas Marketplace is a major retail development located at the northwest corner of Interstate 80 and Truxel Road. The Natomas Marketplace includes several recognized big box retail tenants including Home Depot, Wal-Mart, Ross, PetSmart, Michael's and Staples, as well as a number of smaller tenants and fast food restaurants including In-N-Out Burger, Del Taco, Quizno's Subs and Starbucks. Additionally, a Regal Cinema 16 theater complex is included within the center. The Natomas Town Center, anchored by Safeway and Rite Aid, is at the northeast corner of Del Paso Road and E. Commerce Way. Several newer strip centers are located along Truxel Road.

Other, more proximate, retail development includes the Park Place Shopping Center, located at the northeast corner of Truxel Road and Del Paso Road. The center is anchored by Raley's, Kohl's, Marshalls, Lane Bryant, Dress Barn and Bed Bath & Beyond. In-line tenants include, Wells Fargo Bank, Jamba Juice, Great Clips, Subway, H&R Block, Round Table, Cold Stone Creamery, Little Ceasers, California Backyard, and several other local tenants. The center is also served by a freestanding Carl's Jr. and Shell gas station. It is noted that this center also includes a variety of dental offices and other niche medical offices such as chiropractors.

Located along the south line of Del Paso Road, adjacent from the Park Place Shopping Center is the Centerpoint Business Park, located between Truxel Road and Park Place Drive. Office tenants include the American Title Company, Safe Credit Union, and Sutter Medical Group. Along the north and south line of Del Paso Road, between Interstate 5 and Truxel Road/Natomas Boulevard there is substantial development, including an In-N-Out Burger, Panda Express, IHOP Restaurant, Taco Bell, KFC, Sizzler, Hilton Hotel, as well as a Safeway anchored shopping center.

The area is served by a number of recreational uses, including Natomas Park and DR Park, with a number of smaller community parks as well. Located south of the subject is Sleep Train Arena, a 17,317-seat indoor sporting complex on a 184-acre site, which had been home to the Sacramento Kings, a professional basketball franchise, since 1986. However, in May 2014, the city council approved the construction of a new sport arena for the Sacramento Kings at the former Downtown Plaza. Demolition of the former structure is complete and construction of the new structure is complete, opening in October 2016, in time for the 2016-2017 NBA season. Thus, Sleep Train Arena hosted its final professional basketball season earlier this year. Plans following this final season are still

preliminary, but concepts that have been discussed include a tech/corporate center, hospital, higher education site or mixed-use development.
Additionally, the Sacramento International Airport is located within seven miles, northwest of Natomas Meadows.

Conclusion

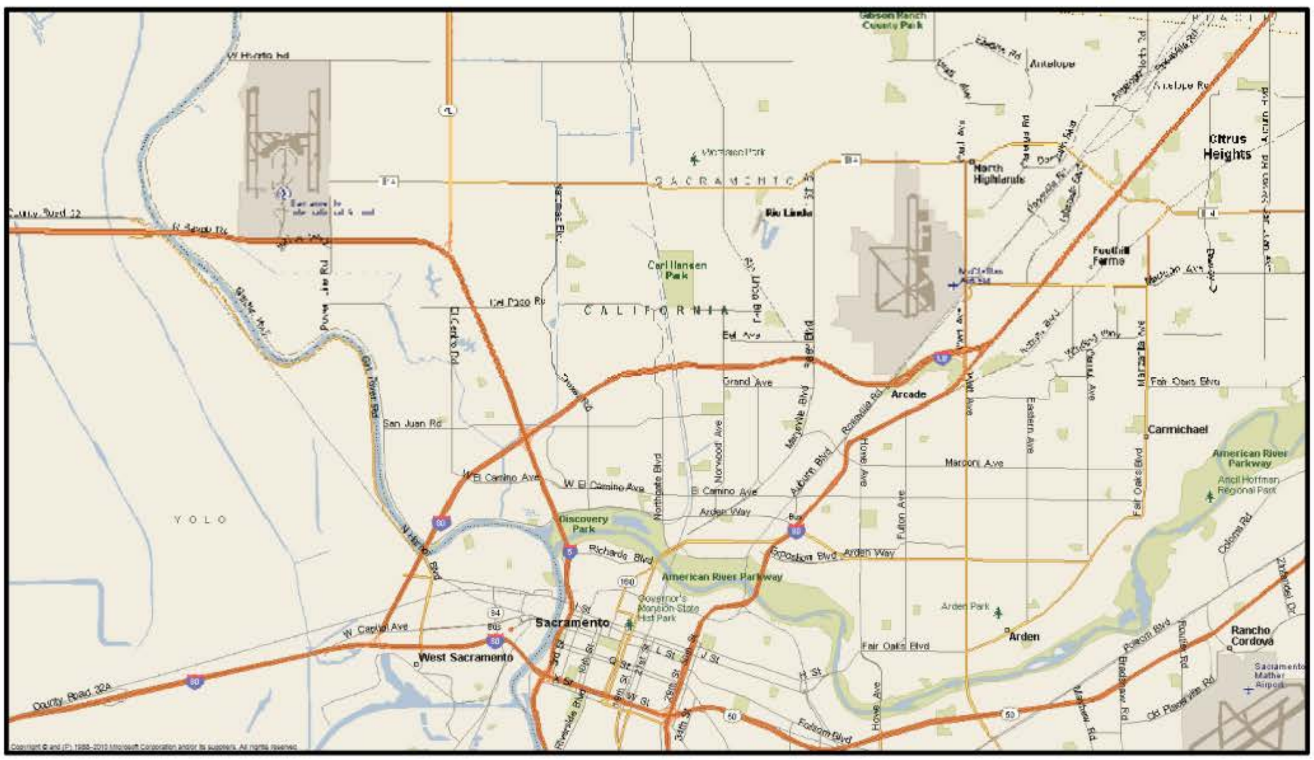
The subject is located within the city of Sacramento in an area known as North Natomas. The North Natomas area is primarily characterized by new residential development and supporting commercial development. The subjects' neighborhood is well served by transportation routes and has good proximity to Sacramento's Central Business District and Sacramento International Airport. Overall, as more development occurs in the area, due to the recent (June 2015) lift of the de-facto building moratorium, the subject is well positioned to benefit from the growing demand for residential uses.

RESIDENTIAL MARKET

Market Definition

The subject property is located in the North Natomas area of the city of Sacramento. The subject is located in proximity to newer home construction and has good transportation linkages. The neighborhood is characterized as a growing suburban area. Based on existing surrounding homes and new projects under development and proposed, the subject characteristics best support a project designed for a combination of entry-level and/or first-time move-up home buyers. In this analysis of the residential market, we will analyze market trends within the regional area encompassing Sacramento County, with a focus on the North Natomas area of Sacramento.

Due to the lack of active projects in the subjects' immediate market area (Natomas) in recent years due to the de-facto building moratorium, which was lifted in June 2015,, active projects in West Sacramento and Elk Grove have been included in this analysis. Overall, this is helpful information in describing past trends in the market place as the West Sacramento and Elk Grove markets are most similar to the subjects' Natomas market area.



Building Permits

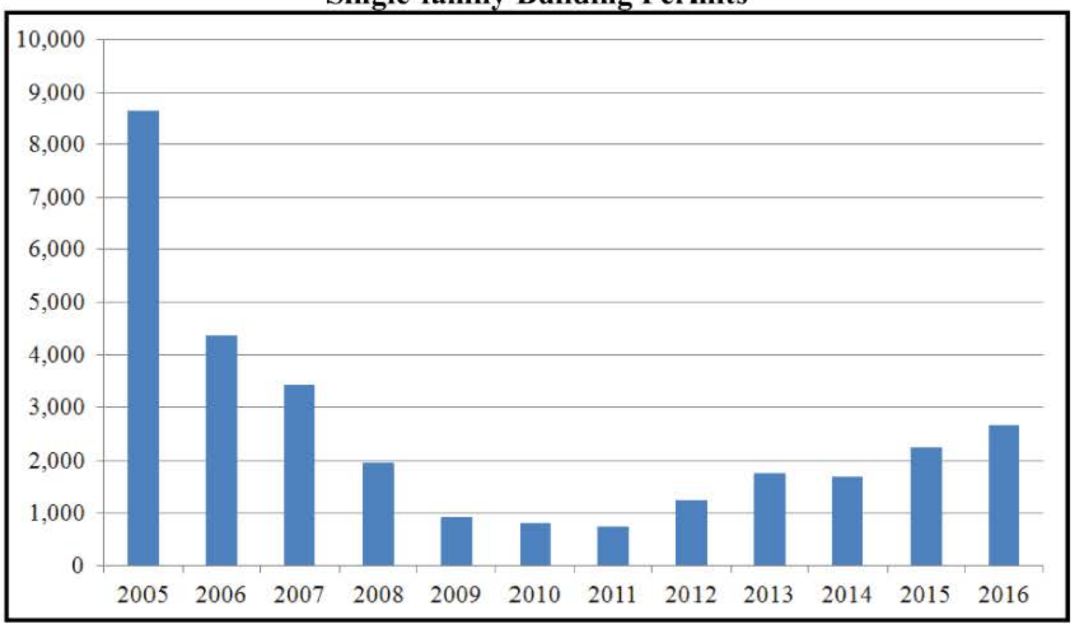
Single-family building permits for Sacramento County is shown in the table and chart on the following page.

Single-family Building Permits

	Sacramento County	Percent Change
2005	8,646	--
2006	4,366	-49.5%
2007	3,410	-21.9%
2008	1,952	-42.8%
2009	928	-52.5%
2010	824	-11.2%
2011	737	-10.6%
2012	1,231	67.0%
2013	1,762	43.1%
2014	1,680	-4.7%
2015	2,259	34.5%
2016	2,686	18.9%
Jan-17	223	--

Source: SOCDS Building Permits Database

Single-family Building Permits



The number of single-family permits for the regional area declined from 2005 through 2011, and then increased in 2012 and 2013. Permit levels remained fairly steady in 2014 compared to 2013, with another increase in 2015 and 2016.

Future Development

According to the Newmark Cornish & Carey Land Market Overview 2016 for Residential Land – New Homes Sales & Supply, Sacramento is predicted to be one of the top five performing housing markets nationally in 2017 based upon the combination of recent price gains, sale gains and a low supply of existing homes on the market. More specifically, the Sacramento region posted 4,856 new home sales in 2016, up 36% from 2015, with 143 active selling new home projects at year's end. Of these 143 new home projects, 73 (or 51%) are projected to sell out by the end of 2017.

In addition, at the end of 2016 there were 6,043 "build-ready" lots representing a 15 month supply for the region. According to Newmark Cornish & Carey Land Market Overview, if the market continues at the same absorption pace in 2017 as was experienced in 2016, approximately 5,000 (83%) of the 6,043 "build-ready" lots will be absorbed leaving the market in short supply. While there are many proposed and approved master planned communities throughout the region, a large number of these projects require a significant amount of off-site infrastructure improvements before lots can be developed.

Overall, the Sacramento region has absorbed over 21,000 single-family residential lots, all but exhausting the "build-ready" residential single-family lot supplies that were leftover from the previous market cycle. The costly infrastructure needed to bring new lots online to provide ample future supply stands suggests there is a pending residential lot shortage expected to hit the Sacramento region in late-2018.

A summary of residential projects in the pipeline are described in the table below.

Project Name	Status	Description	Timeline
Westlake (Landsource)	Approved with finished lots	160 medium density finished lots with an alley loaded configuration	Within 24 months
River Oaks (Beazer Homes)	Approved	80 acres proposed for 640 medium density residential units	Within 12 months
ParkeBridge (West Coast Housing Partners)	Approved	113 acres proposed for 389 single-family homes and 142 condominium units	Within 12 months
Greenbrair (Integral Communities, a land investment group)	Approved	577-acre site proposed for 338 low density, 2,980 medium density and 809 high density residential units, as well as 339,000 square feet of commercial space	Beyond 24 months

Additionally, the property owners of approximately 600 acres northeast of Natomas have applied to Sacramento for annexation into the city. According to the application, the Hodgson Co., is the applicant on behalf of several existing landholders, who include the Twin Rivers Unified School District, Moontide LLC and BD Properties LLC. This property, known as the Panhandle, is proposed for 1,600 homes, but is currently zoned by Sacramento County for agricultural uses. In addition to

1,600 homes, the application included a 10.6-acre neighborhood shopping center, as well as land designated for elementary, middle and high schools, and about 62 acres of parks and open space. The application does not include any multifamily development. The property borders include Del Paso Road on the south, Sorento Road and East Levee Road on the east, the existing city limit on the west, and Elkhorn Boulevard on the north. It is noted the city began the process to annex this property in 2000, but in 2007 the applicants to annex the Panhandle withdrew the application before the city could vote. According to a September 13, 2016 Sacramento Business Journal article, Sacramento continues to proceed with a plan to annex this land into the city. Specifically, a city council vote on the Panhandle entitlements will follow the completion of the EIR (Environmental Impact Review), likely in 2017. Entitlements need to be in place before the Sacramento County Local Agency Formation Commission (LAFCO) will formally consider an annexation. A LAFCO decision would likely follow two to three months after the council vote.

Prior to the 2008 de-facto moratorium, which was lifted in June 2015, the Natomas market area was one of the primary growth area for the Sacramento region, also including Rancho Cordova and Elk Grove. Given the steady demand in these other market areas (Rancho Cordova and Elk Grove), we foresee demand to remain competitive and will capture a large share of regional housing demand, especially given the Natomas market's lower price points. Overall, the Natomas Meadows project is not anticipated to be affected by these additional projects coming online in the near-term.

New Home Pricing and Sales

The Gregory Group surveys active new home projects in California and Nevada. On the following page we present a table and chart depicting average sale prices for active single-family residential projects in the market area for the past four quarters, following the lifting of the de-facto moratorium, which was lifted in June 2015,.

New Home Sales (Natomas Only)

	Average Base Price	Average Net Price	Average Incentive	% Change Net Price	Average Home Size (SF)	Avg. Net Price / Avg. SF	Quarter Sold	Number of Projects	Sold Per Project Per Month
3Q 2015	$339,120	$334,120	$5,000	--	2,194	$152	30	3	3.3
4Q 2015	$334,211	$327,724	$6,487	-1.9%	1,997	$164	98	10	3.3
1Q 2016	$340,447	$335,853	$4,594	2.5%	1,997	$168	123	10	4.1
2Q 2016	$336,005	$331,005	$5,000	-1.4%	1,934	$171	107	10	3.6
3Q 2016	$342,668	$339,602	$3,066	2.6%	1,892	$179	123	14	2.9
4Q 2016	$345,595	$340,802	$4,793	0.4%	1,913	$178	156	15	3.5

Source: The Gregory Group

Due to the lack of active projects in the subjects' immediate market area (Natomas) in recent years (due to the de-facto building moratorium), active projects in West Sacramento and Elk Grove have been included in the following table. The data include both attached and detached projects, but the vast majority of units are detached homes.

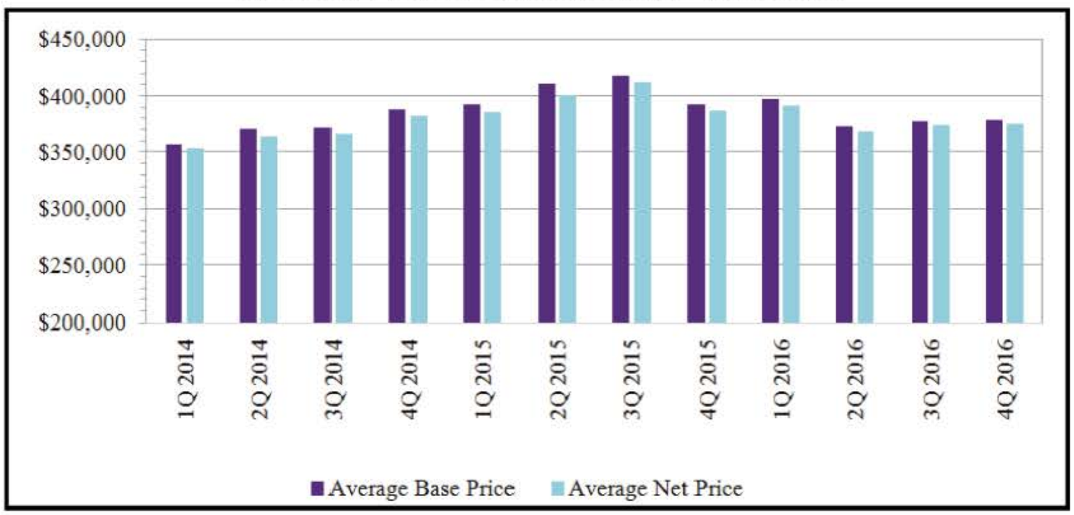
New Home Sales
(Natomas, West Sacramento and Elk Grove)

	Average Base Price	Average Net Price	Average Incentive	% Change Net Price	Average Home Size (SF)	Avg. Net Price / Avg. SF	Quarter Sold	Number of Projects	Sold Per Project Per Month
1Q 2014	$357,357	$353,596	$3,761	14.5%	2,047	$173	85	12	2.4
2Q 2014	$370,223	$363,834	$6,389	2.9%	2,130	$171	106	10	3.5
3Q 2014	$372,096	$366,228	$5,868	0.7%	2,117	$173	69	9	2.6
4Q 2014	$388,274	$381,973	$6,301	4.3%	2,135	$179	59	8	2.5
1Q 2015	$392,112	$386,230	$5,882	1.1%	2,239	$173	90	13	2.3
2Q 2015	$411,417	$400,694	$10,723	3.7%	2,271	$176	82	10	2.7
3Q 2015	$417,925	$412,284	$5,641	2.9%	2,365	$174	84	12	2.3
4Q 2015	$392,784	$386,984	$5,800	-6.1%	2,221	$174	153	19	2.7
1Q 2016	$396,656	$391,794	$4,862	1.2%	2,221	$176	199	19	3.5
2Q 2016	$373,388	$367,831	$5,557	-6.1%	2,163	$170	179	16	3.7
3Q 2016	$377,318	$373,807	$3,511	1.6%	2,108	$177	197	22	3.0
4Q 2016	$379,269	$374,901	$4,368	0.3%	2,094	$179	226	24	3.1

Source: The Gregory Group

It appears in the three submarkets above, in an effort to increase affordability, homebuilders decreased home sizes in the Fourth Quarter 2015, a trend which has continued into the Fourth Quarter 2016.

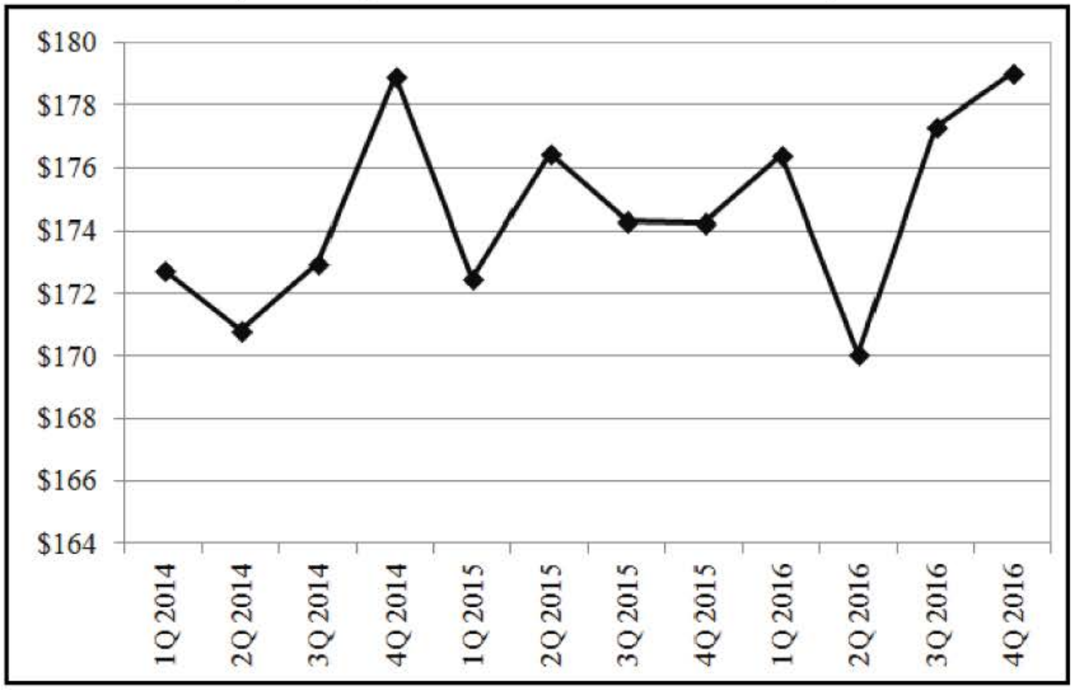
New Home Pricing
(Natomas, West Sacramento and Elk Grove)



Net prices have been generally increasing since the First Quarter of 2014, and have increased in all but two quarters since (decreases were reported in the Fourth Quarter of 2015 and the Second Quarter of 2016). Rates of increase in recent quarters have slowed.

In the following table we show the average net base price divided by the average home size.

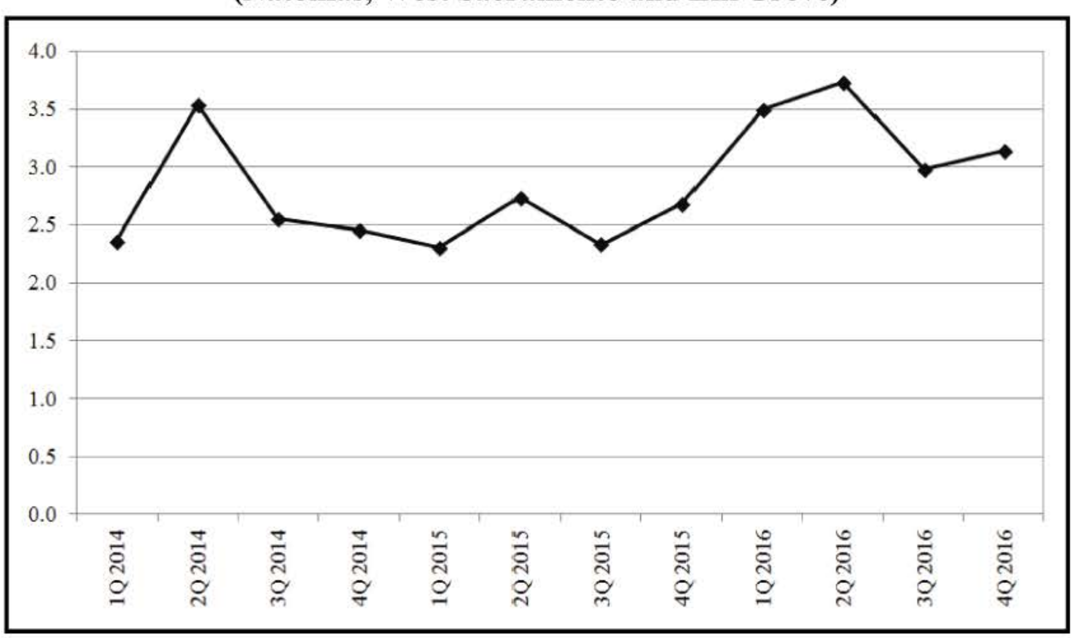
New Home Average Net Price / Average SF
(Natomas, West Sacramento and Elk Grove)



Looking at the average price per square foot, this indicator increased rapidly in 2014, dipped slightly in the beginning of 2015, and has been relatively flat to slightly increasing over the past year, with another recent dip in the Second Quarter of 2016.

The following chart shows recent trends in absorption (number of sales per project per month).

New Home Sales per Project per Month
(Natomas, West Sacramento and Elk Grove)



In terms of the number of home sales, there have been ups and downs from quarter to quarter, but the overall trend has been fairly flat over the last three years. There were 3.1 sales per project per month in the Fourth Quarter of 2016, which was up slightly from 3.0 in the previous quarter, and up from 2.7 a year earlier. Over the past two years, absorption rates (homes sold per project per month) have moved slightly up and down, but have stayed within the range of 2.3 to 3.7 sales per project per month. Over the last 12 months (through the Fourth Quarter of 2016), the average was 3.3 sales per month.

Overall, this is helpful information in describing past trends in the market place as the West Sacramento and Elk Grove markets are most similar to the subjects' Natomas market area. Given the lack of active projects in the Natomas market area in recent years due to the de-facto moratorium, which was lifted in June 2015,, this analysis shows the historic trend in pricing and absorption of similar market segments in the Sacramento region. Ultimately this analysis provides supportive data for our conclusions for the subject property; we will look to the more recent pricing and absorption data from projects that have recently come online in the Natomas area, which is presented in the next sub-section of the *Residential Market* discussion.

Active Projects, Current New Home Pricing & Absorption

There are 15 active projects in Natomas, six of which are located east of Interstate 5 like the subject. These 15 active projects in Natomas are summarized in the following tables, based on data from the Fourth Quarter 2016. It is noted included in the following analysis are two attached projects (The Retreat by K. Hovnanian Homes and The Villas by Beazer Homes) and three age restricted projects (Four Seasons by K. Hovnanian Homes and both Heritage projects by Lennar Homes).

Active Projects Summary – Fourth Quarter 2016

Map ID	Project	Master Plan	Builder	Avg. Base Price	Age. Home Size (SF)	Avg. Price Per SF	Lot Size (SF)	Units Planned	Units Offered	Units Sold	Units Unsold
A	Brownstones	Natomas Field	Beazer Homes	$324,990	1,509	$215.37	1,904	81	61	46	15
B	Cottages	Natomas Field	Beazer Homes	$351,740	1,996	$176.22	2,700	55	41	31	10
L	Edgewood	Natomas Meadows	Lennar Homes	$415,990	2,469	$168.49	4,080	119	18	13	5
C	Four Seasons	Westshore	K. Hovanian Homes	$332,546	1,696	$196.08	5,000	182	107	75	32
M	Heritage - The Carmel Collection	Westshore	Lennar Homes	$325,323	1,419	$229.26	5,250	82	18	11	7
N	Heritage - The Coronado Collection	Westshore	Lennar Homes	$392,990	1,981	$198.38	5,250	122	21	14	7
D	Montauk	None	KB Home	$378,667	2,414	$156.86	3,150	342	69	58	11
E	Parkwalk	Westshore	K. Hovanian Homes	$386,990	2,372	$163.15	3,600	118	82	74	8
F	Paseo	Westshore	K. Hovanian Homes	$321,240	1,997	$160.86	1,748	71	10	10	0
G	Retreat	Westshore	K. Hovanian Homes	$324,990	1,831	$177.49	2,200	88	57	53	4
O	Stonybrook	None	KB Home	$321,167	2,006	$160.10	2,700	130	16	10	6
H	Village	Westshore	K. Hovanian Homes	$360,657	2,033	$177.40	3,120	118	47	44	3
I	Villas	Natomas Field	Beazer Homes	$283,157	1,344	$210.68	1,220	198	60	51	9
J	Westbury	None	KB Home	$333,000	1,944	$171.30	2,150	104	75	70	5
K	Woodside Homes at Natomas Meadows	Natomas Meadows	Woodside Homes	$337,240	1,953	$172.68	2,812	56	10	5	5
			Overall Minimum	$283,157	1,344	$156.86	/SF				
			Overall Maximum	$415,990	2,469	$229.26	/SF				
			Overall Average	$346,046	1,931	$182.29	/SF				

Source: The Gregory Group

Active Detached Projects – Recent Absorption (Number of Sales)

Project	Master Plan	Avg. Home Price	Open Date	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015
Brownstones	Natomas Field	$324,990	Oct-15	2	19	14	10	1	--
Cottages	Natomas Field	$351,740	Apr-16	0	15	--	--	--	--
Edgewood	Natomas Meadows	$415,990	Oct-16	13	0	--	--	--	--
Four Seasons	Westshore	$332,546	Nov-15	19	28	8	11	--	--
Heritage - The Carmel Collection	Westshore	$325,323	Oct-16	11	0	--	--	--	--
Heritage - The Coronado Collection	Westshore	$392,990	Oct-16	14	0	--	--	--	--
Montauk	None	$378,667	Nov-15	5	21	1	22	9	--
Parkwalk	Westshore	$386,990	Sep-15	20	10	19	16	5	4
Paseo	Westshore	$321,240	Sep-16	7	3	--	--	--	--
Stonybrook	None	$321,167	Dec-16	10	--	--	--	--	--
Village	Westshore	$360,657	Dec-15	1	0	23	7	13	--
Westbury	None	$333,000	Feb-16	15	18	22	--	--	--
Woodside Homes at Natomas Meadows	Natomas Meadows	$337,240	Oct-16	5	0	--	--	--	--
			Total	122	114	87	66	28	4
			No. of Projects	13	12	6	5	4	1
			Sales per Project per Quarter	9.4	9.5	14.5	13.2	7.0	4.0
			Sales per Project per Month	**3.1**	**3.2**	**4.8**	**4.4**	**2.3**	**1.3**

Source: The Gregory Group

While the data is limited due to the recent lifting of the de-facto building moratorium, which was lifted in June 2015,, it provides a good reflection of how the market has reacted to new home construction in Natomas following a period of no new construction. Based on this information, over the last six quarters the monthly absorption rate per detached project has ranged from 1.3 to 4.8 sales, with an average rate of 3.2 sales per project per month. In the last 12 months the monthly absorption rate per detached project has ranged from 3.2 to 4.8 sales, with an average rate of 3.9

sales per project per month.

Active Attached Projects – Recent Absorption (Number of Sales)

Project	Master Plan	Avg. Home Price	Open Date	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015
Retreat	Westshore	$324,990	Nov-15	15	11	0	21	6	--
Villas	Natomas Field	$283,157	Oct-15	19	-2	18	10	6	--
			Total	34	9	18	31	12	0
			No. of Projects	2	2	2	2	2	0
			Sales per Project per Quarter	17.0	4.5	9.0	15.5	6.0	--
			Sales per Project per Month	**5.7**	**1.5**	**3.0**	**5.2**	**2.0**	--

Source: The Gregory Group

As for the two active attached projects in the subjects' immediate area, over the last 15 months the monthly absorption rate per attached project has ranged from 1.5 to 5.7 sales, also with an average rate of 3.5 sales per project per month.

Given market conditions and the subjects' location and physical features, we estimate the subjects' detached single-family residential components could achieve an average absorption rate of about 4.0 sales per month. An absorption rate for the high density residential component of about 3.0 sales per month is considered reasonable. Further, the lower price points in the Natomas market area, these absorption figures are supported by other active projects in the greater Sacramento region.

The projects most similar to the subjects' various lot size categories (3,995 SF, 4,590 SF, alley and townhome project) are Brownstones by Beazer Homes, Edgewood by Lennar Homes, Montauk by KB Home, Parkwalk by K. Hovnanian Homes, Retreat by K. Hovnanian Homes, Village by K. Hovnanian Homes, Villas by Beazer Homes, Westbury by KB Homes and Woodside Homes at Natomas Meadows by Woodside Homes. These projects are deemed most similar to the subject because of their locations, lot sizes, floor plan sizes and construction quality.

Active Projects, Current New Home Pricing & Absorption – Natomas Meadows (Subject)

As of the date of value (inspection), there were three active new home projects marketing homes at Natomas Meadows, with one (Anthem Homes) to begin in marketing homes soon.

Lennar Homes is marketing the Edgewater subdivision, which will be detailed on the following pages. According to Lennar, as of the date of value (inspection), of the 21 homes under construction, three were available for sale (not under contract). However, since that time, all are now under contract, with additional home starts. Current pricing for Edgewood is $377,990 (Plan 2,110), $398,990 (Plan 2,365), $439,990 (Plan 2,617) and $462,990 (Plan 2,786), which marks an approximate increase in base pricing between 2.0% and 2.8% over Fourth Quarter 2016 prices detailed on the following pages.

Woodside Homes is marketing the Woodside Homes at Natomas Meadows subdivision, an alley home project of 56 planned units. Current pricing for Woodside Homes at Natomas Meadows is $314,990 (Plan 1,697), $324,990 (Plan 1,845), $333,990 (Plan 2,008) and $347,990 (Plan 2,264), which marks an approximate decrease in base pricing between 1.4% and 2.5%, or approximately $6,000 from Fourth Quarter 2016 prices detailed on the following pages, suggesting initial pricing may have been a little high.

Blossom by Express Homes, a D.R. Horton Company, began marketing homes in the First Quarter 2017 at the subject's Natomas Meadows master planned community. As of the date of inspection (value), only two homes were under construction, which are the model homes. However, according to the builder, approximately 24 homes are now under construction, of which 22 homes have sold. Blossom offers three floor plans of 1,974 square feet, 2,318 square feet and 2,328 square feet, with base prices of $342,990, $361,990 and $361,990, respectively.

Anthem United Homes will begin marketing homes for sale in the Willow – Natomas Meadows subdivision, which will include three floor plans of 2,535 square feet, 2,862 square feet and 3,272 square feet, with initial base pricing of $425,600, $461,067 and $486,400, respectively.

On the following pages we provide more detailed information on these projects. The tabular data have been extracted directly from The Gregory Group's website, showing the most recent two years of quarterly data.

Project 1: Brownstones by Beazer Homes

PROJECT INFORMATION

Project Name	Brownstones
Region	Sacramento
County	Sacramento
Community	Natomas
Master Plan	Natomas Field
Age Restricted	No
Project Phone	(916) 347-7950
Sales Office Hours	Daily 10 - 5
GPS Coordinates	N . 38.642000 W . 121.518700
Cross Street	
Finished Lots	N/A

AT A GLANCE

Average Price	$324,990	Qtr Sold	2
Average Sq Ft	1,509	Qtr WSR	0.15
Total Inventory	35	Tot WSR	0.75
Standing Inventory	0	Avg Incentives	$5,000
Open Date	10/31/15	Survey Date	1/1/17
Developer Name	Beazer Homes	Special Tax per Month	$99.00
Developer Phone	(714) 872-7013	HOA per Month	$68.00
Product Type	Detached	Broker Coop	3.0%
Type Description	Small Lot, Detached	Special Incentives	$0
Lot Size	1,904	Project Density	
Lot Dimension	28 x 68	Model/Trailer	Trailer
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,309	$316,990	$242.16	$5,000	$311,990	$238.34	2	2.5	2	2	None
	1,444	$319,990	$221.60	$5,000	$314,990	$218.14	3	2.5	2	2	None
	1,585	$327,990	$206.93	$5,000	$322,990	$203.78	3	2.5	2	2	None
	1,698	$334,990	$197.29	$5,000	$329,990	$194.34	3	2.5	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	81	61	46	2	35	20	15	10	0.75	0.15	$324,990	1.25
Qtr 3/16	81	49	44	19	37	32	5	15	0.92	1.46	$320,990	3.13
Qtr 2/16	81	37	25	14	56	44	12	20	0.74	1.00	$311,240	4.97
Qtr 1/16	81	22	11	10	70	59	11	30	0.52	0.77	$296,490	-0.42
Qtr 4/15	81	5	1	1	80	76	4	15	0.13	0.08	$297,740	0.00

COMMENTS

Project 2: Edgewood by Lennar Homes (Subject Property)

PROJECT INFORMATION / **AT A GLANCE**

Field	Value	Field	Value	Field	Value
Project Name	Edgewood	Average Price	$415,990	Qtr Sold	13
Region	Sacramento	Average Sq Ft	2,469	Qtr WSR	1.00
County	Sacramento	Total Inventory	106	Tot WSR	1.00
Community	Natomas	Standing Inventory	0	Avg Incentives	$6,000
Master Plan	Natomas Meadows	Open Date	10/01/16	Survey Date	1/1/17
Age Restricted	No	Developer Name	Lennar Homes	Special Tax per Month	$175.00
Project Phone	(916) 333-7010	Developer Phone		HOA per Month	$75.00
Sales Office Hours	daily 10 - 6	Product Type	Detached	Broker Coop	3.0%
		Type Description	Traditional	Special Incentives	$0
GPS Coordinates	N : 0.000000 W : 0.000000	Lot Size	4,080	Project Density	
Cross Street		Lot Dimension	48 x 85	Model/Trailer	Model
Finished Lots	N/A	Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	2,110	$373,990	$177.25	$6,000	$367,990	$174.40	4	3	2	2	None
	2,365	$395,990	$167.44	$6,000	$389,990	$164.90	4	3	2	2	Loft
	2,617	$433,990	$165.83	$6,000	$427,990	$163.54	5	3	2	2	Loft
	2,786	$459,990	$165.11	$6,000	$453,990	$162.95	4	3.5	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	119	18	13	13	106	101	5	40	1.00	1.00	$415,990	0.79
Qtr 3/16	164	0	0	0	164	164	0	35	0.00	0.00	$412,740	0.00

COMMENTS

According to Lennar, as of the date of value (inspection), of the 21 homes under construction, three were available for sale (not under contract). However, since that time, all are now under contract, with additional home starts. Current pricing for Edgewood is $377,990 (Plan 2,110), $398,990 (Plan 2,365), $439,990 (Plan 2,617) and $462,990 (Plan 2,786), which marks an approximate increase in base pricing between 2.0% and 2.8% over Fourth Quarter 2016 prices noted above.

Project 3: Montauk by KB Home

PROJECT INFORMATION — **AT A GLANCE**

Project Name	Montauk	**Average Price**	$378,667	**Qtr Sold**	5
Region	Sacramento	**Average Sq Ft**	2,414	**Qtr WSR**	0.38
County	Sacramento	**Total Inventory**	284	**Tot WSR**	0.95
Community	Natomas	**Standing Inventory**	0	**Avg Incentives**	$5,000
Master Plan	No	**Open Date**	11/01/15	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	KB Home	**Special Tax per Month**	$93.00
Project Phone	(916) 274-4986	**Developer Phone**		**HOA per Month**	$66.00
Sales Office Hours	Daily 10 - 5	**Product Type**	Detached	**Broker Coop**	3.0%
		Type Description	Small Lot, Detached	**Special Incentives**	$0
GPS Coordinates	**N** : 38.669720 **W** : 121.530160	**Lot Size**	3,150	**Project Density**	
Cross Street		**Lot Dimension**	45 x 70	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	2,137	$361,000	$168.93	$5,000	$356,000	$166.59	3	2.5	2	2	Loft
	2,487	$378,000	$151.99	$5,000	$373,000	$149.98	3	2.5	2	2	Den, Loft
	2,620	$397,000	$151.53	$5,000	$392,000	$149.62	4	2.5	2	2	Den, Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	342	69	58	5	284	273	11	20	0.95	0.38	$378,667	1.80
Qtr 3/16	238	63	53	21	185	175	10	25	1.13	1.62	$371,963	2.10
Qtr 2/16	222	37	32	1	190	185	5	25	0.94	0.08	$364,296	0.37
Qtr 1/16	342	39	31	22	311	303	8	85	1.48	1.69	$362,963	0.82
Qtr 4/15	342	16	9	9	333	326	7	25	1.13	0.69	$360,000	0.00

COMMENTS

Project 4: Parkwalk by K. Hovnanian Homes

PROJECT INFORMATION | **AT A GLANCE**

Project Name	Parkwalk	**Average Price**	$386,990	**Qtr Sold**	20
Region	Sacramento	**Average Sq Ft**	2,372	**Qtr WSR**	1.54
County	Sacramento	**Total Inventory**	44	**Tot WSR**	1.07
Community	Natomas	**Standing Inventory**	0	**Avg Incentives**	$5,000
Master Plan	Westshore	**Open Date**	09/01/15	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	K. Hovnanian Homes	**Special Tax per Month**	$148.00
Project Phone	(916) 349-4079	**Developer Phone**		**HOA per Month**	$38.00
Sales Office Hours	Daily 10 - 5	**Product Type**	Detached	**Broker Coop**	2.5%
		Type Description	Small Lot, Detached	**Special Incentives**	$0
GPS Coordinates	**N** : 38.649109 **W** : 121.543875	**Lot Size**	3,600	**Project Density**	
Cross Street		**Lot Dimension**	45 x 80	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	2,265	$380,490	$167.99	$5,000	$375,490	$165.78	4	3	2	2	Loft
	2,374	$380,490	$160.27	$5,000	$375,490	$158.17	4	3	2	2	Loft
	2,478	$399,990	$161.42	$5,000	$394,990	$159.40	4	3	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	118	82	74	20	44	36	8	25	1.07	1.54	$386,990	1.49
Qtr 3/16	118	63	54	10	64	55	9	30	0.96	0.77	$381,323	0.26
Qtr 2/16	118	49	44	19	74	69	5	10	1.02	1.46	$380,323	2.42
Qtr 1/16	118	28	25	16	93	90	3	20	0.83	1.23	$371,323	3.71
Qtr 4/15	118	18	9	5	109	100	9	30	0.53	0.38	$358,047	0.74
Qtr 3/15	118	8	4	4	114	110	4	25	1.00	0.31	$355,410	0.00

COMMENTS

Project 5: Retreat by K. Hovnanian Homes

PROJECT INFORMATION | **AT A GLANCE**

Project Name	Retreat	**Average Price**	$324,990	**Qtr Sold**	15
Region	Sacramento	**Average Sq Ft**	1,831	**Qtr WSR**	1.15
County	Sacramento	**Total Inventory**	35	**Tot WSR**	0.90
Community	Natomas	**Standing Inventory**	1	**Avg Incentives**	$5,000
Master Plan	Westshore	**Open Date**	11/14/15	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	K. Hovnanian Homes	**Special Tax per Month**	$171.00
Project Phone	(916) 349-4081	**Developer Phone**	(888) 841-1326	**HOA per Month**	$38.00
Sales Office Hours	Daily 10 - 5	**Product Type**	Detached	**Broker Coop**	3.0%
		Type Description	Small Lot, Detached	**Special Incentives**	$0
GPS Coordinates	**N** : 38.647147 **W** : 121.543718	**Lot Size**	2,200	**Project Density**	
Cross Street		**Lot Dimension**	31 x 76	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,763	$322,990	$183.20	$5,000	$317,990	$180.37	3	2.5	2	2	Loft
	1,838	$322,990	$175.73	$5,000	$317,990	$173.01	3	2.5	2	2	Loft
	1,892	$328,990	$173.88	$5,000	$323,990	$171.24	3	2.5	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	88	57	53	15	35	31	4	10	0.90	1.15	$324,990	1.35
Qtr 3/16	88	47	38	11	50	41	9	15	0.83	0.85	$320,657	4.23
Qtr 2/16	34	29	27	0	7	5	2	0	0.84	0.00	$307,657	0.00
Qtr 1/16	34	29	27	21	7	5	2	20	1.42	1.62	$307,657	6.52
Qtr 4/15	34	12	6	6	28	22	6	20	1.00	0.46	$288,823	0.00

COMMENTS

Project 6: Village by K. Hovnanian Homes

PROJECT INFORMATION / AT A GLANCE

Project Name	Village	**Average Price**	$360,657	**Qtr Sold**	1
Region	Sacramento	**Average Sq Ft**	2,033	**Qtr WSR**	0.08
County	Sacramento	**Total Inventory**	74	**Tot WSR**	0.79
Community	Natomas	**Standing Inventory**	0	**Avg Incentives**	$5,000
Master Plan	Westshore	**Open Date**	12/05/15	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	K. Hovnanian Homes	**Special Tax per Month**	$170.00
Project Phone	(916) 349-4083	**Developer Phone**	(888) 841-1326	**HOA per Month**	$39.00
Sales Office Hours	Daily 10 - 5	**Product Type**	Detached	**Broker Coop**	3.0%
		Type Description	Small Lot, Detached	**Special Incentives**	$0
GPS Coordinates	N : 38.647023 W : 121.542409	**Lot Size**	3,120	**Project Density**	
Cross Street		**Lot Dimension**	52 x 60	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,954	$359,990	$184.23	$5,000	$354,990	$181.67	3	2.5	2	2	Loft
	2,047	$359,990	$175.86	$5,000	$354,990	$173.42	3	2.5	2	2	Den, Loft
	2,100	$361,990	$172.38	$5,000	$356,990	$170.00	3	2.5	2	2	Den, Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	118	47	44	1	74	71	3	10	0.79	0.08	$360,657	0.46
Qtr 3/16	45	43	43	0	2	2	0	0	1.00	0.00	$358,990	0.00
Qtr 2/16	45	43	43	23	2	2	0	0	1.48	1.77	$358,990	3.16
Qtr 1/16	45	21	20	7	25	24	1	20	1.25	0.54	$348,000	6.86
Qtr 4/15	45	19	13	13	32	26	6	25	4.33	1.00	$325,657	0.00

COMMENTS

Project 7: Villas by Beazer Homes

PROJECT INFORMATION | **AT A GLANCE**

Project Name	Villas	**Average Price**	$283,157	**Qtr Sold**	19
Region	Sacramento	**Average Sq Ft**	1,344	**Qtr WSR**	1.46
County	Sacramento	**Total Inventory**	147	**Tot WSR**	0.84
Community	Natomas	**Standing Inventory**	1	**Avg Incentives**	$4,000
Master Plan	Natomas Field	**Open Date**	10/31/15	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	Beazer Homes	**Special Tax per Month**	$165.00
Project Phone	(916) 426-7541	**Developer Phone**		**HOA per Month**	$185.00
Sales Office Hours	Daily 10 - 5	**Product Type**	Attached	**Broker Coop**	3.0%
		Type Description	Townhome	**Special Incentives**	$0
GPS Coordinates	**N** : 38.641993 **W** : 121.518690	**Lot Size**	1,220	**Project Density**	
Cross Street		**Lot Dimension**	20 x 61	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,065	$267,490	$251.16	$4,000	$263,490	$247.41	2	2	2	2	None
	1,311	$280,490	$213.95	$4,000	$276,490	$210.90	2	2	2	2	Bonus
	1,658	$301,490	$181.84	$4,000	$297,490	$179.43	3	3	3	2	Bonus

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	198	60	51	19	147	138	9	15	0.84	1.46	$283,157	2.91
Qtr 3/16	198	48	32	-2	166	150	16	15	0.67	- 0.15	$275,157	0.73
Qtr 2/16	198	42	34	18	164	156	8	20	1.00	1.38	$273,157	3.34
Qtr 1/16	198	18	16	10	182	180	2	30	0.76	0.77	$264,323	1.67
Qtr 4/15	198	13	6	6	192	185	7	15	0.75	0.46	$259,990	0.00

COMMENTS

Project 8: Westbury by KB Homes

PROJECT INFORMATION | **AT A GLANCE**

Project Name	Westbury	**Average Price**	$333,000	**Qtr Sold**	15
Region	Sacramento	**Average Sq Ft**	1,944	**Qtr WSR**	1.15
County	Sacramento	**Total Inventory**	34	**Tot WSR**	1.49
Community	Natomas	**Standing Inventory**	0	**Avg Incentives**	$5,000
Master Plan	No	**Open Date**	02/01/16	**Survey Date**	1/1/17
Age Restricted	No	**Developer Name**	KB Home	**Special Tax per Month**	$93.00
Project Phone	(916) 274-4986	**Developer Phone**		**HOA per Month**	$66.00
Sales Office Hours	Daily 10 - 6	**Product Type**	Detached	**Broker Coop**	3.0%
		Type Description	Small Lot, Detached	**Special Incentives**	$0
GPS Coordinates	N : 38.669720 W : 121.530160	**Lot Size**	3,150	**Project Density**	
Cross Street		**Lot Dimension**	45 x 70	**Model/Trailer**	Model
Finished Lots	N/A	**Blue Top Lots**	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,720	$317,500	$184.59	$5,000	$312,500	$181.69	3	2.5	2	2	None
	1,859	$324,500	$174.56	$5,000	$319,500	$171.87	3	2.5	2	2	Loft
	1,962	$336,500	$171.51	$5,000	$331,500	$168.96	3	2.5	2	2	Loft
	2,238	$353,500	$157.95	$5,000	$348,500	$155.72	3	2.5	2	2	Den, Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	104	75	70	15	34	29	5	15	1.49	1.15	$333,000	1.56
Qtr 3/16	104	60	55	18	49	44	5	25	1.62	1.38	$327,875	0.73
Qtr 2/16	120	42	37	22	83	78	5	20	1.76	1.69	$325,500	0.00

COMMENTS

Project 9: Woodside Homes at Natomas Meadows by Woodside Homes (Subject Property)

PROJECT INFORMATION / **AT A GLANCE**

Project Name	Woodside Homes at Natomas Meadows	Average Price	$337,240	Qtr Sold	5
Region	Sacramento	Average Sq Ft	1,953	Qtr WSR	0.38
County	Sacramento	Total Inventory	51	Tot WSR	0.38
Community	Natomas	Standing Inventory	0	Avg Incentives	$0
Master Plan	Natomas Meadows	Open Date	10/01/16	Survey Date	1/1/17
Age Restricted	No	Developer Name	Woodside Homes	Special Tax per Month	$175.00
Project Phone	(916) 597-4079	Developer Phone	(916) 608-9600	HOA per Month	$75.00
Sales Office Hours	Daily 10 - 6	Product Type	Detached	Broker Coop	3.0%
		Type Description	Alley Loaded	Special Incentives	$0
GPS Coordinates	N : 38.653416 W : 121.500130	Lot Size	2,812	Project Density	
Cross Street		Lot Dimension	37 x 76	Model/Trailer	Model
Finished Lots	N/A	Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,697	$322,990	$190.33	$0	$322,990	$190.33	3	2.5	2	2	None
	1,845	$332,990	$180.48	$0	$332,990	$180.48	3	2.5	2	2	None
	2,008	$339,990	$169.32	$0	$339,990	$169.32	3	2.5	2	2	Loft
	2,264	$352,990	$155.91	$0	$352,990	$155.91	4	2.5	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/16	56	10	5	5	51	46	5	15	0.38	0.38	$337,240	0.90
Qtr 3/16	56	0	0	0	56	56	0	30	0.00	0.00	$334,240	0.00

COMMENTS

According to Woodside Homes, home construction is initiated prior to sale; though, the six homes under construction are also reportedly under contract. Current pricing for Woodside Homes at Natomas Meadows is $314,990 (Plan 1,697), $324,990 (Plan 1,845), $333,990 (Plan 2,008) and $347,990 (Plan 2,264), which marks an approximate decrease in base pricing between 1.4% and 2.5%, or approximately $6,000 from Fourth Quarter 2016 prices noted above, suggesting initial pricing may have been a little high.

On the following page we analyze area base home pricing of active projects in the Natomas market area to determine a base home price for the subjects' high density residential (townhome) project by analyzing similar projects in the Natomas market area. The analysis of base home price for the subjects' hypothetical new home for each lot size category comprising the detached single-family residential portion of District (alley loaded lots of 2,831 square feet, and two standard lot sizes of 3,995 and 4,590 square feet) is provided in the *Floor Plan Valuations* section presented later in this Appraisal Report.

The objective of the analysis is to estimate the base home price, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. All incentives were reported by the sales offices, provided in the Gregory Group surveys on the preceding pages.

TOWNHOME

Base Price Analysis				
		N/Ap	N/Ap	N/Ap
Project	Subject	Villas	Retreat	Brownstones
Builder		Beazer Homes	K. Hovnanian Homes	Beazer Homes
Master Plan		Natomas Field	Westshore	Natomas Field
Base Price/Sales Price		$301,490	$322,990	$316,990
Incentive		-1%	-2%	-2%
Net Base Price		$297,490	$317,990	$311,990
Location		Natomas	Natomas	Natomas
Adjustment:				
Adjusted Price:		$297,490	$317,990	$311,990
Community Appeal		Similar	Sl. Superior	Similar
Adjustment:			-5%	
Adjusted Price:		$297,490	$302,091	$311,990
Pricing Date	Mar-17	4Q 2016	4Q 2016	4Q 2016
Adjustment				
Adjusted Price		$297,490	$302,091	$311,990
Quality of Construction	Average	Similar	Similar	Similar
Adjustment				
Adjusted Price		$297,490	$302,091	$311,990
Effective Age	New	Simialr	Simialr	Similar
Adjustment				
Adjusted Price		$297,490	$302,091	$311,990
Design Appeal	Average	Average	Average	Detached
Adjustment				-10%
Adjusted Price		$297,490	$302,091	$280,791
Floor Plan Size	1,400	1,658	1,763	1,309
Adjustment ($60/SF)		($15,480)	($21,780)	$5,460
Adjusted Price:		$282,010	$280,311	$286,251
Fourth Quarter 2016 Sales (Project Total)		19	15	2
Range:		**$280,311 to $286,251**		
Average:		**$282,857**		

Based on the processing analysis, and the analysis in the *Floor Plan Valuations* section presented later in this Appraisal Report, estimated base home prices for the subjects' hypothetical home size on each of the lot size categories, including the high density residential (townhome) project, are as follows:

	Lot Size (SF)	Average Home Size	Indicated Base Home Value Range	Concluded Base Home Price
Alley Loaded	2,831	1,800	N/Ap	**$325,000**
47 x 85	3,995	2,200	N/Ap	**$380,000**
45 x 102	4,590	2,400	N/Ap	**$400,000**
Townhome	N/Ap	1,577	$280,311 - $286,251	**$280,000**

It is important to note, the *Floor Plan Valuations* section relies primarily on recent (2017) sales data within the subject's Natomas Meadows community. The following analysis of the base home price for the subjects' high density residential (townhome) project relies on active project base prices from Fourth Quarter 2016.

Resale Market

We have analyzed recent trends in the resale market in addition to the preceding analysis of the new home market. Based on data from the local multiple listing service (MLS), the following table shows resale prices for the last two months (January 1, 2017 through March 7, 2017) for homes located in the North Natomas area (zip codes 95834 and 95835), built in 2005 or later, and situated on lots containing at least 2,500 SF but less than 4,750 SF.

Resales – North Natomas January 1, 2017 through March 7, 2017

Address	Sale Date	Living Area (SF)	Sale Price	Last List Price	Sale Price/SF	Sale % of List	Days on Market	Lot Size
4241 Hovnanian Drive	1/13/17	1,466	$247,000	$252,700	$168	97.7%	42	3,894
3563 Soda Way #1	1/18/17	2,320	$335,000	$335,000	$144	100.0%	18	2,892
4143 Malta Island Street	1/24/17	2,100	$389,000	$401,478	$185	96.9%	8	3,000
460 Candela Circle	1/20/17	1,541	$300,000	$300,000	$195	100.0%	49	3,084
540 Wapello Circle	2/2/17	1,957	$302,500	$309,900	$155	97.6%	61	2,757
12 Great Peconic Place	1/27/17	1,722	$310,000	$309,000	$180	100.3%	7	2,783
580 Wapello Circle	1/27/17	1,697	$312,000	$310,000	$184	100.6%	10	3,254
281 Picasso Circle	1/3/17	1,718	$318,000	$323,000	$185	98.5%	58	3,894
2300 Donner Pass Avenue	1/30/17	1,519	$319,000	$315,000	$210	101.3%	3	2,805
480 Candela Circle	1/31/17	1,801	$320,000	$325,000	$178	98.5%	14	3,880
5225 Sun Chester Way	1/18/17	1,870	$325,000	$319,999	$174	101.6%	3	3,097
251 Martis Valley Circle	1/6/17	1,753	$330,000	$328,500	$188	100.5%	11	3,912
53 Seatuck Court	1/19/17	2,132	$340,000	$340,000	$159	100.0%	9	3,903
5517 Westhampton Way	1/18/17	2,278	$350,000	$349,000	$154	100.3%	121	2,718
3480 Ternhaven Way	1/13/17	2,196	$350,000	$359,000	$159	97.5%	48	3,594
5466 Waterville Way	1/30/17	2,561	$373,500	$369,950	$146	101.0%	4	3,289
4241 Hovnanian Drive	2/27/17	1,460	$310,000	$310,000	$212	100.0%	2	3,894
3908 N. Hovnanian Drive	2/13/17	1,433	$327,138	$327,138	$228	100.0%	54	3,792
410 Malta Island Street	2/14/17	1,983	$351,900	$343,000	$177	102.6%	7	3,694
560 Candela Circle	3/7/17	1,681	$300,500	$280,000	$179	107.3%	24	2,761
5421 Hampton Falls Way	2/23/17	1,698	$325,000	$325,000	$191	100.0%	12	2,818
5 Deer Path Place	2/17/17	1,753	$332,500	$349,900	$190	95.0%	8	3,742
3223 Paumanok Way	3/7/17	1,849	$338,000	$329,900	$183	102.5%	5	2,640
5508 Wateville Way	3/7/17	2,280	$375,000	$365,000	$164	102.7%	18	3,115
	Average:	**1,865**	**$328,377**	**$328,228**	**$179**	**100.1%**	**24.8333**	**3,301**

Source: MetroList MLS

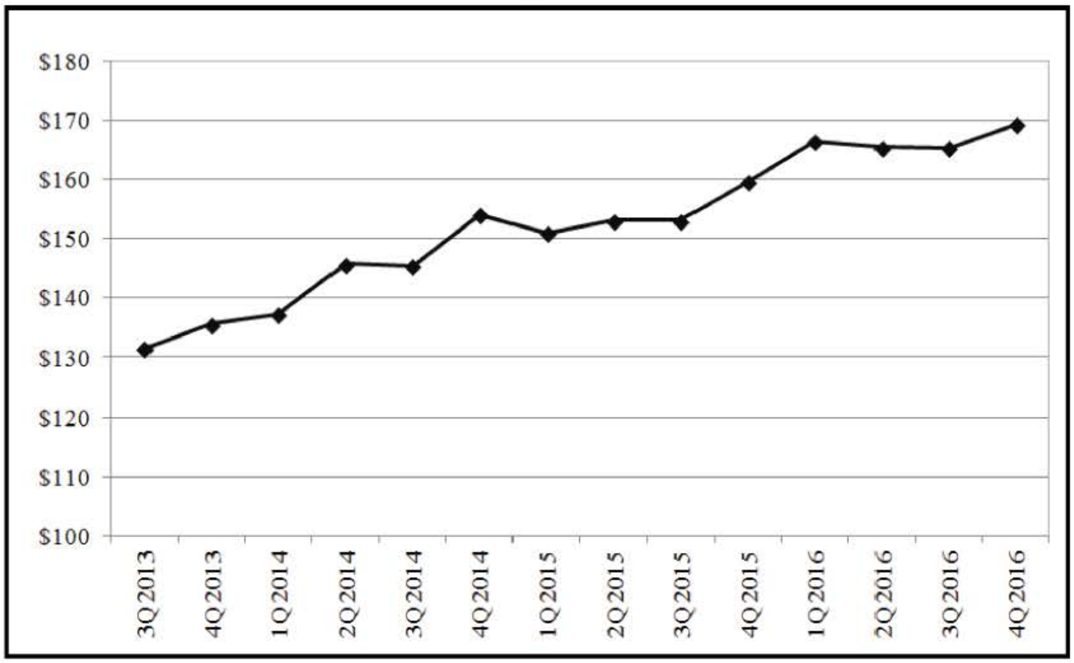
The table and chart on the following page show historical resale data for North Natomas.

Resale History – North Natomas (Zip Codes 95834 and 95835)

	Total Sales	Avg. Home Size (SF)	Avg. Price	Avg. Price/ Avg. SF	Avg. Days on Market
3Q 2013	30	1,831	$240,583	$131	21
4Q 2013	28	1,819	$246,546	$136	35
1Q 2014	25	1,876	$257,380	$137	40
2Q 2014	41	1,905	$277,713	$146	27
3Q 2014	35	1,927	$280,154	$145	28
4Q 2014	28	1,803	$277,707	$154	33
1Q 2015	30	1,869	$282,296	$151	51
2Q 2015	36	1,925	$294,747	$153	20
3Q 2015	38	1,899	$290,762	$153	29
4Q 2015	35	1,794	$286,400	$160	31
1Q 2016	29	1,799	$299,414	$166	42
2Q 2016	41	1,891	$313,029	$166	25
3Q 2016	28	1,920	$317,630	$165	16
4Q 2016	39	1,928	$326,654	$169	32

Source: MetroList MLS

Resale Home Average Price / Average SF



Source: MetroList MLS

Over the past three years, MLS data show that average resale prices have fluctuated between $131 and $169 per square foot. The average price per square foot was at a low in the Third Quarter 2013 and then trended upward over the past three years, with just a couple of quarterly dips. Over the last three years, the average time on the market has fluctuated from quarter to quarter, but still represents an improvement over years 2010-2012. The low sales price per square foot experience throughout

2013 is attributable to the lingering effects of the past recession of 2008/2009 and a time frame when foreclosures were also a greater part of the home sales activity than today, especially in the North Natomas market area.

Ability to Pay

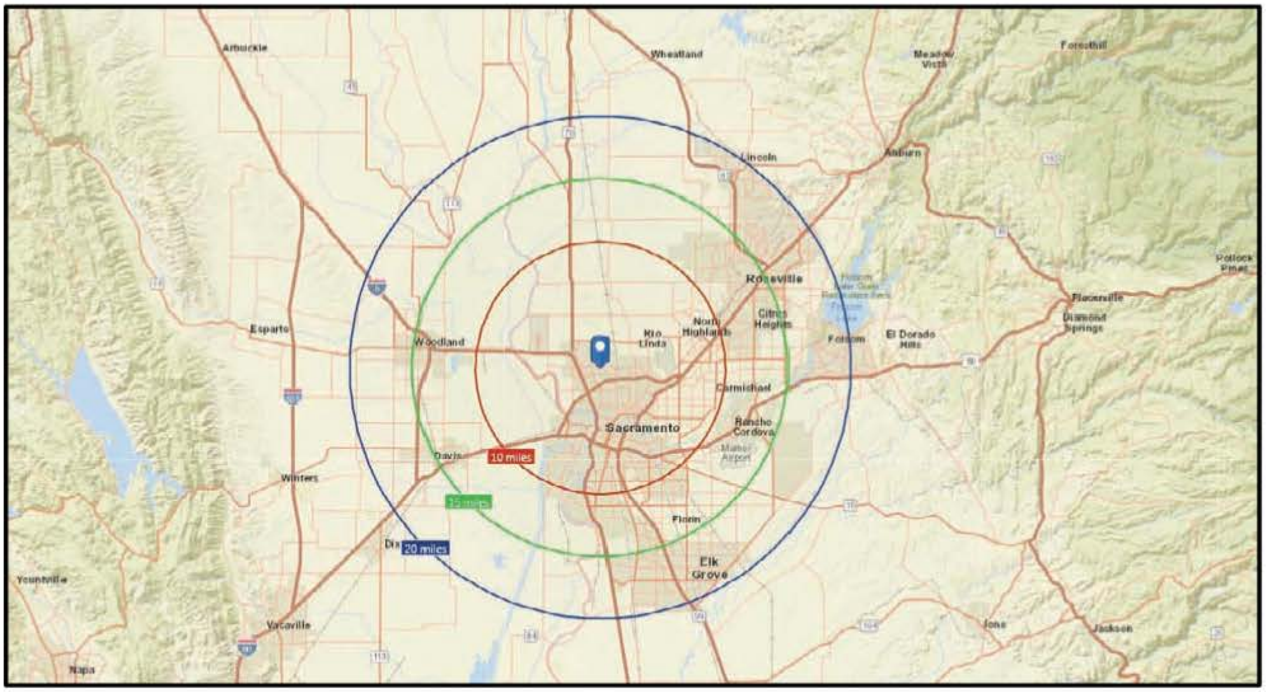
As shown in the valuation sections, we estimate a range of the hypothetical home on the subjects' various lot size categories (including the attached townhome project) between approximately 1,400 and 2,400 square feet with respective concluded price points of $280,000 and $400,000 (respectively). In this section, we will examine the ability to pay among prospective buyers for a representative price point range of $280,000 and $400,000. First, we will estimate the required annual household income based on typical mortgage parameters in the subjects' market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.25%, 360 monthly payments, and a 30% ratio for the mortgage payment as a percent of monthly gross income, which includes a tax rate of 1.2398% and direct charges of $210 per unit per year according to the Sacramento County Treasurer-Tax Collector's Office, as well as $80 per month for property insurance, plus $50 per month ($600 per year) in flood insurance (it's worth noting sales agents report flood insurance premium quotes as low as $450 per year). The following tables show estimates of the annual household income that would be required to afford a home priced between $280,000 and $400,000.

Income Requirement

Home Price	$280,000
Loan % of Price (Loan to Value)	80%
Loan Amount	$224,000
Interest Rate	4.250%
Mortgage Payment	$1,102
Mortgage Payment % of Income	30%
Property Taxes	$307
Property Insurance	$130
Monthly Income	$4,110
Annual Income	$49,319

Home Price	$400,000
Loan % of Price (Loan to Value)	80%
Loan Amount	$320,000
Interest Rate	4.250%
Mortgage Payment	$1,574
Mortgage Payment % of Income	30%
Property Taxes	$431
Property Insurance	$130
Monthly Income	$5,808
Annual Income	$69,698

We have obtained income data from Esri for a 15-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. It is noted this geographic area is wider than the immediate neighborhood profiled previously in the *Neighborhood* section of this report, which focuses on the subjects' immediate location.



In the following tables, we show the income brackets within a 15-mile radius, along with estimates of the percentage of households able to afford a home priced between $280,000 and $400,000 within each income bracket.

Ability to Pay ($280,000 home)

Household Income	Percent of Households	Percent Able to Pay	Households Able to Pay
< $15,000	12.3%	0.0%	0.0%
$15,000 - $24,999	9.9%	0.0%	0.0%
$25,000 - $34,999	9.9%	0.0%	0.0%
$35,000 - $49,999	13.9%	4.5%	0.6%
$50,000 - $74,999	17.9%	100.0%	17.9%
$75,000 - $99,999	12.9%	100.0%	12.9%
$100,000 - $149,999	13.6%	100.0%	13.6%
$150,000 - $199,999	5.3%	100.0%	5.3%
$200,000 +	4.2%	100.0%	4.2%
	100%		54.5%

Source: Esri (household income)

Ability to Pay ($400,000 home)

Household Income	Percent of Households	Percent Able to Pay	Households Able to Pay
< $15,000	12.3%	0.0%	0.0%
$15,000 - $24,999	9.9%	0.0%	0.0%
$25,000 - $34,999	9.9%	0.0%	0.0%
$35,000 - $49,999	13.9%	0.0%	0.0%
$50,000 - $74,999	17.9%	21.2%	3.8%
$75,000 - $99,999	12.9%	100.0%	12.9%
$100,000 - $149,999	13.6%	100.0%	13.6%
$150,000 - $199,999	5.3%	100.0%	5.3%
$200,000 +	4.2%	100.0%	4.2%
	100%		39.8%

Source: Esri (household income)

The preceding analysis indicates that approximately 54.5% of households (approximately 274,950 households) within a 15-mile radius of the subject property would be able to pay for a home priced at $280,000, and approximately 39.8% of households (approximately 200,658 households) would be able to pay for a $400,000 home.

Conclusion

We have summarized some of the key points from this section as follows:

- Throughout the regional area, new and resale prices have trended upward over the past 3-4 years, with increases tempering as of late.
- The average price per square foot in the subjects' market area increased rapidly in 2014, dipped slightly in the beginning of 2015, and has been relatively flat to slightly increasing over the past year, with another recent dip in the Second Quarter of 2016.
- Absorption rates in the subjects' market area have been fairly steady over the past six quarters, with a range of 1.3 to 4.8 sales per project per month for detached projects and 1.5 to 5.7 sales per project per month for attached projects.
- In the resale market, the average price per square foot reached a low in the Third Quarter 2013 and then showed strong increases over the past three years, except for a couple of quarterly dips.
- Builders are acquiring unimproved lots at desirable locations for near-term site development and construction due to a limited supply of finished lots.
- Lot acquisitions by builders have increased moderated recently.

HIGHEST AND BEST USE

The term "highest and best use," as used in this report, is defined as follows:

> The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.[5]

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant, and the second analysis is the highest and best use as improved. Definitions of these terms are provided in the *Glossary of Terms* in the Appendix to this report.

Highest and Best Use as Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

Legal Permissibility

The legal factors influencing the highest and best use of the appraised properties are primarily government regulations, such as zoning and building codes. The appraised properties are zoned and approved for single- and multifamily development. Overall, the legally permissible uses are to develop the subject properties in accordance with the existing entitlements and land use designations, which have undergone extensive planning and review. A rezone to any other land use is highly unlikely. Additionally, the above land uses are consistent with the City of Sacramento General Plan.

Physical Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in uses consistent with the existing entitlements (i.e., single- and multifamily development); at this point the physical characteristics are examined to see if they are suited for the legally permissible use.

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[5] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 109.

The physical characteristics of the appraised properties support development, with paved access, and public utilities in proximity to the appraised properties. Upon completion of remaining site improvements, interior streets and utilities will be extended to each of the subjects' lots. The subject is not located in an adverse earthquake or flood zone. Surrounding land uses are compatible and/or similar to the legally permissible uses. Development on adjacent properties provides support that soils are adequate for development

Financial Feasibility

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, in recent months merchant builders have acquired unimproved lots in the Sacramento region for near term construction, and there are multiple active projects in the subjects' immediate area that demonstrate demand for new homes. Finished lots are transferring for prices that exceed the sum of unimproved lots and site development costs, which indicate completion of site development is financially feasible.

In terms of the subjects' subject high density residential component, both for-rent and for-sale product is considered financial feasible. Specifically, in the Sacramento region, market conditions for for-rent multifamily projects have steadily improved since 2010 as demand has strengthened in the region and new supply has been very limited. Permit activity was relatively steady during 2010-2014, and then a significant increase was seen in 2015 as developers have begun responding to improving market conditions and very low vacancy. Marcus & Millichap reported that 428 new apartment units were completed in the Sacramento region in the last 12 months, down from the 765 units completed in the prior year-long term. Metro wide, there are currently 1,500 units under construction with completion dates into the first quarter of 2018. Marcus & Millichap reported 1,200 units will be completed in 2016, up from 880 units in 2015. New construction has picked up in recent quarters, but not enough to increase vacancy. With steady demand and relatively limited new construction in the market, vacancy is expected to decline further in 2017. As for a for-sale product, as shown later in this report by the land residual analysis, when unit and remaining site development costs are deducted from estimated unit prices, the subjects' high density residential (attached townhome) land value is positive (reflecting its as vacant condition), which demonstrates high density residential development is financially feasible. Further, buyers are actively buying attached units and builders are actively buying land, reflecting ample demand. Development of the subject high density residential component, as a for-rent or for-sale product, is financially feasible.

Maximum Productivity

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the properties. Based on the factors previously discussed, the maximally productive use of the subject properties, and its highest and best use as vacant, is for near term medium and high density residential development. The probable buyer of the residential lots, in bulk, is a production homebuilder intending to build a combination of entry-level and/or first-time move-up homes.

While development of the subjects' high density residential land component as a for-rent or for-sale product is determined to be financially feasible, based on our analysis herein, a for-sale product will generate the greatest level of future benefits possible to the property (i.e., maximally productive). This is supported by two active attached projects within the subjects' market area (Retreat by K. Hovnanian Homes and Villas by Beazer Homes), one of which (Villas) is located east of Interstate 5/State Highway 99. As reported by the Gregory Group, both of these projects have reported positive demand for this product type (an average of 5.7 units sold per month during the Fourth Quarter 2016), details of which are provided in the *Residential Market* section presented previously. This is further supported by the estimated market value of a for-sale product via the land residual analysis shown later in this report. Specifically, the estimated market value of $25,000 per unit, which is exclusive of the net present value of the Special Tax Lien securing the Bonds, is higher than the range of those land prices indicated by recent for-rent residential land sales throughout the region, which are summarized in the following table.

No.	Location	Sale Date	Sale Price	Land Area Acre/SF	# Units	Price per Unit	PV Bonds Per Unit	Total Consideration	Zoning
1	SWC Harbour Point Dr. & Maritime Dr. Elk Grove APN: 119-1920-017 & -018	Oct-15	$725,000	3.05 132,858	63	$11,508	$85,365 $1,355	**$12,863**	RD-25
2	2134 Butano Drive Sacramento APN: 279-0110-061	Apr-15	$3,000,000	5.16 224,770	148	$20,270	$0 $0	**$20,270**	RD-30
3	N/S Blue Oaks Blvd., E/O Fiddyment Rd. Roseville APN: 017-117-047	Sep-14	$4,000,000	12.62 549,727	300	$13,333	$2,350,500 $7,835	**$21,168**	R-3
4	SWC Aguilar Rd. & China Garden Rd. Rocklin APN: 045-110-063	Sep-14 (contract)	$775,000 (approximate)	3.44 149,846	49	$15,816	$0 $0	**$15,816**	R-3
5	7015 Elk Grove Blvd. Elk Grove APN: 116-1560-004	Mar-14	$630,000	3.00 130,680	60	$10,500	$19,980 $333	**$10,833**	RD-20

Development of the subject multifamily component as proposed, a 120-unit for-sale townhome development, is maximally productive. The probable buyer of the high density residential land would be a builder/developer.

Highest and Best Use as Improved

Highest and best use of the properties as improved pertains to the use that should be made in light of its current improvements.

In the case of residential land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use. As shown later in this report by the land residual analysis, the subjects' single-family land value is positive (reflecting it's as-is condition), which demonstrates that single-family residential development is financially feasible. This is further supported by the number of bulk lot sales in the area to production homebuilders. Based on the current condition, the improvements completed contribute to the overall property value. The value of the subject as improved exceeds its value as vacant less demolition (e.g., transitional/agricultural land).

The highest and best use of the subject as improved is for near term residential development. The probable buyer of the subject residential lots in an as-improved condition would be a production homebuilder. The probably buyer for the high density residential land would be a builder/developer.

APPROACHES TO VALUE

The valuation process is a systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value.[6] This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison and income capitalization approaches. An additional approach—discounted cash flow analysis—is also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market. The definition of the cost approach is offered as follows:

> A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.[7]

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties. The definition of the sales comparison approach is offered as follows:

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[6] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 243.
[7] The Dictionary of Real Estate Appraisal, 54.

> The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.[8]

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

> *Direct Capitalization*: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified.[9]

> *Yield Capitalization*: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.[10]

The definition of the income capitalization approach is offered as follows:

> Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.[11]

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[8] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 207.
[9] The Dictionary of Real Estate Appraisal, 65.
[10] The Dictionary of Real Estate Appraisal, 251.
[11] The Dictionary of Real Estate Appraisal, 115.

Discounted Cash Flow (DCF) Analysis

A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. Two discounted cash flow analyses will be presented in this appraisal: the Land Residual Analysis and Subdivision Development Method, which are defined below.

> *Land Residual Analysis*: This analysis considers the residual value of the subject land by deducting costs from home prices over a projected absorption period, with the result representing the value of land.
>
> *Subdivision Development Method*: A method of estimating land value when subdividing and developing a parcel of land is the highest and best use of that land. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or the completed improvements on those lots), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.[12]

[12] The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 223.

FLOOR PLAN VALUATIONS

We begin the valuation by analyzing the market values of each floor plan within each community for which there are completed homes without assessed values for both land and improvements. To do so, we will employ the sales comparison approach to value.

The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. In the sales comparison approach, the market value of the subject lots will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14th Edition (Chicago: Appraisal Institute, 2013), "*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*" The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

As requested, we will estimate the market value of each floor plan offered within each subdivision in the CFD, as of the date of value, March 7, 2017, to apply to those lots with completed single-family homes *without* an assigned assessed value for both land and improvements. The objective of the analyses is to estimate the base price of each floor plan, net of incentives, upgrades and lot premiums. Base price pertains to the typical (median) lot size within the subject. The sales comparison approach to value is employed in order to establish the market values for each floor plan.

The residential lots with completed single-family homes *without* assessed values for both land and improvements are summarized on the following page.

	Base Price	Living Area (SF)	Room Count Bedroom	Bathroom	Stories	Garage	Lot Size (SF)
Edgewood by Lennar							
The Orchid	$377,990	2,110	4	3.0	Two	2 Car	4,225
The Dahlia	$435,990	2,617	5	3.0	Two	2 Car	4,225
The Hydrangea	$461,990	2,786	4	3.5	Two	2 Car	4,225
Woodside Homes at Natomas Meadows							
Plan 1	$322,990	1,697	3	2.5	Two	2 Car	2,831
Plan 2	$332,990	1,845	3	2.5	Two	2 Car	2,831
Plan 3	$339,990	2,008	3-4	2.5	Two	2 Car	2,831
Plan 4	$352,990	2,264	3-4	2.5	Two	2 Car	2,831

Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Special Taxes

We consider the Special Taxes of the comparables and a typical seven-year hold to estimate a bond obligation amount. While bond interest rates may vary somewhat, for approximation purposes, we utilize a 4.5% discount rate. Based on information from the Special Tax Consultant, the estimated present value of the subject's annual special tax obligation over the seven-year hold is estimated. We will adjust for the difference in bond encumbrance between the comparables and the subject; whereby, a comparable with a higher net present value bond encumbrance is considered inferior when compared to the subject, and vice versa.

As HOA fees are associated with intrinsic benefits, such as community pools, services, etc., no adjustments for this item are applicable.

Upgrades and Incentives

The objective of the analysis is to estimate the base price per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Incentives and upgrades provided by the sales offices have been considered and adjusted for in this analysis. Adjustments for upgrades were provided by the on-site sales agents.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,

- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

According to information published by The Gregory Group, and as shown previously within the *Residential Market* section of this appraisal, new home pricing has been relatively stable in the subjects' competitive market area during the past few quarters. However, based on conversations with on-site sales agents, with each phase release base prices have increased anywhere from $1,000 to $2,000. An adjustment of $1,500 per month, which generally corresponds to the release of each new phase, has been applied to each comparable between the date of value (March 7, 2017) and the date the comparable went into contract. It is noted the date of contract was not provided for the Woodside Homes at Natomas Meadows comparables; therefore, based on this project's opening date of October 2016 we have assumed these sales went into contract in October. Additionally, based on information published by The Gregory Group, base home price points at the comparable Beazer Homes project, Cottages at Natomas Field, have increased nominally between the third and fourth quarters of 2016; therefore, only a slight upward adjustment for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The comparables are located in the North Natomas market area within the city of Sacramento; thus, no adjustments are warranted in the category.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot sizes for each community, and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. Considering the average lot size adjustments factors indicated by the comparable sales utilized in this analysis, a lot size adjustment factor of $7.00/SF is considered reasonable for the subjects' residential lots. This figure is supported by our observations of sales in the subject's market area. It is noted adjustments within the same subject community are not necessary when lot premiums are identified.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments previously considered. Appropriate adjustments are applied based upon information provided by the on-site sales agents with regard to lot premiums on specific sales.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

All of the comparables represent sales of new homes; therefore, an adjustment for age/condition is not warranted.

Functional Utility

The appraised properties and comparables represent traditional detached single-family residential construction on similar lot size categories as the subject. Adjustments for this factor do not apply.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of $5,000 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from $5,000 to over $25,000 for the various fixtures, the $5,000 per fixture, or half-bath, is supported. Consequently, a factor of $10,000 per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded.

The typical range indicated by the paired units in this analysis generally demonstrated a value range from approximately $5 to upwards of $100 per square foot. Considering the information cited above, a factor of $60 per square foot is concluded to be appropriate and reasonable for the difference in living area between the subject and the comparables, given the quality of the product.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a single-story versus a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment. As all of the subject floor plans analyzed herein are two-story, as are the comparables, no adjustments are necessary.

Parking/Garage

Our survey of local real estate professionals indicates a premium value of approximately $10,000 for a full garage space, and about $5,000 for a tandem garage space. Appropriate adjustments are applied where warranted.

Other

The comparable sales and the appraised properties are generally similar in the other elements of comparison noted in the adjustment grids, including HVAC, front yard landscaping, site amenities (e.g., pool, patios/decks, fencing), and in-home amenities. No other adjustments are warranted in our analyses. While the model homes contain upgrades and backyard landscaping (Lennar), the combination of a fractional upgrade recapture amount, which is partially offset by the conversion of models/sales offices to saleable homes at the end of the marketing period, is considered offsetting.

Adjustment Grids

The following pages include grids reflecting the aforementioned adjustments. It is noted the conclusions of value place most emphasis on the sales within each respective community in which the floor plan is located.

ADJUSTMENT GRID - THE ORCHID BY LENNAR

Project Information:		Subject Property	Comparable No. 1		Comparable No. 2		Comparable No. 3		Comparable No. 4	
Project Name		Natomas Meadows	Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)	
Plan		The Orchid	The Orchid		The Orchid		The Orchid		The Orchid	
Address/Lot Number		Base Plan	1841 Red Alder Avenue		4573 Acacia Ridge Street		4560 Acacia Ridge Street		4542 Acacia Ridge Street	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$382,990		$378,109		$379,862		$381,945
Price Per SF		N/Ap	$181.51		$179.20		$180.03		$181.02	
Special Taxes (PV at 4.5%, 7 yr. hold)		$8,755		$8,755		$8,755		$8,755		$8,755
Adjustment				*$0*		*$0*		*$0*		*$0*
Adjusted Price (Including Bonds)				***$382,990***		***$378,109***		***$379,862***		***$381,945***
Total Consideration per SF			$181.51		$179.20		$180.03		$181.02	
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	Yes	($6,000)	Yes	($6,000)	Yes	($6,000)	Yes	($8,000)
Upgrades		Base	Upgrades		Upgrades	($2,119)	Upgrades	($6,872)	Upgrades	($2,955)
Effective Base Sales Price				**$376,990**		**$369,990**		**$366,990**		**$370,990**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	1/28/2017	$1,500	12/24/2016	$3,000	11/9/2016	$4,500	11/6/2016	$4,500
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	4,225	4,590	($2,555)	4,420	($1,365)	4,420	($1,365)	4,995	($5,390)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		4	4		4		4		4	
Baths	$10,000	3	3	$0	3	$0	3	$0	3	$0
Living Area (SF)	$60.00	2,110	2,110	$0	2,110	$0	2,110	$0	2,110	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$4,055		$4,365		$5,865		$9,890
Net Adjustments				**($1,055)**		**$1,635**		**$3,135**		**($890)**
Adjusted Base Retail Value				**$375,935**		**$371,625**		**$370,125**		**$370,100**

Concluded Base Retail Value	**$375,000**
Indicated Value Per SF	**$177.73**

ADJUSTMENT GRID - THE DALIAH BY LENNAR

Project Information:		Subject Property	Comparable No. 5		Comparable No. 6		Comparable No. 7		Comparable No. 8	
Project Name		Natomas Meadows	Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)	
Plan		The Daliah	The Daliah		The Daliah		The Daliah		The Daliah	
Address/Lot Number		Base Plan	4560 White Sage Street		4579 Acacia Ridge Street		4575 Maple Crest Street		4555 Acacia Ridge Street	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$439,990		$463,583		$455,873		$434,347
Price Per SF		N/Ap	$168.13		$177.14		$174.20		$165.97	
Special Taxes (PV at 4.5%, 7 yr. hold)		$8,755		$8,755		$8,755		$8,755		$8,755
Adjustment				*$0*		*$0*		*$0*		*$0*
Adjusted Price (Including Bonds)				***$439,990***		***$463,583***		***$455,873***		***$434,347***
Total Consideration per SF			$168.13		$177.14		$174.20		$165.97	
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	No		Yes	($6,000)	Yes	($6,000)	Yes	($6,000)
Upgrades		Base	Upgrades		Upgrades	($21,593)	Upgrades	($22,883)	Upgrades	($2,357)
Effective Base Sales Price				**$439,990**		**$435,990**		**$426,990**		**$425,990**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	3/3/2017		12/24/2016	$3,000	12/18/2016	$3,000	11/23/2016	$4,500
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	4,225	4,420	($1,365)	4,827	($4,214)	4,420	($1,365)	4,420	($1,365)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		5	5		5		5		5	
Baths	$10,000	3	3	$0	3	$0	3	$0	3	$0
Living Area (SF)	$60.00	2,617	2,617	$0	2,617	$0	2,617	$0	2,617	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$1,365		$7,214		$4,365		$5,865
Net Adjustments				**($1,365)**		**($1,214)**		**$1,635**		**$3,135**
Adjusted Base Retail Value				**$438,625**		**$434,776**		**$428,625**		**$429,125**

Concluded Base Retail Value	**$435,000**
Indicated Value Per SF	**$166.22**

ADJUSTMENT GRID - THE HYDRANGEA BY LENNAR

Project Information:		Subject Property	Comparable No. 9		Comparable No. 10		Comparable No. 11		Comparable No. 12	
Project Name		Natomas Meadows	Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)		Edgewood (Lennar Homes)	
Plan		The Hydrangea	The Hydrangea		The Hydrangea		The Hydrangea		The Hydrangea	
Address/Lot Number		Base Plan	4554 Acacia Ridge Street		4578 Acacia Ridge Street		1829 Red Alder Avenue		4543 Maple Crest Street	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$474,939		$461,990		$466,990		$471,708
Price Per SF		N/Ap	$170.47		$165.83		$167.62		$169.31	
Special Taxes (PV at 4.5%, 7 yr. hold)		$8,755		$8,755		$8,755		$8,755		$8,755
Adjustment				*$0*		*$0*		*$0*		*$0*
Adjusted Price (Including Bonds)				***$474,939***		***$461,990***		***$466,990***		***$471,708***
Total Consideration per SF			$170.47		$165.83		$167.62		$169.31	
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	Yes	($6,000)	Yes	($6,000)	Yes	($6,000)	Yes	($6,000)
Upgrades		Base	Upgrades	($17,949)	Upgrades		Upgrades		Upgrades	($10,718)
Effective Base Sales Price				**$450,990**		**$455,990**		**$460,990**		**$454,990**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	2/22/2017		2/19/2017		2/16/2017		10/24/2016	$6,000
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	4,225	4,420	($1,365)	4,917	($4,844)	4,590	($2,555)	4,995	($5,390)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		4	4		4		4		4	
Baths	$10,000	3.5	3.5	$0	3.5	$0	3.5	$0	3.5	$0
Living Area (SF)	$60.00	2,786	2,786	$0	2,786	$0	2,786	$0	2,786	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$1,365		$4,844		$2,555		$11,390
Net Adjustments				**($1,365)**		**($4,844)**		**($2,555)**		**$610**
Adjusted Base Retail Value				**$449,625**		**$451,146**		**$458,435**		**$455,600**

Concluded Base Retail Value	**$455,000**
Indicated Value Per SF	**$163.32**

ADJUSTMENT GRID - PLAN 1 BY WOODSIDE

Project Information:		Subject Property	Comparable No.		Comparable No.		Comparable No.		Comparable No.	
Project Name		Natomas Meadows	Stonybrook (KB Homes)		Cottages at Natomas Field (Beazer)		Westbury (KB Homes)		Woodside Homes at Natomas Meadows	
Plan		Plan 1	Plan 1721		Residence 1		Plan 1		Plan 1	
Address/Lot Number		Base Plan	3003 Longboat Key Way		2550 Judith Resnik Avenue		5169 Kankakee Drive		4575 Juneberry Drive	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$320,000		$343,990		$354,830		$333,500
Price Per SF		N/Ap	$185.94		$188.38		$206.30		$196.52	
Special Taxes (PV at 4.5%, 7 yr. hold)		$7,504		$7,991		$7,001		$6,576		$7,504
Adjustment				*$486*		*($504)*		*($928)*		*$0*
Adjusted Price (Including Bonds)				***$320,486***		***$343,486***		***$353,902***		***$333,500***
Total Consideration per SF			$186.22		$188.11		$205.76		$196.52	
Data Source			Sales Office		Sales Office		Sales Office		Public Records	
Incentives		N/Ap	Yes	($6,859)	Yes	($5,000)	Yes	($5,000)	No	
Upgrades		Base	Upgrades		Upgrades		Upgrades	($34,830)	Upgrades	($10,510)
Effective Base Sales Price				**$313,627**		**$338,486**		**$314,072**		**$322,990**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	2/12/2017		12/27/2016	$1,500	10/21/2016	$6,000	1/2017 (COE)	$6,000
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	2,831	2,808	$161	2,690	$987	3,249	($2,926)	2,907	($532)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	3		3		3		3	
Baths	$10,000	2.5	2.5	$0	2.5	$0	2.5	$0	2.5	$0
Living Area (SF)	$60.00	1,697	1,721	($1,440)	1,826	($7,740)	1,720	($1,380)	1,697	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car Tandem	$5,000	2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$1,601		$15,227		$10,306		$6,532
Net Adjustments				**($1,279)**		**($253)**		**$1,694**		**$5,468**
Adjusted Base Retail Value				**$312,348**		**$338,233**		**$315,766**		**$328,458**

Concluded Base Retail Value	**$325,000**
Indicated Value Per SF	**$191.51**

ADJUSTMENT GRID - PLAN 2 BY WOODSIDE

Project Information:		Subject Property	Comparable No.		Comparable No.		Comparable No.		Comparable No.	
Project Name		Natomas Meadows	Stonybrook (KB Homes)		Westbury (KB Homes)		Cottages at Natomas Field (Beazer)		Woodside Homes at Natomas Meadows	
Plan		Plan 2	Plan 1721		Plan 2		Residence 1		Plan 2	
Address/Lot Number		Base Plan	3003 Longboat Key Way		5416 Jamesport Way		2550 Judith Resnik Avenue		4578 Golden Cedar Street	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$320,000		$330,000		$343,990		$344,000
Price Per SF		N/Ap	$185.94		$177.51		$188.38		$186.45	
Special Taxes (PV at 4.5%, 7 yr. hold)		$7,504		$7,991		$6,576		$7,001		$0
Adjustment				*$486*		*($928)*		*($504)*		*($7,504)*
Adjusted Price (Including Bonds)				***$320,486***		***$329,072***		***$343,486***		***$336,496***
Total Consideration per SF			$186.22		$177.02		$188.11		$182.38	
Data Source			Sales Office		Sales Office		Sales Office		Public Records	
Incentives		N/Ap	Yes	($6,859)	Yes	($5,000)	Yes	($5,000)	No	
Upgrades		Base	Upgrades		Upgrades		Upgrades		Upgrades	($11,010)
Effective Base Sales Price				**$313,627**		**$324,072**		**$338,486**		**$325,486**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	2/12/2017		1/21/2017	$1,500	12/27/2016	$1,500	12/2016 (COE)	$6,000
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	2,831	2,808	$161	3,093	($1,834)	2,690	$987	3,550	($5,033)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	3		3		3		3	
Baths	$10,000	2.5	2.5	$0	2.5	$0	2.5	$0	2.5	$0
Living Area (SF)	$60.00	1,845	1,721	$7,440	1,859	($840)	1,826	$1,140	1,845	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car Tandem	$5,000	2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$7,601		$4,174		$8,627		$11,033
Net Adjustments				**$7,601**		**($1,174)**		**$8,627**		**$967**
Adjusted Base Retail Value				**$321,228**		**$322,898**		**$347,113**		**$326,453**

Concluded Base Retail Value	**$330,000**
Indicated Value Per SF	**$178.86**

ADJUSTMENT GRID - PLAN 3 BY WOODSIDE

Project Information:		Subject Property	Comparable No.		Comparable No.		Comparable No.		Comparable No.	
Project Name		Natomas Meadows	Stonybrook (KB Homes)		Cottages at Natomas Field (Beazer)		Westbury (KB Homes)		Woodside Homes at Natomas Meadows	
Plan		Plan 3	Plan 2093		Residence 4		Plan 3		Plan 3	
Address/Lot Number		Base Plan	3009 Longboat Key Way		2539 Chuck Yeager Circle		5 Meramec Bluff Place		4574 Golden Cedar Street	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$340,000		$399,082		$348,260		$354,500
Price Per SF		N/Ap	$162.45		$188.87		$177.50		$176.54	
Special Taxes (PV at 4.5%, 7 yr. hold)		$7,504		$7,991		$7,001		$6,576		$0
Adjustment				*$486*		*($504)*		*($928)*		*($7,504)*
Adjusted Price (Including Bonds)				***$340,486***		***$398,578***		***$347,332***		***$346,996***
Total Consideration per SF			$162.68		$188.63		$177.03		$172.81	
Data Source			Sales Office		Sales Office		Sales Office		Public Records	
Incentives		N/Ap	Yes	($5,000)	Yes	($5,000)	Yes	($5,000)	No	
Upgrades		Base	Upgrades		Upgrades	($33,092)	Upgrades	($8,260)	Upgrades	($14,510)
Effective Base Sales Price				**$335,486**		**$360,486**		**$334,072**		**$332,486**
Adjustments:	**Factor**		**Description**	+/(-)	**Description**	+/(-)	**Description**	+/(-)	**Description**	+/(-)
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	2/16/2017		9/4/2016	$1,500	12/10/2016	$3,000	12/2016 (COE)	$6,000
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	2,831	2,640	$1,337	3,511	($4,760)	3,276	($3,115)	2,907	($532)
Lot Premium		None	Similar		Similar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3-4	4		3		3		3-4	
Baths	$10,000	2.5	2.5	$0	2.5	$0	2.5	$0	2.5	$0
Living Area (SF)	$60.00	2,008	2,093	($5,100)	2,113	($6,300)	1,962	$2,760	2,008	$0
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car Tandem	$5,000	2 Car		2 Car	
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$6,437		$17,560		$8,875		$6,532
Net Adjustments				**($3,763)**		**($4,560)**		**$2,645**		**$5,468**
Adjusted Base Retail Value				**$331,723**		**$355,926**		**$336,717**		**$337,954**

Concluded Base Retail Value	**$340,000**
Indicated Value Per SF	**$169.32**

ADJUSTMENT GRID - PLAN 4 BY WOODSIDE

Project Information:		Subject Property	Comparable No.		Comparable No. 1		Comparable No.		Comparable No.	
Project Name		Natomas Meadows	Stonybrook (KB Homes)		Westbury (KB Homes)		Woodside Homes at Natomas Meadows		Cottages at Natomas Field (Beazer)	
Plan		Plan 4	Plan 2204		Plan 4		Plan 4		Residence 4	
Address/Lot Number		Base Plan	3009 Longboat Key Way		17 Scenic Point Place		4579 Juneberry Drive		2539 Chuck Yeager Circle	
City/Area		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Price		N/Ap		$352,845		$394,880		$367,000		$399,082
Price Per SF		N/Ap	$160.09		$176.44		$162.10		$188.87	
Special Taxes (PV at 4.5%, 7 yr. hold)		$7,504		$7,991		$6,576		$7,504		$7,001
Adjustment				*$486*		*($928)*		*$0*		*($504)*
Adjusted Price (Including Bonds)				***$353,331***		***$393,952***		***$367,000***		***$398,578***
Total Consideration per SF			$160.31		$176.03		$162.10		$188.63	
Data Source			Sales Office		Sales Office		Public Records		Sales Office	
Incentives		N/Ap	Yes	($5,000)	Yes	($5,000)	No		Yes	($5,000)
Upgrades		Base	Upgrades	($3,345)	Upgrades	($33,880)	Upgrades	($22,010)	Upgrades	($33,092)
Effective Base Sales Price				**$344,986**		**$355,072**		**$344,990**		**$360,486**
Adjustments:	**Factor**		**Description**	+/(-)	**Description**	+/(-)	**Description**	+/(-)	**Description**	+/(-)
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Pending		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 3/17	2/8/2017		1/17/2017	$1,500	12/2016 (COE)	$6,000	9/4/2016	$1,500
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Sacramento	Sacramento		Sacramento		Sacramento		Sacramento	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$7.00	2,831	2,708	$861	3,352	($3,647)	3,602	($5,397)	3,511	($4,760)
Lot Premium		None	Similar		SImilar		Similar		Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)		New	Similar		Similar		Similar		Similar	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3-4	5		4		3-4		3	
Baths	$10,000	2.5	2.5	$0	3	($5,000)	2.5	$0	2.5	$0
Living Area (SF)	$60.00	2,264	2,204	$3,600	2,238	$1,560	2,264	$0	2,113	$9,060
Number of Stories		Two	Two		Two		Two		Two	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car Tandem	$5,000
Landscaping		Front	Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$4,461		$11,707		$11,397		$20,320
Net Adjustments				**$4,461**		**($5,587)**		**$603**		**$10,800**
Adjusted Base Retail Value				**$349,447**		**$349,485**		**$345,593**		**$371,286**

Concluded Base Retail Value	**$350,000**
Indicated Value Per SF	**$154.59**

Conclusion of Floor Plan Values

Based on the analysis herein, the market value conclusions for each floor plan offered within each community for which there are completed homes without assessed values for both land and improvements are summarized in the table below.

	Base Price	Living Area (SF)	Room Count Bedroom	Room Count Bathroom	Stories	Garage	Lot Size (SF)	Concluded Base Retail Value
Edgewood by Lennar								
The Orchid	$377,990	2,110	4	3.0	Two	2 Car	4,225	**$375,000**
The Dahlia	$435,990	2,617	5	3.0	Two	2 Car	4,225	**$435,000**
The Hydrangea	$461,990	2,786	4	3.5	Two	2 Car	4,225	**$455,000**
Woodside Homes at Natomas Meadows								
Plan 1	$322,990	1,697	3	2.5	Two	2 Car	2,831	**$325,000**
Plan 2	$332,990	1,845	3	2.5	Two	2 Car	2,831	**$330,000**
Plan 3	$339,990	2,008	3-4	2.5	Two	2 Car	2,831	**$340,000**
Plan 4	$352,990	2,264	3-4	2.5	Two	2 Car	2,831	**$350,000**

The values above will be utilized in the value by ownership presented at the end of this Appraisal Report, as well as relied upon in the valuation of the single-family residential lots (land residual analysis) in the next section.

SINGLE-FAMILY RESIDENTIAL LOT VALUATION

The subjects' detached single-family residential portion of District comprises various lot size categories ranging from alley loaded lots (2,831 square feet) to standard residential lots of 3,995 and 4,590 square feet. The breakdown of the lot size categories comprising the subject detached component is presented below. Note the figures below exclude all lots with completed single-family homes without assessed values and partially improved single-family homes (under construction).

Lot Size (SF)		No. of Lots
Alley Loaded Lots	2,831 SF	94
Standard Lots	3,995 SF	139
	4,590 SF	92
Total		**325**

For purposes of this analysis, each lot size category within the District will be analyzed. A typical 75 lot takedown will form the basis for comparison. The sales comparison approach and a land residual analysis will be used to estimate the value of the subjects' lot size categories.

Sales Comparison Approach

The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. In the sales comparison approach, the market value of the subject detached lots will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14th Edition (Chicago: Appraisal Institute, 2013), "*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time*." The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the subject properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

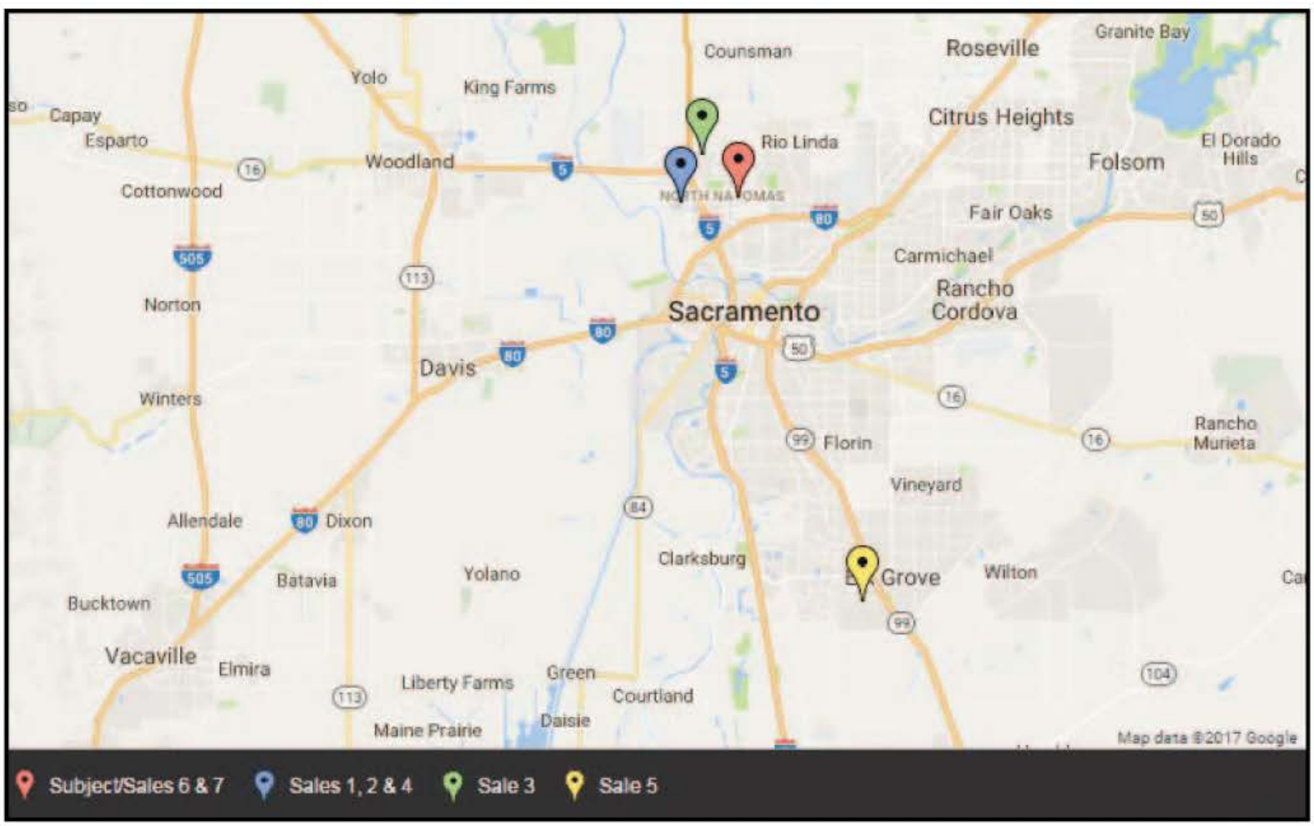
Consideration is given to factors such as property rights conveyed, financing, conditions of sale, and market appreciation or depreciation since the date of sale. Differences in physical characteristics, such as location, number of lots, typical lot size, lot premiums/discounts, site utility/topography and zoning/entitlements are considered in the analysis.

In the collection of data for analysis, six standard bulk lot comparables have been identified as being representative of the market and it is believed the sales data collected is sufficient for comparison to the subjects' 3,995 and 4,590 square foot lots and four small bulk lot comparables have been identified for the subjects' alley loaded lots. As discussed under the Sales History of the *Property Ownership and History* section for the subject properties, the rolling option style purchase agreements covering lots within the subject project reflect cross currents in pricing and typical correlations between lot size and pricing is not present. Overall, it is challenging to adjust rolling option style purchase agreements to prices negotiated for a bulk lot purchase scenario. Thus, in the final analysis the price points reflected by the subjects' rolling option contracts will be tempered by the indications of value reflected by the balance of the data set. With that said, it should also be noted the balance of the data set also exhibits some inconsistencies in the prices negotiated by buyers and sellers. It is likely that these cross currents in price points relates to the fact this submarket has been dormant for more than a decade, due to the recently lifted de-facto moratorium, which was lifted in June 2015. Typically, the sales comparison approach is the primary indicator for the valuation of residential lots. In this instance, due to the factors cited above, we are compelled to also place reliance on the land residual analysis (presented in the next section).

The data from the comparable sales is summarized in the tables on the following pages, followed by a location maps, detailed sales sheets and a discussion of adjustments necessary for comparison with the subject lot size categories.

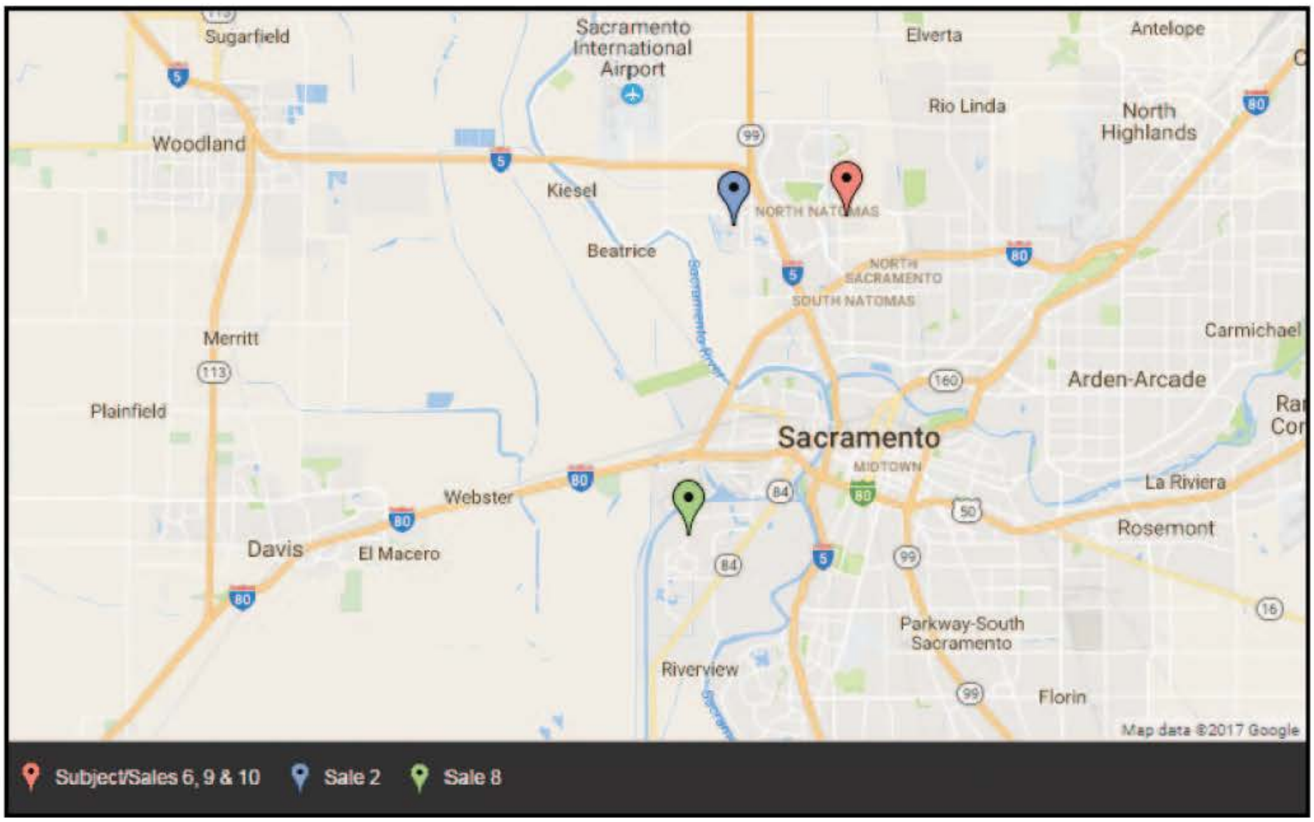
3,995 & 4,590 SF LOTS
COMPARABLE BULK LOT SALES SUMMARY

No.	Property Identification	Sale Date	Sale Price	No. of Lots	Price per Lot	Typical Lot Size (sf)
1	**Westshore** S/O Del Paso Road, W/O El Centro Road Sacramento, Sacramento County	Nov-16	$9,000,000	112	**$80,357** (finished)	5,990 (Wt. Avg.)
2	**Westshore** S/O Del Paso Road, W/O El Centro Road Sacramento, Sacramento County	Sep-16	$4,900,000	70	**$70,000** (finished)	3,096
3	**Provance (portion of)** Van Eyck Wy, Morisot Ct, Dulwich Wy & Kitaj Ct Sacramento, Sacramento County	Aug-16	$4,000,000	39	**$102,564** (finished)	6,300
4	**Westshore - Four Seasons (portion of)** S/O Del Paso Road, W/O El Centro Road Sacramento, Sacramento County	Mar-16	$17,152,500	217	**$79,044** (finished)	5,000
5	**Sun Grove - Laguna Ridge** 8365 Poppy Ridge Road Elk Grove, Sacramento County	Jan-16	$6,450,000	86	**$75,000** (paper)	5,500
6	**Natomas Meadows (portion of the subject property)** SEC Del Paso Road and Gateway Park Drive Sacramento, Sacramento County	Jun-15 (rolling option)	$3,074,000	53	**$58,000** (finished)	3,995
7	**Natomas Meadows (portion of the subject property)** SEC Del Paso Road and Gateway Park Drive Sacramento, Sacramento County	Jun-15 (rolling option)	$2,250,000	30	**$75,000** (finished)	4,590



ALLEY LOADED LOTS
COMPARABLE BULK LOT SALES SUMMARY

No.	Property Identification	Sale Date	Sale Price	No. of Lots	Price per Lot	Typical Lot Size (sf)
2	**Westshore** S/O Del Paso Road, W/O El Centro Road Sacramento, Sacramento County	Sep-16	$4,900,000	70	**$70,000** (finished)	3,096
8	**The Promenade** 3151 Southport Parkway West Sacramento, Yolo County	Feb-16	$5,328,100	222	**$24,000** (paper)	1,924
9	**Natomas Meadows (portion of the subject property)** SEC Del Paso Road and Gateway Park Drive Sacramento, Sacramento County	Dec-15	$4,788,000	119	**$40,235** (blue top)	4,155 (average)
10	**Natomas Meadows (portion of the subject property)** SEC Del Paso Road and Gateway Park Drive Sacramento, Sacramento County	Nov-15 (rolling option)	$3,416,000	56	**$61,000** (finished)	2,831
6	**Natomas Meadows (portion of the subject property)** SEC Del Paso Road and Gateway Park Drive Sacramento, Sacramento County	Jun-15 (rolling option)	$3,074,000	53	**$58,000** (finished)	3,995



BULK LOT COMPARABLE 1

Property Identification	
Project Name	Westshore
Location	S/O Del Paso Road, W/O El Centro Road
APN	225-2450-001 et al
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Shea Homes Limited Partnership
Grantee	K. Hovnanian at Westshore LLC
Closing Date	11/10/2016
Deed Book Page	20161110-1288
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$9,000,000
Annual Special Assessments per Lot	$2,112
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	112
Development Status at Sale	Improved lots
Typical Lot Size (SF)	5,990 (weighted average)
Indicators (per Lot)	
Sale Price	$ 80,357
Bonds	$ 27,473
Remaining Site Development Costs	$ 0
Permits and Fees	$ 42,000

Remarks

This comparable is the November 2016 sale of 112 improved lots within the Westshore master planned community located west of Interstate 5 and El Centro Road, south of Del Paso Road. The seller, Shea Homes, a merchant builder, sold the lots to K. Hovnanian Homes, which has at least three active new home subdivisions within Westshore.

BULK LOT COMPARABLE 2

Property Identification	
Project Name	Westshore
Location	S/O Del Paso Road, W/O El Centro Road
APN	225-2570-073 et al
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Natomas Investors, LLC
Grantee	Western Pacific Housing, Inc. (d/b/a DR Horton)
Closing Date	09/06/2016
Deed Book Page	20160906-0987
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$4,900,000
Annual Special Assessments per Lot	$2,112
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	70
Development Status at Sale	Improved lots
Typical Lot Size (SF)	3,096
Indicators (per Lot)	
Sale Price	$70,000
Bonds	$27,473
Remaining Site Development Costs	$ 0
Permits and Fees	$40,000

Remarks

This comparable is the September 2016 sale of 70 improved lots in the Westshore master planned community located west of Interstate 5 and El Centro Road, south of Del Paso Road. The buyer, Western Pacific Housing, Inc., acquired the lots for $70,000 per improved lots, plus the assumption of Bonds.

BULK LOT COMPARABLE 3

Property Identification	
Project Name	Provance (portion of)
Location	Van Eyck Way, Morisot Court, Dulwich Way & Kitaj Court
APN	201-1200-033 et. al.
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	JA Bray, LLC and JS Bray, LLC
Grantee	D.R. Horton CA2, Inc.
Sale Date	08/30/2016
Deed Book Page	160830-1423
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$4,000,000
Annual Special Taxes per Lot	$865
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	39
Development Status at Sale	Improved lots
Typical Lot Size (SF)	6,300
Indicators (per Lot)	
Sale Price	$102,564
Bonds	$ 9,813
Remaining Site Development Costs	$ 0
Permits and Fees	$ 47,586 (weighted average)

Remarks

This comparable represents the recent D.R. Horton Homes purchase of 39 remnant finished lots in the Provance subdivision in North Natomas. The developer plans on constructing three floor plans ranging from 2,260 to 2,527 square feet, with home prices between $270,425 and $303,509, plus the assumption of bonds.

BULK LOT COMPARABLE 4

Property Identification	
Project Name	Four Seasons (portion of)
Location	S/O Del Paso Road, W/O El Centro Road
APN	225-2410-015 et. al.
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Natomas Investors, LLC
Grantee	Lennar Homes of California, Inc.
Closing Date	03/04/2016
Deed Book Page	20160304-0869
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$17,152,000
Annual Special Assessments per Lot	$2,112
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	217
Development Status at Sale	Improved lots
Typical Lot Size (SF)	5,000 (weighted average)
Indicators (per Lot)	
Sale Price	$ 79,044
Bonds	$ 27,473
Remaining Site Development Costs	$ 0
Permits and Fees	$ 38,000 (est.)

Remarks

In March 2016 Lennar Homes purchased 217 finished lots in the Four Seasons portion of the Westshore community. They plan on building an age-restricted single-family project being marketed as Heritage. The property was purchased as finished lots with a Development Agreement and full subdivision improvement acceptance. According to the buyer, construction of the project is expected to commence in June 2016 with first occupancies expected in October 2016 and sell-out in March 2021. Estimated base sales prices and home square footages have yet to be determined. Permits and fees are estimated based on permits and fees reported by other age-restricted projects in the area. Since the buyer was not willing to discuss details of this transaction (purchase price, permits and fees, etc.), guarded reliance will be given to this comparable in our analysis herein.

BULK LOT COMPARABLE 5

Property Identification	
Project Name	Sun Grove – Laguna Ridge
Location	8365 Poppy Ridge Road
APN	132-0290-002
City	Elk Grove
County	Sacramento County
Sale Data	
Grantor	Artisan Land Investments, LLC
Grantee	Taylor Morrison of California, LLC
Sale Date	01/15/2016
Deed Book Page	201601150124
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash equivalent
Sale Price	$6,450,000
Annual Special Taxes per Lot	$1,850
Land Data	
Zoning	RD-5 Residential
Topography	Generally level
Utilities	All available
Number of Lots	86
Land Area (Acres)	18.67
Density (Units per Acre)	4.6
Development Status at Sale	Paper lots
Typical Lot Size (SF)	5,500
Indicators (per Lot)	
Sale Price	$75,000
PV of Bonds	$23,298
Site Development Costs	$35,000 (est.)
Permits and Fees	$60,000 (est.)

Remarks

This transaction represents the recent sale of 18.67± acres of vacant land representing a portion a subdivision, identified as Sun Grove, in the Laguna Ridge Specific Plan area of Elk Grove. The property has tentative subdivision map approval for 86 lots with a typical lot size of 5,500 square feet. Site development costs and permits and fees were estimated based on other projects in the immediate area.

BULK LOT COMPARABLE 6

Property Identification	
Project Name	Natomas Meadows (portion of the subject property)
Location	SEC Del Paso Road and Gateway Park Drive
APN	Village 2 Phase 1 Lots 1, 2, 7-9, Village 3 Lots 49-96
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Granite Bay Natomas Meadows
Grantee	D.R. Horton CA2, Inc.
Sale Date	June 30, 2015
Deed Book Page	Rolling option
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$3,074,000
Annual Special Taxes per Lot	$1,457
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	53
Development Status at Sale	Improved lots
Typical Lot Size (SF)	3,995
Indicators (per Lot)	
Sale Price	$58,000
Bonds	$24,200
Remaining Site Development Costs	$ 0
Permits and Fees	$55,045

Remarks

This comparable represents a portion of the subject property. According to the Purchase and Sale Agreement (dated June 30, 2015), as well as all associated Amendments, D.R. Horton CA2, Inc. will purchase a total of (53) improved 3,995 SF lots for $3,074,000 ($58,000 per lot), which is subject to an annual escalation of this base price in the amount of 4% per annum, compounded annually, plus the assumption of Bonds (Natomas Meadows CFD 2007-01). Based on the Lots and Closing Dates Table in the Third Amendment to Purchase Agreement, these 53 lots will be taken down in eight closings.

BULK LOT COMPARABLE 7

Property Identification	
Project Name	Natomas Meadows (portion of the subject property)
Location	SEC Del Paso Road and Gateway Park Drive
APN	Village 3 Lots 1-18 and Village 6 Phase 1 Lots 1-12
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Granite Bay Natomas Meadows
Grantee	D.R. Horton CA2, Inc.
Sale Date	Pending
Deed Book Page	Pending
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$2,250,000
Annual Special Taxes per Lot	$1,821
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	30
Development Status at Sale	Improved lots
Typical Lot Size (SF)	4,590
Indicators (per Lot)	
Sale Price	$ 75,000
Bonds	$ 30,250
Remaining Site Development Costs	$ 0
Permits and Fees	$ 62,205

Remarks

This comparable represents a portion of the subject property. According to the Purchase and Sale Agreement (dated June 30, 2015), as well as all associated Amendments, D.R. Horton CA2, Inc. will purchase a total of 30 improved lots of 4,590 SF for $2,250,000 ($75,000 per improved lot), plus the assumption of Bonds (inclusive of the Natomas Meadows CFD 2007-01). These lots are also subject to an annual escalation of this base price in the amount of 4% per annum, compounded annually. Based on the Lots and Closing Dates Table in the Third Amendment to Purchase Agreement, these 30 lots will be taken down in five closings.

BULK LOT COMPARABLE 8

Property Identification	
Project Name	The Promenade
Location	3151 Southport Parkway
APN	045-555-006
City	West Sacramento
County	Yolo County
Sale Data	
Grantor	Southport LLC
Grantee	GBD 2014 GP, Inc.
Closing Date	2/18/2016
Deed Book Page	4075
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash equivalent
Sale Price	$5,328,100
Annual Special Assessments per Lot	$611
Land Data	
Zoning	R-1A-P Residential
Topography	Generally level
Utilities	All available
Number of Lots	222
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	1,924
Indicators (per Lot)	
Sale Price	$24,000
Bonds	$ 5,905
Remaining Site Development Costs	$43,293
Permits and Fees	$37,700

Remarks

This transaction consisted of 18.3 acres with an approved tentative subdivision map for 222 lots in the Southport area of West Sacramento. The typical lot size for the project is 1,924 square feet with some end lots having 2,479 square feet.

BULK LOT COMPARABLE 9

Property Identification	
Project Name	Natomas Meadows (portion of the subject property)
Location	SEC Del Paso Road and Gateway Park Drive
APN	225-2650-001
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Granite Bay Natomas Meadows
Grantee	Lennar Homes of California, Inc.
Closing Date	12/03/2015
Deed Book Page	151207-533
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$4,788,000
Annual Special Assessments per Lot	$1,457
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	119
Development Status at Sale	See Remarks
Typical Lot Size (SF)	4,155 (weighted average)
Indicators (per Lot)	
Sale Price	$40,235
Bonds	$25,827 (weighted average)
Remaining Site Development Costs	$30,966
Permits and Fees	$62,205

Remarks

This comparable represents a portion of the subject property. Lennar Homes of California, Inc. purchased 119 lots [(87) 3,995 SF lots and (32) 4,590 SF lots] from Granite Bay Natomas Meadows (the master developer) on December 3, 2015. Lennar paid $4,788,000 for these lots, of which 7 of the 4,590 SF lots were finished, the balance (112 lots) were in "blue top" (partially improved) condition. In bulk, Lennar paid approximately $40,235 per lot, plus the assumption of Bonds [Natomas Meadows CFD 2007-01 ($24,200 for the 3,995 SF lots and $30,250 for the 4,590 SF lots, for a weighted average of $25,827 per lot)]. Remaining site development costs were reported at about $30,966 per lot.

BULK LOT COMPARABLE 10

Property Identification	
Project Name	Natomas Meadows (portion of the subject property)
Location	SEC Del Paso Road and Gateway Park Drive
APN	Village 3 Lots 19-36, 37-48, 97-122
City	Sacramento
County	Sacramento County
Sale Data	
Grantor	Granite Bay Natomas Meadows
Grantee	Woodside 05N, LP
Closing Date	11/24/2015
Deed Book Page	151130-1113
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	$3,416,000
Annual Special Assessments per Lot	$1,248
Land Data	
Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	56
Development Status at Sale	Improved lots
Typical Lot Size (SF)	2,831
Indicators (per Lot)	
Sale Price	$61,000
Bonds	$20,743
Remaining Site Development Costs	$ 0
Permits and Fees	$47,230

Remarks

This comparable represents a portion of the subject property. Woodside 05N, LP (buyer) and Granite Bay Natomas Meadows (the master developer) are currently in a rolling-option contract for a total of 56 improved lots (alley loaded). As of the date of inspection (March 7, 2017), Woodside has closed on 28 lots. According to the Phased Closing Agreement of Purchase and Sale (dated August 14, 2015), as well as all associated Amendments, Woodside 05N, LP will purchase a total of 56 improved lots for $3,416,000 ($61,000 per lot), plus the assumption of Bonds (Natomas Meadows CFD 2007-01) in multiple takedowns comprising no less than six lots every quarter after the first takedown, with the last takedown occurring no later than 18 months following the first takedown (or May 24, 2017). In addition to the improved lot purchase price, Woodside has agreed to pay the master developer a profit participation amount (50% of the amount by which the total net profits exceed 10% of the gross sale revenue received by Woodside), as well as building fee credits in the amount of $2,539 per lot.

Adjustments and Conclusion

The comparable transactions are adjusted based on the profile of the subjects' lot size categories with regard to elements that affect market value. For Special Taxes, adjustments are made using estimated (present value) dollar amounts. Other adjustments may be categories as either superior or inferior. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants.

At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (i.e. site development costs (if any), permits and fees, bond encumbrance and atypical carrying costs such as Homeowner's Association fees)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical characteristics

A detailed analysis involving the adjustment factors is presented below. Since each comparable has the same highest and best use as the subject properties—near term single-family residential development—we apply adjustments for differences in remaining site development costs (if any) and permits and fees on a dollar-for-dollar basis. We consider the Special Taxes of the comparables and their remaining bond terms to estimate a bond obligation amount. While bond interest rates may vary somewhat, for approximation purposes, we utilize a 4.5% discount rate. Based on information from the Special Tax Consultant, the estimated present value of the subject's annual special tax obligation over the bond term is estimated. The valuation is performed consistent with City's stated policies for Land Secured Financing appraisals. Therefore, we will adjust for the difference in bond encumbrance between the comparables and the subject; whereby, a comparable with a higher net present value bond encumbrance is considered inferior when compared to the subject, and vice versa.

As HOA fees are associated with intrinsic benefits, such as community pools, services, etc., no adjustments for this item are applicable.

<u>Property Rights Conveyed</u>

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below-market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

In order to try to quantify any condition of sale differences between a bulk lot transfer and a rolling option transfer, if any, we contacted representatives with the Appraisal Institute, more specifically the Louise Lee Lum Library, for publications relating to the implications of rolling option style purchases to market value. A rolling option is defined in the article titled Appraising Land Options in the Summer 1984 Edition of The Real Estate Appraiser and Analyst as "a large area divided in contiguous lots. The developer may build a few lots at a time and, upon payment of additional premiums, may exercise this option on a few more lots. He thus rolls his option over and over until the whole area is developed. Of course the rolling option is kept alive only if the partial options are exercised according to the agreed upon development schedule. We know of no theory to price these options." While we considered all publications provided by the Louise Lee Lum Library, the bulk of the publications addressed land anticipated for substantial appreciation in value under an option agreement as opposed to rolling option agreements.

Based on previous conversations with Mr. David Ragland, Vice President of Land and Development for GBD Communities (master developer), the lots subject to the rolling options described herein were initially marketed for bulk transfers. Mr. Ragland indicated the first takedown option prices were consistent with the market prices of the lots stipulated in these agreements. The master developer asserts risk and carrying costs associated with these rolling option agreements is accounted for and compensated for in the profit participation component of the agreements.

As noted in the quote from the article referenced above, there is no established theory to price the rolling option style purchase to an outright bulk transaction. However, from a qualitative perspective it is reasonable to conclude that with all else being equal a buyer would pay more and a seller would demand more to agree to a rolling option style transfer as opposed to the outright transfer of a bulk lot property. While we have not assigned a conditions of sale adjustment in the following adjustment grids, we place guarded reliance on the subjects' price points reflected in the rolling option agreements.

The balance of the comparables did not involve any non-market conditions of sale and do not require adjustments.

Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

Most of the comparables transferred within 12 months of our date of value and no adjustments are warranted for market conditions. The subjects' rolling option sales were negotiated in June and November 2015 and merit an upward adjustment for improving market conditions since that time. An adjustment for the subject lot sale to Lennar (Comparable 9), which was negotiated in December 2015 is also adjusted upward slightly.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location

Location adjustments are applied in consideration of a number of factors that influence pricing, such as home prices and income levels. The subject is located in North Natomas, Sacramento County. Comparable 5 is located in a superior location (Laguna Ridge Specific Plan in Elk Grove) and warrants a downward adjustment. The balance of the comparables are located in North Natomas or West Sacramento, areas offering similar demographics, growth rates, surrounding uses and property values; therefore, no adjustments for location are necessary.

Community Appeal

The subject and all of the comparables exhibit average community appeal and adjustments for this factor do not apply.

Number of Lots

Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot. Comparables 4 and 9 are adjusted upward for its significantly higher number of lots (217 and 222, respectively) as compared to the subject.

Lot Size (Typical)

Differences in lot size between comparables and the subject are applied when differences in comparable lot sizes are substantially large and would be recognized by the market as superior or inferior when compared to the subject. Smaller lot sizes are considered inferior and are adjusted upwards while larger lot sizes are considered superior and are adjusted downwards. It is noted the magnitude of adjustment per square foot diminishes as the difference in lot size becomes greater.

Site Utility

Differences in contour, drainage, soil conditions, as well as project design, can affect the utility and, therefore, the market value of the properties. The subject property and comparables exhibit similar site utility and no adjustments are necessary.

Zoning/Entitlements

The subject and most of the comparable sales have recorded final maps. Discussions with land developers, merchant builders and brokers confirm buyers are willing to pay more for lots in finished condition, beyond just the difference in costs to complete. As Comparable 9 transferred as unimproved (paper) lots, a slight upward adjustment is applied to this transaction in comparison to the subject property.

Improved Lot Indicator

The following grids reflect the afore-discussed adjustments.

3,995 SF LOTS

Site Characteristics:	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 6
Lot Price		**$80,357**	**$70,000**	**$102,564**	**$79,044**	**$58,000**
Remaining Site Development Costs	$0	$0	$0	$0	$0	$0
Adjustment		$0	$0	$0	$0	$0
		$80,357	**$70,000**	**$102,564**	**$79,044**	**$58,000**
Permits and Fees	$38,782	$42,000	$40,000	$47,586	$38,000	$55,045
Adjustment		$3,218	$1,218	$8,804	($782)	$16,263
		$83,575	**$71,218**	**$111,368**	**$78,262**	**$74,263**
PV of Special Taxes at 4.5%	$24,200	$27,473	$27,473	$9,813	$27,473	$24,200
Adjustment		$3,273	$3,273	($14,387)	$3,273	$0
		$86,847	**$74,490**	**$96,980**	**$81,534**	**$74,263**
Elements of Comparison:						
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment						
Adjusted Value		**$86,847**	**$74,490**	**$96,980**	**$81,534**	**$74,263**
Financing Terms	Cash Equiv.	Similar	Similar	Similar	Similar	Similar
Adjustment						
Adjusted Value		**$86,847**	**$74,490**	**$96,980**	**$81,534**	**$74,263**
Sale Conditions	Market	Market	Market	Market	Market	Market
Adjustment						
Adjusted Value		**$86,847**	**$74,490**	**$96,980**	**$81,534**	**$74,263**
Market Conditions	Mar-17	Dec-16	Nov-16	Aug-16	Mar-16	Jun-15
Adjustment	(Appraisal)					10%
Adjusted Value		**$86,847**	**$74,490**	**$96,980**	**$81,534**	**$81,689**
Physical Characteristics:						
Location	Natomas	Natomas	Natomas	Natomas	Natomas	Natomas
Adjustment						
Community Appeal	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Number of Lots	75	112	70	39	217	53
Adjustment					10%	
Lot Size (Typical)	3,995	5,990	3,096	6,300	5,000	3,995
Adjustment		-5%	3%	-10%	-5%	
Site Utility	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Zoning/Entitlements	Approved	Similar	Similar	Similar	Similar	Similar
Adjustment						
Net Adjustment		**-5%**	**3%**	**-10%**	**5%**	**0%**
Adjusted Lot Price		**$82,505**	**$76,725**	**$87,282**	**$85,611**	**$81,689**
Concluded Improved Lot Value:	**$86,000**					

4,590 SF LOTS

Site Characteristics:	Subject	Comp 1	Comp 3	Comp 4	Comp 5	Comp 6
Lot Price		**$80,357**	**$102,564**	**$79,044**	**$75,000**	**$75,000**
Remaining Site Development Costs	$0	$0	$0	$0	$35,000	$0
Adjustment		$0	$0	$0	$35,000	$0
		$80,357	**$102,564**	**$79,044**	**$110,000**	**$75,000**
Permits and Fees	$45,942	$42,000	$47,586	$38,000	$60,000	$62,205
Adjustment		($3,942)	$1,644	($7,942)	$14,058	$16,263
		$76,415	**$104,208**	**$71,102**	**$124,058**	**$91,263**
PV of Special Taxes at 4.5%	$30,250	$27,473	$9,813	$27,473	$23,298	$30,250
Adjustment		($2,777)	($20,437)	($2,777)	($6,952)	$0
		$73,637	**$83,770**	**$68,324**	**$117,105**	**$91,263**
Elements of Comparison:						
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment						
Adjusted Value		**$73,637**	**$83,770**	**$68,324**	**$117,105**	**$91,263**
Financing Terms	Cash Equiv.	Similar	Similar	Similar	Similar	Similar
Adjustment						
Adjusted Value		**$73,637**	**$83,770**	**$68,324**	**$117,105**	**$91,263**
Sale Conditions	Market	Market	Market	Market	Market	Market
Adjustment						
Adjusted Value		**$73,637**	**$83,770**	**$68,324**	**$117,105**	**$91,263**
Market Conditions	Sep-16	Dec-16	Aug-16	Mar-16	Jan-16	Jun-15
Adjustment	(Appraisal)					10%
Adjusted Value		**$73,637**	**$83,770**	**$68,324**	**$117,105**	**$100,389**
Physical Characteristics:						
Location	Natomas	Natomas	Natomas	Natomas	Elk Grove	Natomas
Adjustment					-15%	
Community Appeal	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Number of Lots	75	112	39	217	86	30
Adjustment				10%		
Lot Size (Typical)	4,590	5,990	6,300	5,000	5,500	4,590
Adjustment		-3%	-5%		-3%	
Site Utility	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Zoning/Entitlements	Approved	Similar	Similar	Similar	Paper	Similar
Adjustment					3%	
Net Adjustment		**-3%**	**-5%**	**10%**	**-15%**	**0%**
Adjusted Lot Price		**$71,428**	**$79,582**	**$75,157**	**$99,540**	**$100,389**
Concluded Improved Lot Value:	**$95,000**					

ALLEY LOADED LOTS

Site Characteristics:	Subject	Comp 2	Comp 8	Comp 9	Comp 10	Comp 6
Lot Price		**$70,000**	**$24,000**	**$40,235**	**$61,000**	**$58,000**
Remaining Site Development Costs	$0	$0	$43,293	$30,966	$0	$0
Adjustment		$0	$43,293	$30,966	$0	$0
		$70,000	**$67,293**	**$71,201**	**$61,000**	**$58,000**
Permits and Fees	$30,967	$40,000	$37,700	$62,205	$47,230	$55,045
Adjustment		$9,033	$6,733	$31,238	$16,263	$24,078
		$79,033	**$74,026**	**$102,439**	**$77,263**	**$82,078**
PV of Special Taxes at 4.5%	$20,743	$27,473	$5,905	$25,321	$20,336	$23,726
Adjustment		$6,730	($14,838)	$4,578	($407)	$2,983
Loaded Lot Price After Bonds		**$85,763**	**$59,188**	**$107,017**	**$76,856**	**$85,060**
Elements of Comparison:						
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment						
Adjusted Value		**$85,763**	**$59,188**	**$107,017**	**$76,856**	**$85,060**
Financing Terms	Cash Equiv.	Similar	Similar	Similar	Similar	Similar
Adjustment						
Adjusted Value		**$85,763**	**$59,188**	**$107,017**	**$76,856**	**$85,060**
Sale Conditions	Market	Market	Market	Market	Market	Market
Adjustment						
Adjusted Value		**$85,763**	**$59,188**	**$107,017**	**$76,856**	**$85,060**
Market Conditions	Mar-17	Nov-16	Feb-16	Dec-15	Nov-15	Jun-15
Adjustment	(Appraisal)			5%	5%	10%
Adjusted Value		**$85,763**	**$59,188**	**$112,367**	**$80,699**	**$93,566**
Physical Characteristics:						
Location	Natomas	Natomas	W. Sac	Natomas	Natomas	Natomas
Adjustment						
Community Appeal	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Number of Lots	75	70	222	119	56	53
Adjustment			5%			
Lot Size (Typical)	2,831	3,096	1,924	4,155	2,831	3,995
Adjustment			5%	-7%		-5%
Site Utility	Average	Similar	Similar	Similar	Similar	Similar
Adjustment						
Zoning/Entitlements	Approved	Similar	Paper	Similar	Similar	Similar
Adjustment			3%			
Net Adjustment		**0%**	**13%**	**-7%**	**0%**	**-5%**
Adjusted Lot Price		**$85,763**	**$66,882**	**$104,502**	**$80,699**	**$88,888**
Concluded Improved Lot Value:	**$80,000**					

Conclusion of Improved Lot Value – Sales Comparison Approach

As previously noted, the master developer states that the rolling option contracts within Natomas Meadows (Comparables 6, 7 and 10) were priced consistent with the bulk lot market pricing advertised in the market place. Based on analysis of additional market bulk lot transactions, it is our opinion these rolling option contract prices likely include an increment of pricing for the rolling option style of purchase when compared to traditional bulk lot prices. Since our research concluded there are no known theories to price rolling options (defined as "a large area divided in contiguous lots. The developer may build a few lots at a time and, upon payment of additional premiums, may exercise this option on a few more lots. He thus rolls his option over and over until the whole area is developed. Of course the rolling option is kept alive only if the partial options are exercised according to the agreed upon development schedule. We know of no theory to price these options") we have not adjusted these transactions.

Based upon our analysis and discussion above, market value conclusions of $86,000, $95,000 and $80,000 per improved lot for the 3,995 SF, 4,590 SF and alley loaded lots (respectively) are concluded for the subject single-family residential components.

The indications of improved lot values, per lot category, consider the prepayment of permits and impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds. Though, it is important to note, as previously discussed, the residential lots held by the master developer receive priority in the eligibility of prepaid permits and impact fees. Thus, the merchant builders are obligated for the full cost of permits and fees, and, as part of the Market Value of the Appraised Properties (in bulk), by Ownership, section presented at the end of this Appraisal Report, the additional $16,263 in permit and impact fees owed by the merchant builders will be considered in the valuation. For those lots with homes under construction, the payment of permits and impact fees associated with home construction will be considered in the underlying land valuation of each merchant builder.

Land Residual Analysis

The land residual analysis is utilized in estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a ***quarterly basis***. As a discounted cash flow analysis, the land residual analysis consists of four primary components—revenue, expenses, absorption and discount rate. The four main items of the discounted cash flow analysis are summarized as follows:

- **Revenue** – the gross income is based on the individual component values.
- **Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special assessments.
- **Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts begin below, with the land residual analysis offered at the end of this section.

For purposes of this analysis, as with the Sales Comparison Approach, each lot size category within the District will form the basis of analysis.

Revenue

The projected sales price for the average unit within each village will vary, as the ultimate sales price is affected by lot size, location within the project, site influences, such as horizontal and vertical construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses.

Based on the detached single-family lot size categories of 3,995 and 4,590 square feet, as well as the alley loaded lots, hypothetical home sizes of 2,200, 2,400 and 1,800 square feet will be utilized (respectively). Based on analysis of prices and each floor plan in the *Floor Plan Valuations* section, the respective home sizes could achieve prices of $380,000, $400,000 and $325,000. These conclusions capture the subject's average typical lot size for each floor plan relative to the market data.

Based on the layout of the lots indicated by the tentative map, lot premium allocations for the subject do not apply. The subject does not feature any lots meriting a lot premium; the subject does not feature any atypical premiums such as view or open space frontage.

As will be discussed in the expense section that follows, given the typical product line and project size at Natomas Meadows, it is anticipated a builder will construct three model homes. Based on a market survey of average model home upgrade costs for projects throughout the regional area range from approximately $27,000 to upwards of $145,000 per model, with the lower to middle representing average entry-level and move-up construction and the upper end reflecting good quality move-up construction. Upgrade amenity costs for the subject are estimated at $40,000 each, or $120,000 in total. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated amount foot traffic for the subject property, a recapture amount towards the lower of the range, or 30%, is considered reasonable. Using this percentage, a recapture of $12,000 per model (30% x $40,000) is concluded, or a total of $36,000, which will be considered in the estimate of aggregate retail value.

The estimated aggregate retail value for the subject lot size categories are as follows (note the average value per unit is not rounded, it is a function of the total extension divided by the number of units, and will be utilized in the discounted cash flow at the end of this section):

3,995 SF LOTS

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	2,200	$173	$380,000	$ 28,500,000
Model Recapture					$ 36,000
Total	**75**	**2,200 (weighted avg.)**		**$380,480 (avg.)**	**$ 28,536,000**

* Excludes the NPV of the Special Tax Lien
** Without appreciation

4,590 SF LOTS

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	2,400	$167	$400,000	$ 30,000,000
Model Recapture					$ 36,000
Total	**75**	**2,400** (weighted avg.)		**$400,480** (avg.)	**$ 30,036,000**

* Excludes the NPV of the Special Tax Lien
** Without appreciation

ALLEY LOADED LOTS

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	1,800	$181	$325,000	$ 24,375,000
Model Recapture					$ 36,000
Total	**75**	**1,800** (weighted avg.)		**$325,480** (avg.)	**$ 24,411,000**

* Excludes the NPV of the Special Tax Lien
** Without appreciation

Closing Projections

The typical time required for the construction of production homes is about three to six months from start to closing. It is assumed that initial closings will occur within three to six months of the date of sale. The premise is that the builder constructs efficiently as homes are sold. These assumptions, which are supported by similar projects throughout the region, are reflected in the projected construction schedule shown in the land residual models at the end of this section.

Changes in Market Conditions (Price Increases or Decreases)

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. However, under current market conditions, there is likelihood of some home price appreciation during the sell-off period. The subject lot size categories have 2-year projected sell-off periods. We estimate a level appreciation factor of 1.00% per year (0.25% quarterly) for the subjects' sell-off. There is a one-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).

Absorption

As discussed in further detail in the *Residential Market* overview section, over the last six quarters the monthly absorption rate per detached project has ranged from 1.3 to 4.8 sales, with an average rate of 3.2 sales per project per month.

Given market conditions and the subjects' location and physical features, we estimate the subjects' detached single-family residential components could achieve an average absorption rate of about 3.0 to 4.0 sales per month. Further, the lower price points in the Natomas market area, these absorption figures are supported by other active projects in the greater Sacramento region.
Based on competitive pricing, we estimate the subject can achieve a stabilized absorption rate of 4.0 sales per month (12.0 sales every quarter). With sales beginning in Period 1, the project sells out in Period 7, with Period 8 needed to complete construction and close escrow.

Expense Projections

A deduction will be made for expenses attributable to the project over the holding period. The conclusions estimated below and on the following pages are drawn upon or supported by the builder/developer survey and reviewed budgets for other similar sized project throughout the regional area provided below.

Municipality	Budget Date	No. of Units	Quality	Avg. Home Size (SF)	Avg. Lot Size (SF)	Site Costs per Lot	Permits & Fees/Unit	Direct Cost/SF	Indirect Cost/SF	Indirect % of Direct	Cost per Model	G & A % of Rev	Mkt & Sales % of Rev	Profit % of Rev
Yuba County	2016	15	Avg/G	2,579	8,500	N/Av	$51,081	$68.01	N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
City of Oakley	2016	61	Avg	2,305	6,000	$41,392	$53,000	$74.80	$3.04	4%	N/Av	N/Av	3.0%	14.6%
City of Elk Grove	2016	32	Good	2,614	5,937	$64,490	$46,000	$72.46	$8.79	12%	$27,372	2.0%	5.1%	8.8%
City of Sacramento	2016	35	Avg	1,946	3,825	$40,505	$43,284	$70.73	$12.63	18%	$36,773	3.0%	3.5%	9.7%
City of Fairfield	2015	26	Entry	2,375	8,000	N/Av	$48,115	$67.65	$8.86	13%	$38,750	N/Av	5.5%	24.6%
City of Patterson	2015	74	Entry	2,188	7,150	$42,039	$39,501	$66.67	$5.14	8%	N/Av	3.5%	4.0%	12.2%
City of Sacramento	2015	29	Avg	2,273	5,325	N/Av	$52,550	$73.98	$21.45	29%	N/Av	2.5%	4.4%	15.6%
City of Roseville	2015	32	Good	2,234	6,709	$55,945	$47,844	$75.95	$10.36	14%	$145,838	5.0%	4.0%	11.6%
City of West	2015	31	Avg/G	2,450	5,000	$40,793	$35,346	$64.97	$4.08	6%	N/Av	N/Av	4.2%	8.4%
Yuba County	2015	18	Avg/G	2,667	10,187	N/Av	$49,969	$62.38	N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
City of Sacramento	2015	25	Entry	1,546	3,292	N/Av	$17,080	$77.28	N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
City of Lincoln	2014	19	Good	2,891	8,772	N/Av	$54,180	$68.50	$8.88	13%	N/Av	N/Av	4.0%	18.0%
Yuba County	2014	10	Avg/G	2,816	12,643	N/Av	$49,150	$63.06	$15.05	24%	N/Av	N/Av	6.2%	7.3%
	Min.	10		1,546	3,292	$40,505	$17,080	$62.38	$3.04	4%	$27,372	2.0%	3.0%	7.3%
	Max.	74		2,891	12,643	$64,490	$54,180	$77.28	$21.45	29%	$145,838	5.0%	6.2%	24.6%
	Avg.	31		2,376	7,026	$47,527	$45,162	$69.73	$9.83	14%	$62,183	3.2%	4.4%	13.1%

<u>General and Administrative</u>

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 1.0% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. Considering the size of the typical project within the subject property and the estimated absorption time, we have used 3.0% for general and administrative expenses. This expense category is spread evenly over the entire sellout period.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subjects' market area is 3.5% to 5.1%. Note the market survey in the previous table consists primarily of marketing expenses, with sales expense information not provided. However, typical sales commissions range from 2.0% or 3.0%. Considering the specifics of the subject property, a figure of 5.0%, or 2.5% for marketing and 2.5% for sales, is used in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subjects' are located within an area with a 1.2398% tax rate. This amount is applied to the estimated market value and divided by the total number of homes to yield an estimate of ad valorem taxes/home/year. This amount is applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year.

The subjects' are encumbered by CFD No. 2007-01 (Natomas Meadows) Special Taxes, which is taken into consideration in this analysis. The Special Taxes attributable to each lot is dependent on the anticipated home size and tax zone. Based on a copy of the City of Sacramento CFD No. 2007-01 (Natomas Meadows) Improvement Area No. 1 CFD No. 2007-01 Assigned Special Tax Table, a summary of which is provided in the *Property Legal Data* section, the average special tax per home is $1,486 per year for the 3,995 SF lots, $1,857 per year for the 4,590 SF lots, and $1,273 per year for the alley loaded lots. In addition, direct levies are nominal ($210.00 per residential unit per year) and are included in this analysis.

The total tax expense is gradually reduced over the absorption period, as the land components are sold off.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. According to a fee summary provided by the master developer (please see the *Site Description* section for details), permits and fees due at building permit (including school fees) total approximately $55,045/lot for the 3,995 SF lots, $62,205/lot for the 4,590 SF lots, and $47,230/lot for the alley lots, which are supported by similar projects in the market area.

Anticipated construction fund proceeds from City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds will be used to pay a portion of required impact fees, based on a ***hypothetical condition***. Specifically, North Natomas Public Facilities Fees of $4,584.53 per lot and City Fees of $11,678.16 per lot, for a total of $16,262.69 per lot, will be paid by proceeds from the Bonds [please refer to the *Table 3. List of Authorized Fees (Improvement Area #1 and #2)* in the Appendix to this Report]. The anticipated Bond proceeds will more than provide for the prepayment of impact fees for all 181 lots held by the master developer (presuming a 3:1 value-to-lien ratio on the aggregate, or cumulative, value of the District, and accounting for costs of issuance of approximately 13.54%).

Therefore, net of the anticipated fees to be paid from the bonds, and based on the hypothetical condition of this Report, the subject's anticipated remaining permits and fees (including school fees) will total approximately $38,782/lot for the 3,995 SF lots, $45,942/lot for the 4,590 SF lots, and $30,967/lot for the alley lots.

<u>Direct and Indirect Construction Costs</u>

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle.

Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Based on the cost comparables presented previously, which indicate direct construction costs between $62.38 (2,667 square foot average home size) to $77.28 (1,546 square foot average home size), and considering the assumed average quality product line for the lot size categories analyzed, a direct cost estimate of $70 per square foot is applied to the 2,200 square foot homes, $67 per square foot is applied to the 2,400 square foot homes and $75 per square foot for the 1,800 square foot alley-loaded homes, given the principle of economies of scale.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance

- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator

We have reviewed budgets for other similar sized project throughout the regional area, which range from 6% to 29% (excluding marketing, sales, general and administrative expenses and taxes, which are accounted for separately), which is generally consistent with our conversations with homebuilders who indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses and taxes, which are accounted for separately). An estimate of 10% is considered reasonable for the subject property.

Model Complex

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 $20,000 per model to over $250,000 per model for executive homes.
Based on the quality of the subjects' proposed improvements and the targeted buyer segment, a model upgrade cost of $40,000 per model was concluded for the subject property. Therefore, an estimated model complex cost of $120,000 ($40,000 per model) for the subject properties are considered reasonable, assuming three models.

Summary

The charts on the following pages summarize the revenue and expenses discussed on the preceding pages.

3,995 SF LOTS

REVENUE SUMMARY

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	2,200	$173	$380,000	$ 28,500,000
Model Recapture					$ 36,000
Total	**75**	**2,200** (weighted avg.)		**$380,480** (avg.)	**$ 28,536,000**

EXPENSES SUMMARY

General and Administrative

	3.0% of total revenue (appreciated)			$861,816

Marketing and Sales

	5.0% of total revenue (appreciated)			$1,436,360

Ad Valorem Taxes

1.2398% - Tax Rate			$86,290
	÷ Total Number of Units	75	
	Ad Valorem Taxes		$1,151 /unit
	Special Taxes & Direct Levies		$1,696 /unit

Estimated Permits and Fees at Building Permit/Occupancy

Average Permits and Fees/Unit	$38,782	
x Number of Units	75	
Total Permits and Fees		$2,908,673

Construction Costs	SF	Units	Cost/SF	Extension**	Indirects
Typical Floor Plan	2,200	75	$70.00	$11,550,000	$1,155,000
Average Direct Construction Costs					$154,000
Indirect Costs		10% of Direct Costs			$15,400
Model Complex					$120,000

* Excludes the NPV of the Special Tax Lien

** Without appreciation

4,590 SF LOTS

REVENUE SUMMARY

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	2,400	$167	$400,000	$ 30,000,000
Model Recapture					$ 36,000
Total	**75**	**2,400** (weighted avg.)		**$400,480** (avg.)	**$ 30,036,000**

EXPENSES SUMMARY

General and Administrative					
		3.0% of total revenue (appreciated)			$907,117
Marketing and Sales					
		5.0% of total revenue (appreciated)			$1,511,862
Ad Valorem Taxes					
1.2398% - Tax Rate					$87,530
	÷ Total Number of Units			75	
		Ad Valorem Taxes			$1,167 /unit
		Special Taxes & Direct Levies			$2,067 /unit
Estimated Permits and Fees at Building Permit/Occupancy					
Average Permits and Fees/Unit				$45,942	
x Number of Units				75	
Total Permits and Fees					$3,445,673

Construction Costs	SF	Units	Cost/SF	Extension**	Indirects
Typical Floor Plan	2,400	75	$67.00	$12,060,000	$1,206,000
Average Direct Construction Costs					$160,800
Indirect Costs			10% of Direct Costs		$16,080
Model Complex					$120,000

* Excludes the NPV of the Special Tax Lien

** Without appreciation

ALLEY LOADED LOTS

REVENUE SUMMARY

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	75	1,800	$181	$325,000	$ 24,375,000
Model Recapture					$ 36,000
Total	**75**	**1,800** (weighted avg.)		**$325,480** (avg.)	**$ 24,411,000**

EXPENSES SUMMARY

General and Administrative					
		3.0% of total revenue (appreciated)			$737,237
Marketing and Sales					
		5.0% of total revenue (appreciated)			$1,228,728
Ad Valorem Taxes					
1.2398% - Tax Rate					$72,404
	÷ Total Number of Units			75	
		Ad Valorem Taxes			$965 /unit
		Special Taxes & Direct Levies			$1,483 /unit
Estimated Permits and Fees at Building Permit/Occupancy					
Average Permits and Fees/Unit				$30,967	
x Number of Units				75	
Total Permits and Fees					$2,322,548
Construction Costs	SF	Units	Cost/SF	Extension**	Indirects
Typical Floor Plan	1,800	75	$75.00	$10,125,000	$1,012,500
Average Direct Construction Costs					$135,000
Indirect Costs		10% of Direct Costs			$13,500
Model Complex					$120,000

* Excludes the NPV of the Special Tax Lien

** Without appreciation

Developer's Incentive and Discount Rate

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer's profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer's profit, and do not deduct profit as a line item expense.

Developer's Profit

Based on information obtained from residential builders in the local and regional areas, developer's profit expectations are typically in the range of 8% to 20% of sales revenue. Higher profits are generally required for longer sell-out periods as well as riskier projects. Elements affecting risk include location, supply and demand conditions, construction timeline, product type and quality, etc. Another element considered in profit expectations is the development stage of a project: profit expectations are typically lower for first phases of construction due to cautious or conservative pricing as new subdivisions in competitive areas become established. Based on the characteristics of the subject property, including its location and perceived level of risk, we will employ a developer's profit factor of 10.00% of sales revenue, consistent with the regional market area.

This profit expectation is compared with a survey of builders presented as follows:

Data Source	Profit Expectations
Regional Builder - (2016)	19.8% for 15 unit, small lot project
Regional Builder - (2016)	14.6% for 61 unit project with 6,000 SF lots
Regional Builder - (2016)	11.9% for 34 unit project with 15,500 SF lots
Local Builder - (2016)	8.8% for 32 unit project
Local Builder - (2016)	9.7% for 35 unit project
Local Builder - (2016)	12.2% for 74 unit project
Local Builder - (2016)	15.6% for 27 unit project
Local Builder - (2016)	7% to 10% profit factor for single-family subdivisions in affordable markets
Local Builder - (2016)	8% to 12% typical profit factor for single-family subdivisions in afforable markets, for move-up buyer segment
Regional Builder - (2015)	16.0% for 27 unit project with 21,939 SF lots
Regional Builder - (2015)	11.6% for 32 unit project
Local Builder - (2015)	10% net profit is the target for any residential development, which typically is geared towards move-up homebuyers with a Bay Area concentration
National Builer - (2013)	8% to 10% net profit, regardless of product type, market area or lot condition
National Builder - (2013)	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.

Discount Rate (Cost of Funds)

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11^{th} District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11^{th} District COFI was 0.69% as of August 2016. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. Based on these parameters, we will employ a discount rate (cost of funds) of 6.0% in the land residual analysis, which considers recent rises in the Federal funds rate.

Conclusions

The land residual analyses are presented on the following pages.

LAND RESIDUAL ANALYSIS - 2,995 SF LOTS

REVENUE AND SALES SUMMARY

Period (Quarter/3 months):		1	2	3	4	5	6	7	8	Total
Sales		12	12	12	12	12	12	3	0	75
Close of Escrow (COE)		0	12	12	12	12	12	12	3	75
Unsold Inventory		63	51	39	27	15	3	0	0	
Total Sales		$ -	$ 4,565,760	$ 4,565,760	$ 4,565,760	$ 4,565,760	$ 4,565,760	$ 4,565,760	$ 1,141,440	$ 28,536,000
Inflation (Appreciation) Factor		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	
Total Sales Revenue		$ -	$ 4,565,760	$ 4,577,174	$ 4,588,589	$ 4,600,003	$ 4,611,418	$ 4,622,832	$ 1,161,415	$ 28,727,191

EXPENSES AND CASH FLOW SUMMARY

Period (Quarter/3 months):		1	2	3	4	5	6	7	8	Total
General and Administrative		$ (107,727)	$ (107,727)	$ (107,727)	$ (107,727)	$ (107,727)	$ (107,727)	$ (107,727)	$ (107,727)	$ (861,816)
Marketing and Sales		$ -	$ (228,288)	$ (228,859)	$ (229,429)	$ (230,000)	$ (230,571)	$ (231,142)	$ (58,071)	$ (1,436,360)
Real Estate Taxes		$ (53,367)	$ (44,828)	$ (36,289)	$ (27,751)	$ (19,596)	$ (10,887)	$ (2,473)	$ -	$ (194,805)
Direct Construction Costs		$ (924,000)	$ (1,848,000)	$ (1,848,000)	$ (1,848,000)	$ (1,852,620)	$ (1,852,620)	$ (1,157,888)	$ (231,678)	$ (11,562,806)
Indirect Construction Costs		$ (92,400)	$ (184,800)	$ (184,800)	$ (184,800)	$ (185,262)	$ (185,262)	$ (115,789)	$ (23,168)	$ (1,156,271)
Model Costs		$ (120,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (120,000)
Building Permits		$ (465,288)	$ (465,288)	$ (465,288)	$ (465,288)	$ (465,288)	$ (465,288)	$ (116,347)	$ -	$ (2,908,073)
Total Expenses		$ (1,762,881)	$ (2,879,831)	$ (2,871,962)	$ (2,863,095)	$ (2,860,593)	$ (2,852,454)	$ (1,731,069)	$ (420,533)	$ (18,240,719)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		$ (1,762,881)	$ 1,686,729	$ 1,706,112	$ 1,725,494	$ 1,739,410	$ 1,758,963	$ 2,891,763	$ 740,882	$ 10,486,472
Total Developer's Incentive	10.00%	$ -	$ (456,576)	$ (457,717)	$ (458,859)	$ (460,000)	$ (461,142)	$ (462,283)	$ (116,142)	$ (2,873,719)
NET INCOME (BEFORE DISCOUNTING)		$ (1,762,881)	$ 1,230,153	$ 1,248,394	$ 1,266,636	$ 1,279,410	$ 1,297,821	$ 2,429,480	$ 624,741	$ 7,612,753
Present Value Factor										
Discount Rate (Cost of Borrowed Funds)	6.00%	0.98522	0.97066	0.95632	0.94218	0.92826	0.91454	0.90103	0.88771	
Discounted Cash Flow		($1,736,829)	$1,194,063	$1,193,861	$1,193,494	$1,187,625	$1,186,912	$2,189,026	$554,589	$ 6,862,651
Net Present Value		$6,862,651								

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD) $77,900 /lot $ 5,840,000

Conclusion of Improved Lot Value – Land Residual Analysis

Based on the previous analyses, the estimates of improved (finished) lot value via the land residual analysis are $92,800 per 3,995 SF lot, $94,100 per 4,590 SF lot, and $77,900 per alley lot (rounded).

Reconciliation of Improved Lot Value

The estimated improved lot value conclusions (rounded) for the subjects' detached single-family residential lot size categories indicated by the sales comparison approach and land residual analysis to value are summarized in the following table.

In our opinion, when considered together, both the sales comparison approach and land residual analysis provide reliable indicators of market value for the subject standard residential lot size categories. Thus, in the final analysis we have placed reliance on both approaches and our final estimates (rounded) are offered below.

	3,995 SF	4,590 SF	Alley
Sales Comparison Approach	$86,000 /lot	$95,000 /lot	$80,000 /lot
Land Residual Analysis	$92,800 /lot	$94,100 /lot	$77,900 /lot
Conclusion	***$90,000* /lot**	***$95,000* /lot**	***$79,000* /lot**

The indications of improved lot values, per lot category, consider the prepayment of permits and impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds. Though, it is important to note, as previously discussed, the residential lots held by the master developer receive priority in the eligibility of prepaid permits and impact fees. Thus, the merchant builders are obligated for the full cost of permits and fees, and, as part of the Market Value of the Appraised Properties (in bulk), by Ownership, section presented at the end of this Appraisal Report, the additional $16,263 in permit and impact fees owed by the merchant builders will be considered in the valuation. For those lots with homes under construction, the payment of permits and impact fees associated with home construction will be considered in the underlying land valuation of each merchant builder.

HIGH DENSITY RESIDENTIAL LAND VALUATION

As there is limited available data for recent transactions of land similar to the subjects' high density residential component, the land residual analysis is employed to determine the market value for the subjects' high density residential land component (townhome site).

According to the property owner of the townhome site, TriPointe Homes, while still in the initial planning process they are proposing a two-story townhome project with traditional 2-car garages with floor plans ranging from 1,400 to 1,650 square feet. Since these proposed plans are still in the preliminary stages, we have relied on the two active attached projects in the subjects' immediate area (Retreat by K. Hovnanian Homes and Villas by Beazer Homes, which were discussed in the *Residential Market* overview) as an indication of the probable use and product line to be developed on the subject site.

Land Residual Analysis

Similar to the preceding single-family residential lot valuation, the land residual analysis is conducted on a ***quarterly basis***. As a discounted cash flow analysis, the land residual analysis consists of four primary components—revenue, expenses, absorption and discount rate. Discussions of these four concepts begin below, with the land residual analysis offered at the end of this section.

Revenue

Based on the density of the subjects' proposed townhome site, a hypothetical unit size of 1,400 square feet will be utilized. In order to estimate a market sale price for this hypothetical unit, we queried similar attached new home projects throughout the Sacramento region, as shown in the table below:

Project	Builder	Average Size (SF)	Average Price ($)	Average Price per SF ($)
Fusion	Beazer Homes	1,559	$303,386	$195
The Courts	Bardis Homes	973	$300,000	$308
The Villas	Beazer Homes	1,206	$354,500	$294

Based on the information above, a sale price of $280,000, or $200 per square foot, is considered reasonable for a hypothetical 1,400 square foot attached home. It is assumed the subject will not feature any units meriting a unit premium, and all units are generally similar in size.

Similar to the single-family residential lot valuation, model costs of $40,000 is anticipated for the townhome project as well. With three model units, a total model complex of $120,000 is assumed.

Considering the anticipated amount foot traffic for the subject property, a recapture amount towards the lower of the range, or 30%, is considered reasonable. Using this percentage, a recapture of $12,000 per model (30% x $40,000) is concluded, or a total of $36,000, which will be considered in the estimate of aggregate retail value.

The estimated aggregate retail value for the subjects' townhome units is summarized below.

TOWNHOME

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	120	1,400	$200	$280,000	$ 33,600,000
Model Recapture					$ 36,000
Total	**120**	**1,400 (weighted avg.)**		**$280,300 (avg.)**	**$ 33,636,000**

* Excludes the NPV of the Special Tax Lien
** Without appreciation

Closing Projections

The typical time required for the construction of units is estimated at three to six months from start to closing. It is assumed that initial closings will occur within three to six months of the date of sale. The premise is that the builder constructs efficiently as homes are sold. These assumptions, which are supported by similar projects throughout the region, are reflected in the projected construction schedule shown in the land residual models at the end of this section.

Changes in Market Conditions (Price Increases or Decreases)

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. However, under current market conditions, there is likelihood of some home price appreciation during the sell-off period. The subject has a projected 15-quarter (3 years 9 months) sell-off period. We estimate a level appreciation factor of 1.00% per year (0.25% quarterly) for the subjects' sell-off. There is a one-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).

Absorption

As discussed in further detail in the *Residential Market* overview section, over the last 15 months the monthly absorption rate per attached project has ranged from 1.5 to 5.7 sales, also with an average rate of 3.5 sales per project per month.

Given market conditions and the subjects' location and physical features, we estimate the subjects' high-density residential component could achieve an average absorption rate of about 3.0 sales per month. Further, with lower price points in the Natomas market area, this absorption figure is supported by other active projects in the greater Sacramento region. With sales beginning in Period 1, the project sells out in Period 14, with Period 15 needed to complete construction and close escrow.

Expense Projections

A deduction will be made for expenses attributable to the project over the holding period. All expense projection assumptions are the same as those in the single-family residential lot valuation (see pages 127-130), with the exception of the following:

Homeowners Association Dues (HOA)

Based on the two active attached projects in the subjects' immediate market area (The Retreat by K. Hovnanian Homes and The Villas by Beazer Homes), homeowner's association dues (HOA) range from $38 to $185 per unit per month. Based on our analysis herein, we have estimated an HOA toward the lower end of the range of $75 per unit per month for the subjects' high density residential component (townhome site) for common area amenities and maintenance and repairs.

Property Taxes (Ad Valorem and Special Taxes)

The subject is encumbered by CFD No. 2007-01 (Natomas Meadows) Special Taxes, which is taken into consideration in this analysis. The Special Taxes attributable to each unit is dependent on the anticipated home size and tax zone. Based on a copy of the City of Sacramento CFD No. 2007-01 (Natomas Meadows) Improvement Area No. 1 CFD No. 2007-01 Assigned Special Tax Table, a summary of which is provided in the *Property Legal Data* section, the average special tax per home is $1,167 per year for the hypothetical townhome size. In addition, direct levies are nominal ($210.00 per residential unit per year) and are included in this analysis.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. While permit and fee information was not provided for the townhouse component, our analysis herein utilized a similar schedule as the alley loaded lots of $45,000 per unit, which are supported by similar projects in the market area. Further, based on the information provided, it does not appear the townhome component will benefit from the prepaid impact fees; therefore, our analysis herein will utilize the previously mentioned $45,000 per unit.

Direct and Indirect Construction Costs

Based on the cost comparables, and considering the assumed average quality product line for the lot size category analyzed, a direct cost estimate of $95 per square foot is applied to the 1,400 square foot attached townhome, given the principle of economies of scale. An estimate of 15% is considered reasonable for indirect costs.

Summary

The chart on the following page summarizes the revenue and expenses discussed on the preceding pages.

REVENUE SUMMARY

Revenue	No. of Units	Unit Size	Average Sale $/SF	Average Value Per Unit*	Extension**
Hypothetical Floor Plan	120	1,400	$200	$280,000	$ 33,600,000
Model Recapture					$ 36,000
Total	**120**	**1,400 (weighted avg.)**		**$280,300 (avg.)**	**$ 33,636,000**

EXPENSES SUMMARY

General and Administrative					
		3.0% of total revenue (appreciated)		$1,026,045	
Marketing and Sales					
		5.0% of total revenue (appreciated)		$1,710,075	
Homeowners Association Dues (HOA)					$75 /unit/month
Ad Valorem Taxes					
1.2398% - Tax Rate				$32,359	
	÷ Total Number of Units		120		
		Ad Valorem Taxes		$270 /unit	
		Special Taxes & Direct Levies		$1,377 /unit	
Estimated Permits and Fees at Building Permit/Occupancy					
Average Permits and Fees/Unit			$45,000		
x Number of Units			120		
Total Permits and Fees				$5,400,000	

Construction Costs	SF	Units	Cost/SF	Extension**	Indirects
Typical Floor Plan	1,400	120	$95.00	$15,960,000	$2,394,000
Average Direct Construction Costs					$133,000
Indirect Costs			15% of Direct Costs		$19,950
Model Complex					$120,000

* Excludes the NPV of the Special Tax Lien
** Without appreciation

Developer's Incentive and Discount Rate

A more detailed discussion on an expected increment of profit and a cost-of-funds discount rate is provided in the single-family residential lot valuation section, in the land residual analysis.

Based on the characteristics of the subject property, including its location and perceived level of risk, we will employ a developer's profit factor of 11.00% of sales revenue, consistent with the regional market area. Additionally, we will employ a discount rate (cost of funds) of 6.0% in the land residual analysis.

The land residual analysis is presented on the following page.

LAND RESIDUAL ANALYSIS - TOWNHOMES

REVENUE AND SALES SUMMARY

Period (Quarter/3 months):	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
Sales	9	9	9	9	9	9	9	9	9	9	9	9	9	3	0	120
Close of Escrow (COE)	0	9	9	9	9	9	9	9	9	9	9	9	9	9	3	120
Unsold Inventory	111	102	93	84	75	66	57	48	39	30	21	12	3	0	0	
Total Sales	$ -	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 2,522,700	$ 840,900	$ 33,636,000
Inflation (Appreciation) Factor	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	
Total Sales Revenue	$ -	$ 2,522,700	$ 2,529,007	$ 2,535,314	$ 2,541,620	$ 2,547,927	$ 2,554,234	$ 2,566,847	$ 2,573,154	$ 2,579,461	$ 2,585,768	$ 2,592,074	$ 2,598,381	$ 2,604,688	$ 870,332	$ 34,201,505

EXPENSES AND CASH FLOW SUMMARY

Period (Quarter/3 months):		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	0	Total
General and Administrative		$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)	$ (68,403)		$ (1,026,045)
Marketing and Sales		$ -	$ (126,135)	$ (126,450)	$ (126,766)	$ (127,081)	$ (127,396)	$ (127,712)	$ (128,342)	$ (128,658)	$ (128,973)	$ (129,288)	$ (129,604)	$ (129,919)	$ (130,234)	$ (43,517)		$ (1,710,075)
Real Estate Taxes & Special Taxes		$ (49,410)	$ (45,704)	$ (41,998)	$ (38,292)	$ (35,278)	$ (31,499)	$ (27,719)	$ (23,939)	$ (20,562)	$ (16,707)	$ (12,851)	$ (8,996)	$ (5,243)	$ (1,311)	$ -		$ (359,509)
HOA Fees / Month	$75	$ (27,000)	$ (24,975)	$ (22,950)	$ (20,925)	$ (18,900)	$ (16,875)	$ (14,850)	$ (12,825)	$ (10,800)	$ (8,775)	$ (6,750)	$ (4,725)	$ (2,700)	$ (675)	$ -		$ (193,725)
Direct Construction Costs		$ (598,500)	$ (1,197,000)	$ (1,197,000)	$ (1,197,000)	$ (1,199,993)	$ (1,199,993)	$ (1,199,993)	$ (1,199,993)	$ (1,202,992)	$ (1,202,992)	$ (1,202,992)	$ (1,202,992)	$ (1,206,000)	$ (804,000)	$ (201,000)		$ (16,012,440)
Indirect Construction Costs		$ (89,775)	$ (179,550)	$ (179,550)	$ (179,550)	$ (179,999)	$ (179,999)	$ (179,999)	$ (179,999)	$ (180,449)	$ (180,449)	$ (180,449)	$ (180,449)	$ (180,900)	$ (120,600)	$ (30,150)		$ (2,401,866)
Model Costs		$ (120,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ (120,000)
Building Permits		$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (405,000)	$ (135,000)	$ -		$ (5,400,000)
Total Expenses		$ (1,358,088)	$ (2,046,767)	$ (2,041,351)	$ (2,035,936)	$ (2,034,654)	$ (2,029,164)	$ (2,023,675)	$ (2,018,501)	$ (2,016,864)	$ (2,011,299)	$ (2,005,734)	$ (2,000,169)	$ (1,998,165)	$ (1,260,223)	$ (343,070)		$ (27,223,661)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		$ (1,358,088)	$ 475,933	$ 487,655	$ 499,377	$ 506,966	$ 518,763	$ 530,559	$ 548,347	$ 556,290	$ 568,161	$ 580,033	$ 591,905	$ 600,216	$ 1,344,465	$ 527,262		$ 6,977,845
Total Developer's Incentive	11.00%	$ -	$ (277,497)	$ (278,191)	$ (278,884)	$ (279,578)	$ (280,272)	$ (280,966)	$ (282,353)	$ (283,047)	$ (283,741)	$ (284,434)	$ (285,128)	$ (285,822)	$ (286,516)	$ (95,736)		$ (3,762,166)
NET INCOME (BEFORE DISCOUNTING)		$ (1,358,088)	$ 198,436	$ 209,465	$ 220,493	$ 227,388	$ 238,491	$ 249,593	$ 265,993	$ 273,243	$ 284,421	$ 295,599	$ 306,777	$ 314,394	$ 1,057,949	$ 431,525		$ 3,215,679
Present Value Factor																		
Discount Rate (Cost of Borrowed Funds)	6.00%	0.98522	0.97066	0.95632	0.94218	0.92826	0.91454	0.90103	0.88771	0.87459	0.86167	0.84893	0.83639	0.82403	0.81185	0.79985		
Discounted Cash Flow		($1,338,017)	$192,614	$200,314	$207,745	$211,075	$218,110	$224,890	$236,125	$238,976	$245,076	$250,944	$256,584	$259,069	$858,895	$345,156		$ 2,607,558
Net Present Value		$2,607,558																

CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)	$22,000 /unit	$ 2,610,000

Conclusion of High Density Residential Land Value – Land Residual Analysis

Based on the previous analysis, the estimate of land value via the land residual analysis is $22,000 per unit/lot (rounded), net of the present value of the special tax lien. Below we have arrayed two bulk lot sales within the Sacramento market area. While these sales represent projects being developed with detached single-family product, the small lot design of each project limits the potential home sizes offered, similar to for-sale condominium projects. Thus, they are considered reasonable indicators for the upper end of the market value per unit for the subject's high-density residential site.

No.	Location	Buyer	Sale Date	Sale Price Bonds Total Consideration	No. of Lots	Typical Lot Size (SF)	Total Consideration Per Lot
1	**Ehrhardt Subdivision** S/O Ehrhardt Road, E/O Franklin Boulevard Sacramento, Sacramento County	Somerset Haven, LLC	Feb-16	$4,000,000	116	2,041	$34,483 Finished Lot
2	**North Natomas Village (Baroque)** Da Vinci Way, et. al. Sacramento, Sacramento County	Crowne Development, Inc.	Sep-15	$248,000 $69,064 *$317,064*	8	3,677 (average)	$39,633 Finished Lot

MARKET VALUE OF THE APPRAISED PROPERTIES (IN BULK), BY OWNERSHIP

The appraised properties represent certain undeveloped land areas in Improvement Area No. 1 within the boundaries of the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows). Specifically, the appraised properties consist of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. A summary of the appraised properties' APNs, lot counts and sizes by ownership is provided in the table below.

Property Owner	APNs	Lot Description	Lot Size (SF)	No. of Lots
Lennar Homes of California, Inc.	225-2790-001 through -061 and	47 x 85	3,995	87
	225-2800-001 through -058	45 x 102	4,590	32
			Subtotal	*119*
Woodside 05N, LP	225-2620-021 through -027, -028 through -034; 225-2630-010 through -003, -010 through -012, and -050 through -053	Alley	2,831	24
			Subtotal	*24*
D.R. Horton CA2, Inc.	225-2620-001 through -018, -037 through -043,	47 x 85	3,995	20
	-061 through -064; 225-2630-013 through -019,	45 x 102	4,590	18
	-026 and -027		*Subtotal*	*38*
Granite Bay Natomas Meadows	225-2620-44 through -060; 225-2630-004 through -009,	Alley	2,831	81
(d/b/a GBD Communities & Anthem United)	-020 through -025, -028 through -049, -054 through -058,	47 x 85	3,995	56
	-065, -066, -071 through -073; 225-2640-001 through -053,	45 x 102	4,590	47
	225-2660-001 through -012 and -014 through -071		*Subtotal*	*184*
Individual Homeowners (sold by Woodside)	225-2620-019, -020, -035 & -036	Alley	2,831	4
			Subtotal	*4*
Pardee Homes (d/b/a TriPointe)	225-0060-078	Townhome	N/Ap	120
			Subtotal	*120*
Total Number of Lots Appraised within the District				**489**

Presented below is a table summarizing the component values estimated throughout this Appraisal Report, which will be assigned to each ownership interest stated above:

	3,995 SF Lots	4,590 SF Lots	Alley-Loaded Lots	Townhome Per Unit
Completed Homes				
Lennar – Orchid	$375,000			
Lennar – Daliah	$435,000			
Lennar – Hydrangea	$455,000			
Woodside – Plan 1			$325,000	
Woodside – Plan 2			$330,000	
Woodside – Plan 3			$340,000	
Woodside – Plan 4			$350,000	
Improved Lot Values	$90,000	$95,000	$79,000	
Townhome Site				$22,000

In light of the fact Lennar Homes of California, Inc., Woodside 05N, LP, and D.R. Horton CA2, Inc. have acquired lots in recent months; it is the appraisers' assumption these property owners could sell their lots in bulk to one buyer within 12 months and no discounting is necessary. Therefore, based on the previous analysis the estimates of market value (in bulk), by ownership, subject to the impact of the Lien of the Special Tax securing the Natomas Meadows CFD No. 2007-01 Bonds, as of the date of value (inspection), March 7, 2017, for Lennar Homes of California, Inc., Woodside 05N, LP, and D.R. Horton CA2, Inc., as well as Pardee Homes (d/b/a TriPoint) in regards to the townhome site, are estimated in the following table.

Of note, as the master developer receives priority in the allocation of permit and fee credits previously discussed, and the preceding valuation analysis reflected the impact of the permit and fee credits ($16,263 per lot) in the determination of improved lot values for the various lot size components, a deduction for remaining permits and fees associated with the merchant builder lots (not including the townhome site owned by Pardee Homes) will be considered herein.

Additionally, as previously discussed, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; though, no contributory value is assigned to these partially completed homes. However, the contributory value of the permits and fees paid at building permit will be considered herein. As discussed in the permits and fees subsection of the *Site Improvement* section previously, according to a fee summary provided by the master developer, permits and fees due at building permit (including school fees) total approximately $55,045/lot for the 3,995 SF lots, $62,205/lot for the 4,590 SF lots, and $47,230/lot for the alley lots. Thus, these permits and fees will be considered for the 32 homes under construction, by merchant builder (see table on the following page), net of the permit and fee credits previously considered herein ($16,263 per lot).

Property Owner	Lot Description	Lot Size (SF)	No. of Lots	Concluded Lot Value (Rd.)*	Permits & Fees**	Extension (Rd.)
Lennar Homes of California, Inc.	Completed Single-Family Homes without AV's					
	The Orchid		1	$375,000	$0	$375,000
	The Daliah		1	$435,000	$0	$435,000
	The Hydrangea		1	$455,000	$0	$455,000
		Subtotal	*3*			*$1,265,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	47 x 85	3,995	21	$90,000	$38,782	$2,700,000
		Subtotal	*21*			*$2,700,000*
	Improved Single-Family Lots					
	47 x 85	3,995	63	$90,000	-$16,263	$4,650,000
	45 x 102	4,590	32	$95,000	-$16,263	$2,520,000
		Subtotal	*95*			*$7,170,000*
Lennar Homes of California Total			***119***			***$11,135,000***
Woodside 05N, LP	Completed Single-Family Homes without AV's					
	Plan 1		0	$325,000	$0	$0
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		2	$340,000	$0	$680,000
	Plan 4		2	$350,000	$0	$700,000
		Subtotal	*5*			*$1,710,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	Alley	2,831	6	$79,000	$30,967	$660,000
		Subtotal	*6*			*$660,000*
	Improved Single-Family Lots					
	Alley	2,831	13	$79,000	-$16,263	$820,000
		Subtotal	*13*			*$820,000*
Woodside 05N, LP Total			***24***			***$3,190,000***
D.R. Horton CA2, Inc.	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	2	$95,000	$45,942	$280,000
		Subtotal	*2*			*$280,000*
	Improved Single-Family Lots					
	47 x 85	3,995	20	$90,000	-$16,263	$1,470,000
	45 x 102	4,590	16	$95,000	-$16,263	$1,260,000
		Subtotal	*36*			*$2,730,000*
D.R. Horton CA2, Inc.			***38***			***$3,010,000***
Individual Homeowners	Completed Single-Family Homes without AV's					
	Plan 1		1	$325,000	$0	$325,000
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		1	$340,000	$0	$340,000
	Plan 4		1	$350,000	$0	$350,000
		Subtotal	*4*			*$1,345,000*
Individual Homeowners			***4***			***$1,345,000***
Pardee Homes (d/b/a TriPointe)	Townhome	N/Ap	120	$22,000	$0	$2,640,000
		Subtotal	*120*			*$2,640,000*
Pardee Homes (d/b/a TriPointe)			***120***			***$2,640,000***

* As of the date of value (inspection), March 7, 2017

** Merchant Builders are not eligible for the permit and fee credits

As for Granite Bay Natomas Meadows (master developer), they are the vested owner of the remaining 181 improved single-family residential lots (3 lots have homes under construction and are valued separately in this analysis). It is noted due to weather delays, approximately $190,000 in landscaping improvements are still required for Village 6 Phase 2, which will be considered herein.

Given the number of lots the master developer possesses and the anticipated sell-off of the lots (more than 12 months), the market value (in bulk), subject to the impact of the Lien of the Special Tax securing the Community Facilities District Bonds, will be estimated by employing the subdivision development method (discounted cash flow analysis); whereby, the expected revenue, absorption period, expenses and discount rate associated with the development and sell-off of the residential lots, in bulk, to merchant builders will be taken into account.

A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the sundivision development method consists of four primary components—revenue, expenses, absorption and discount rate. Discussions of these four concepts begin below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The total sales revenue (aggregate retail value) of the residential lots held by the master developer is provided in the table on the next page based on the previously estimated finished lot value (net of the present value of the special tax lien securing the bonds) and will serve as the revenue component of the DCF. As previously discussed an anticipated Bond size of approximately $12,330,000, based on a 3:1 value-to-lien, is estimated. Considering the costs of issuance, estimated at 13.54% per the Finance Team, construction fund proceeds of approximately $10,660,000 are estimated for this analysis. Deducting the $5.6 million described above suggests approximately $5,060,000 in potential Bond proceeds eligible to fund prepaid fees, or approximately 311 lots ($5,060,000 ÷ $16,262.69 per lot), which is more than sufficient to prefund the impact fees for the 181 lots held by the master developer. For purposes of this analysis, the benefit of the prepaid impact fees will be considered in the valuation after the analysis of the sale of the 181 lots, in bulk, thereby avoiding the impact of market appreciation on the anticipated revenue (sell-off of the lots) and discounting.

	Lot Size (SF)	No. of Lots	Indicated Finished Lot Values*	Aggregate
Alley Loaded	2,831	81	$79,000	$6,399,000
47 x 85	3,995	56	$90,000	$5,040,000
45 x 102	4,590	44	$95,000	$4,180,000
Total		181	$86,293	$15,619,000
Less Prepaid Impact Fees:		*181*	*-$16,263*	*-$2,943,603*
Net Revenue		**181**	**$70,030 (average)**	**$12,675,397**

* reflects the benefit of prepaid impact fees

Absorption Analysis

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the subjects' components, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period. In light of this, when estimating absorption, it is important to give significant weight to the past experience of parties marketing similar projects for sale.

In attempting to estimate the exposure time that would be required for the disposition of this residential land component of the subject, both the historical exposure times and projected economic conditions have been considered. For any master planned community it is common to segment the product to allow it to appeal to the broadest spectrum of potential users (housing for rent and sale, with both offering a wide range of price points). While there is a correlation between the sell-off of the end product (roof tops) and the sell-off of the land components, the relationship may not be readily apparent. Generally, the higher priced end products are expected to experience slower absorption rates than the lower priced end products, which are driven by the size of the respective buying pools. Thus, you could sell two land use components that will not compete with each other, due to product and price point, at similar times in the development process without jeopardizing absorption. A master developer's goal, and the goal of any respective builder, would be to avoid saturating the market with product. By the use of segmenting the range of product and diversifying the type of product (both for-sale and for-rent), a development can maximize the return to the land by hastening the disposition time necessary to sell off the land.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the residential lots comprising the subject property. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. It is anticipated a controlled disposition of the residential lots should occur within a 2.5-year period. This programmed sell-off of the lots will allow the master developer greater control over the ultimate build-out of the community and capture anticipated market appreciation in lot (and home) prices, as well as manage any market contractions. Further, given the recent disposition and pending disposition of lots to three home builders, demand for lots in the subjects' market area is evident.

In light of the improving market conditions for residential land throughout the Sacramento region, it may be reasonable to consider an appreciation factor for the subjects' land during the disposition period. As presented in the *Residential Market* section earlier, there are 10 active single-family residential subdivisions currently marketing homes in Natomas. As presented in the section, there's been only nominal appreciation in home prices at these active subdivisions over the past several quarters, suggesting the market is moderately improving. Therefore, a modest appreciation factor of 0.25% semi-annually will be applied to the conclusion of underlying lot values.

Expenses

General and Administrative

The general and administrative expense category covers the various administrative costs associated with managing the overall development. This would include management, legal and accounting fees and other professional services common to a development project. For purposes of this analysis, we have estimated this expense at 2% of the total gross sale proceeds. This expense is spread evenly over the entire sellout period.

Marketing and Sales

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 2% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends.

Ad Valorem Taxes and Special Taxes (CFD)

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on a tax rate of 1.2398%. This rate will be applied to the estimated market value, in bulk, and divided by the total number of lots to yield an estimate of ad valorem taxes/lot/year. The total tax expense is gradually reduced over the absorption period, as the residential lots are sold off. Property taxes are increased by 2% per year.

According to a copy of the Improvement Area No. 1 CFD No. 2007-01 Assigned Special Tax Table (provided in the *Property Legal Data* section), the Special Taxes attributable to each lot will be dependent on the anticipated home sizes. The maximum (weighted average) annual special tax for the lots still vested with the master developer is approximately $1,546 per lot, which will be used as the basis for estimating annual debt service while Improvement Area No. 1 is under construction.

As parcels are sold off by the master developer, the ad valorem and special tax obligation will be assumed by the buyer and, ultimately, each end user (homebuyer). The purpose of this analysis is to estimate the market value of the underlying land under the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, which will serve as the collateral to the proposed Bond issuance. As components of the subject property are sold off in this analysis, the balance of the Special Tax obligations necessary to service the debt are presumed to be collected from the new owners (buyers of the various land parcels) in the District.

Remaining Development Costs

The subject portion of Natomas Meadows CFD No. 2007-01 includes 369 fully improved single-family lots (curbs, gutters, sidewalks, street lighting, utilities stubbed, etc.). It is noted due to weather delays, approximately $190,000 in landscaping improvements are still required for Village 6 Phase 2, these costs have been applied to Period 1.

Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey[13], discount rates for land development projects ranged from 10.00% to 20.00%, with an average of 16.00% during the Fourth Quarter 2016, which is 50 basis points higher than six months prior (Second Quarter 2016), the last time the survey was conducted. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

> Development ranks as the second preferred investment category/strategy among respondents for 2017 – ahead of opportunistic and core investments and just below value-added investments. Even though development's rating slipped this year compared to last year's report – down from 3.82 to 3.53 on a scale of 1 (abysmal) to 5 (excellent), it's a trend seen in each of the four investment strategies. Ratings declines from 0.11 (core investments) to 0.29 (development) and averaged 0.19… 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 (5.69%). (Fourth Quarter 2016)
>
> Surveyed investors remain divided when asked which property sector presents the best opportunity for development land investing in the near term. While some believe that undeveloped residential land represents the best prospects for investing, a few others feel that land readied for retail development stands as the best opportunity for investors…While investors may be divided when it comes to which land type to pursue, they unanimously see positive opportunities over the near term and are eager to partake…Within the commercial real estate (CRE) industry, Reis reports that construction activity across all major property types continues to increase, fueled by the ongoing recovery in the economy and CRE fundamentals…Total spending on U.S. private construction was up 8.5% on a year-over-year basis in March 2016, according to the U.S. Census Bureau. When looking at private spending, private residential construction was up 7.8%, while private non-residential spending was up 9.3%...Over the next

[13] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 4th Quarter 2016, Volume 29, Number 4.

> 12 months, all investor participants except one foresee development land values to increase…(Second Quarter 2016)
>
> First, investors and developers are increasingly looking for development opportunities throughout the commercial real estate (CRE) industry – in both established sectors, like apartments, as well as in niche sectors, like data centers housing. And second, rising construction and land costs will likely keep the development cycle "in check," helping sustain the industry's recovery. Even though development ranks as the second preferred investment category/ strategy… only three of the five main CRE property types reported development prospects ratings higher than last year's report… retail, office and industrial. The apartment sector's score slipped slightly this year, while the hotel sector's rating decreased the most. Outside the traditional CRE property sectors… respondents felt that development prospects in 2016 were best for 1) urban mixed-use properties, 2) data centers, 3) master-planned communities, 4) self-storage, and 5) infrastructure. (Fourth Quarter 2015)
>
> 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 either 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 year-end 2015… Over the next 12 months, all investor participants expect one foresee development land values to increase. Appreciation ranges up to 15.0% and averages 5.2%. (Second Quarter 2015)
>
> Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Expected appreciation ranges up to 15.0% and average 5.0%. (Fourth Quarter 2014)

Information for a developing in-house database of project yield rates is presented in the following table. It is noted the preceding survey related to production home developments at the land stage.

Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Fourth Quarter 2016 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 16.0%, inclusive of profit and assuming entitlements in place, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	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%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

It is noted the preceding survey related to production home developments at the land stage. Even so, the respondents reflect the expectations of market participants in the residential sector.

The condition of the subject as a combination of improved and partially improved lots in comparison to the properties referred to by the survey respondents is considered to exhibit less risk. Based on the preceding discussion and developer surveys, we have concluded an internal rate of return (IRR) of **12.0%** for the subject property given the duration of its estimated absorption period and size (184 lots).

At the estimated IRR above, and assuming a 6.00% cost of funds for the subject (to represent the time value of money), the implied developer's profit is approximately 6.58 % on a bifurcated model, which is considered reasonable, as a substantial amount of the development risk has been mitigated.

Conclusion

The discounted cash flow is presented below, which incorporates the preceding factors in estimating the market value, in bulk, of the master developer. The discounted cash flow analysis is calculated on a semi-annual basis.

SUBDIVISION DEVELOPMENT METHOD

			1		2		3		4		5		Total
Total SFR Lots	181												
	Period (6 months):		1		2		3		4		5		Total
	Sales (Lots):		50		50		50		31		0		181
	End of Period Inventory		131		81		31		0		0		
	Total Period Inventory		181		131		81		31		0		
Revenue													
Total Sales Revenue		$	3,501,491	$	3,501,491	$	3,501,491	$	2,170,924	$	-	$	12,675,397
Appreication Factor			0.00%		0.25%		0.50%		0.75%		1.00%		
Total Revenue		$	3,501,491	$	3,510,245	$	3,518,998	$	2,187,206	$	-	$	12,717,940
Expenses													
General & Administrative	2.0%	$	63,590	$	63,590	$	63,590	$	63,590	$	-	$	254,359
Marketing/Commissions	2.0%	$	70,030	$	70,205	$	70,380	$	43,744	$	-	$	254,359
Ad Valorem Taxes	1.2398%	$	80,401	$	58,191	$	36,700	$	14,046	$	-	$	189,338
Special Taxes		$	143,024	$	103,515	$	65,285	$	24,986	$	-	$	336,810
Remaining Off-Site Improvements		$	190,000	$	-	$	-	$	-	$	-	$	190,000
Remaining On-Site Development		$	-	$	-	$	-	$	-	$	-	$	-
Total Expenses		$	(547,045)	$	(295,500)	$	(235,955)	$	(146,365)	$	-	$	(1,224,866)
NET INCOME		$	2,954,446	$	3,214,744	$	3,283,043	$	2,040,841	$	-	$	11,493,074
Internal Rate of Return (IRR)	12.0%		0.94340		0.89000		0.83962		0.79209		0.74726		
Discounted Cash Flow		$	2,787,213	$	2,861,111	$	2,756,506	$	1,616,537	$	-	$	10,021,368
Net Present Value		$	10,021,368										
Prepaid Impact Fees (per lot)*	$16,263	$	2,943,547										
Total Market Value		$	12,964,915										
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)												$	**12,960,000**

* To be financed by the City of Sacramento CFD No. 2007-01 (Natomas Meadows) Bonds

SUMMARY AND CONCLUSION

The purpose of this appraisal is to provide a market value of the appraised properties by ownership, as well as a cumulative, or aggregate, value estimate for the appraised properties, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, in accordance with the assumptions and conditions set forth in the attached document, as of the date of value (inspection), March 7, 2017. The appraised properties comprise certain undeveloped land areas in Improvement Area No. 1 within the boundaries of the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows). The appraised properties consist of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. These properties are of improved condition.

As a result of our analysis, it is our opinion the market value of the fee simple interest in the appraised properties, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid, in accordance with the assumptions and conditions set forth in the attached document, as of the date of value (inspection), March 7, 2017, is presented on the next page.

Property Owner	Lot Description	Lot Size (SF)	No. of Lots	Concluded Lot Value (Rd.)*	Permits & Fees**	Extension (Rd.)
Lennar Homes of California, Inc.	Completed Single-Family Homes without AV's					
	The Orchid		1	$375,000	$0	$375,000
	The Daliah		1	$435,000	$0	$435,000
	The Hydrangea		1	$455,000	$0	$455,000
		Subtotal	*3*			*$1,265,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	47 x 85	3,995	21	$90,000	$38,782	$2,700,000
		Subtotal	*21*			*$2,700,000*
	Improved Single-Family Lots					
	47 x 85	3,995	63	$90,000	-$16,263	$4,650,000
	45 x 102	4,590	32	$95,000	-$16,263	$2,520,000
		Subtotal	*95*			*$7,170,000*
Lennar Homes of California Total			***119***			***$11,135,000***
Woodside 05N, LP	Completed Single-Family Homes without AV's					
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		2	$340,000	$0	$680,000
	Plan 4		2	$350,000	$0	$700,000
		Subtotal	*5*			*$1,710,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	Alley	2,831	6	$79,000	$30,967	$660,000
		Subtotal	*6*			*$660,000*
	Improved Single-Family Lots					
	Alley	2,831	13	$79,000	-$16,263	$820,000
		Subtotal	*13*			*$820,000*
Woodside 05N, LP Total			***24***			***$3,190,000***
D.R. Horton CA2, Inc.	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	2	$95,000	$45,942	$280,000
		Subtotal	*2*			*$280,000*
	Improved Single-Family Lots					
	47 x 85	3,995	20	$90,000	-$16,263	$1,470,000
	45 x 102	4,590	16	$95,000	-$16,263	$1,260,000
		Subtotal	*36*			*$2,730,000*
D.R. Horton CA2, Inc.			***38***			***$3,010,000***
Granite Bay Natomas Meadows (d/b/a GBD Communities & Anthem United)	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	3	$95,000	$45,942	$420,000
		Subtotal	*3*			*$420,000*
	Improved Single-Family Lots					
	Alley	2,831	81			
	47 x 85	3,995	56	$71,602 /lot		$12,960,000
	45 x 102	4,590	44	(average)		
		Subtotal	*181*			*$12,960,000*
Granite Bay Natomas Meadows Total			***184***			***$13,380,000***
Individual Homeowners	Completed Single-Family Homes without AV's					
	Plan 1		1	$325,000	$0	$325,000
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		1	$340,000	$0	$340,000
	Plan 4		1	$350,000	$0	$350,000
		Subtotal	*4*			*$1,345,000*
Individual Homeowners Total			***4***			***$1,345,000***
Pardee Homes (d/b/a TriPointe)	Townhome	N/Ap	120	$22,000	$0	$2,640,000
		Subtotal	*120*			*$2,640,000*
Pardee Homes (d/b/a TriPointe) Total			***120***			***$2,640,000***
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN THE DISTRICT			**489**			**$34,700,000**
Aggregate Retail Value of 8 Existing Homes (Based on Assessed Value)*			***8***			***$2,297,599***
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN THE DISTRICT			**497**			**$36,997,599**

* As of the date of value (inspection), March 7, 2017

** Merchant Builders are not eligible for the permit and fee credits

*** Provided by the Assessor's Office

Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits ($16,263 per lot).

Please note the aggregate value noted above ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership. The estimates of market value account for the impact of the Lien of the Special Taxes securing the Bonds. Furthermore, the valuation completed herein is performed consistent with City's stated policies for Land Secured Financing appraisals, which dictates the value estimates are less the net present value (NPV) of the annual special taxes proposed for the financing.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the District are not marketed concurrently, which would suggest a market under duress.

EXPOSURE TIME & MARKETING TIME

Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with the market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends.

Exposure Time

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The housing market has entered a growth stage for the past few years. A transfer of residential land in the region has typically occurred within 12 months of exposure. It is estimated the exposure time for the subject property, if appropriately priced, would be within 12 months.

Marketing Time

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.

APPENDIX

A – TABLE 3. LIST OF AUTHORIZED FEES (IMPROVEMENT AREA #1 AND #2)

Granite Bay Development
Natomas Meadows - CFD No. 2007-01
Table 3. List of Authorized Fees (Improvement Area #1 and #2)

DEVELOPMENT IMPACT FEES	2007 Total Estimated Cost	2016/2017 Total Estimated Cost	Total Estimated Cost (Per Unit)	Comments
North Natomas Fees				
Transit Fee				
Single-Family	$ 211,308	$ -	$ -	Fee removed from IA#1 per guidance from city on 8/30/1(
Multi-Family	33,960	$ -	$ -	Fee removed from IA#1 per guidance from city on 8/30/1(
Public Facilities Fee				
Single-Family	$ 3,177,668	$ 2,825,009	$ 3,731.85	$1.4MM Credits applied off updated $4.2MM total
Multi-Family	475,560	645,480	$ 852.68	
Land Acquisition Fee				
Single-Family	$ -	$ -	$ -	
Multi-Family	-	-	-	
Regional Park Land Acquisition Fee				
Single-Family	$ 744,321	$ -	$ -	Fee removed from IA#1 per guidance from city on 8/30/1(
Multi-Family	90,600	-	$ -	Fee removed from IA#1 per guidance from city on 8/30/1(
Habitat Conservation Fee				
All residential	$ -	$ -		$5.5M estimate-to be determined (2)
City Fees				
Construction Excise Tax (CET)				
All residential	$ 494,648	$ 1,532,062	$ 2,023.86	
Park Development Impact Fee				
All residential	$ 50,000	$ 3,537,026	$ 4,672.43	Pay as a fee resulting from canceled park agmt
Water Service Tap Fee				
Single-Family	$ 1,420,510	$ 1,420,510	$ 1,876.50	
Multi-Family	10,325	10,351	$ 13.67	
Water Development Fee				
Single-Family	$ 1,468,285	$ 1,822,954	$ 2,408.13	
Multi-Family	127,213	157,886	$ 208.57	
Water Meter Fee				
All residential	$ 112,665	$ 359,575	$ 475.00	
TOTAL DEVELOPMENT IMPACT FEES	$ 8,417,063	$ 12,310,854	$ 16,263	

Footnotes:
[1] Assumes 757 total buildout units
[2] Proposed to be elgible for Improvement Area #2 after change proceedings

DRAFT

B - GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

Aggregate of Retail Values: The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions.

As Is Market Value: The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Band of Investment: A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Bulk Value: The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Comparative-Unit Method: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

Cost Approach: A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.

Depreciation: In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified.

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Discount Rate: A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

Disposition Value: The most probable price that a specified interest in property should bring under the following conditions: 1) consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market; 2) the property is subjected to market conditions prevailing as of the date of valuation; 3) both the buyer and seller are acting prudently and knowledgeably; 4) the seller is under compulsion to sell; 5) the buyer is typically motivated; 6) both parties are acting in what they consider to be their best interests; 7) an adequate marketing effort will be made during the exposure time; 8) payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto; 9) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Easement: The right to use another's land for a stated purpose.

Exposure Time: The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

External Obsolescence: A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.

Extraction: A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Fair Market Value: The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Functional Obsolescence (Curable): An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.

Functional Obsolescence (Incurable): An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal.

Highest and Best Use: The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Hypothetical Condition: 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 analysis.

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

Prospective Opinion of Value: A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Quantity Survey Method: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

Replacement Cost: The estimated cost to construct, at current prices as of a specified date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Site Coverage Ratio: The gross area of the building footprint divided by the site area.

Stabilized Occupancy: 1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. 2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Subdivision Development Method: A method of estimating land value when subdividing and developing a parcel of land is the highest and best use of that land. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or the completed improvements on those lots), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place Method: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method.*

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.

Yield Rate: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

C - QUALIFICATIONS OF APPRAISER(S)

Kevin K. Ziegenmeyer, MAI, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

Professional Affiliations

Appraisal Institute – MAI Designation
Certified General Real Estate Appraiser - State of California (No. AG013567)

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
(continued on next page…..)

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(.....continued from previous page)
2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:
Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose:
Athletic Clubs
Churches
Educational Facilities
Restaurants
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities

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Sample of Appraisal Experience

Hunters Point Shipyard – Phase I San Francisco, San Francisco County, California	This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.
City of San Mateo Community Facilities District No. 2008-1 (Bay Meadows) San Mateo, San Mateo County, California	This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.
City of Redwood City Community Facilities District No. 2010-1 (One Marina) Redwood City, San Mateo County, California	This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.
County of San Joaquin Community Facilities District No. 2009-2 (Vernalis Interchange) Vernalis, San Joaquin County, California	This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.

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Sample of Appraisal Experience (continued)

Bickford Ranch Community Facilities District No. 2003-1 Placer County, California	The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.
El Dorado Hills Community Facilities District No. 1992-1 (portion) El Dorado County, California	This assignment involved the hypothetical cumulative or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.
Community Facilities District No. 16 West Sacramento, California	This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.
Community Facilities District No. 17 West Sacramento, California	This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.
Diablo Grande Community Facilities District No. 1 (Series 2002) Stanislaus County, California	The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.
Plumas Lake Community Facilities District No. 2002-1 Yuba County, California	This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.

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Sample of Appraisal Experience (continued)

Brentwood Assessment District No. 2003-1 Brentwood, Contra Costa County, California	This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.
Patterson Gardens & Keystone Pacific Business Park Patterson, Stanislaus County, California	This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.
Syrah Condominiums Sacramento, Sacramento County, California	Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2015
Date Expires: June 4, 2017

Jim Martin, Bureau Chief, BREA

3020787

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Eric A. Segal, MAI, Partner

Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos and Assessment Districts for land-secured municipal financings. He has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations

Appraisal Institute – MAI designation
Certified General Real Estate Appraiser – State of California (No. AG026558)
Real Estate Appraiser - Certified General – State of Nevada (No. A.0207066-CG)

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Appraisal Litigation Practice and Courtroom Management
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications

Sample of Appraisal Experience

Pleasant Valley Mixed-Use Development Visitacion Valley Neighborhood San Francisco, San Francisco County, California	This appraisal was prepared for loan underwriting. The Pleasant Valley mixed-use development comprises approximately 20.08 gross acres of land to be developed in three phases. Phase 1 will contain 568 residential units, a grocery store, in-line retail stores, office space, public park and pedestrian access to the Caltrain Bayshore station, which is located just east of the development. Phase 2 will contain approximately 556 residential units and an additional public park (Visitacion Park). Phase 3 will contain approximately 555 residential units. In total, Pleasant Valley is expected to be developed with 1,679 residential units of studio/loft, 1, 2, 3 and 4-bedroom unit types.
Hunters Point Shipyard – Phase I San Francisco, San Francisco County, California	This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.
Santa Barbara Palms Las Vegas, Clark County, Nevada	Santa Barbara Palms is a 114-unit, age-restricted, low-income housing apartment project in Las Vegas. The appraisal was prepared under Section 223(f) of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance for Capital One Multifamily Finance, LLC.
City of Dixon Community Facilities District No. 2013-1 (Parklane) Dixon, Solano County, California	This assignment involved the appraisal of 71.51 gross acres of land approved for the development of 401 single-family homes under construction by Brookefield Homes. The proposed Bond proceeds were to be used to reimburse the developer for infrastructure improvements. The estimate of market value accounted for the impact of the lien of the special taxes securing the proposed Bonds, and the estimated value was subject to a hypothetical condition such improvements were in place and available for use.

Northern California/Nevada
3825 Atherton Road, Suite 500
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Sample of Appraisal Experience (continued)

City of San Mateo Community Facilities District No. 2008-1 (Bay Meadows) San Mateo, San Mateo County, California	This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.
City of Redwood City Community Facilities District No. 2010-1 (One Marina) Redwood City, San Mateo County, California	This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.
County of San Joaquin Community Facilities District No. 2009-2 (Vernalis Interchange) Vernalis, San Joaquin County, California	This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.
HUD 223(f) Apartment Portfolio San Francisco, San Francisco County, California	This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.
The Parkway & Quinto Ranch Santa Nella, Merced County, California	This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.

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Sample of Appraisal Experience (continued)

Reclamation District No. 17 – Mossdale Tract (portion) County of San Joaquin, California	The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.
Bickford Ranch Community Facilities District No. 2003-1 Placer County, California	The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.
El Dorado Hills Community Facilities District No. 1992-1 (portion) El Dorado County, California	This assignment involved the hypothetical cumulative, or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.
Diablo Grande Community Facilities District No. 1 (Series 2002) Stanislaus County, California	The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.
Plumas Lake Community Facilities District No. 2002-1 Yuba County, California	This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.
Patterson Gardens & Keystone Pacific Business Park Patterson, Stanislaus County, California	This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

COPY

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2017
Date Expires: February 18, 2019

James S Martin

Jim Martin, Bureau Chief, BREA

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Seevers
Jordan
Ziegenmeyer
Real Estate Appraisal & Consultation

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Sara Gilbertson, Appraiser

Introduction
Ms. Gilbertson is a licensed appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. She joined the firm in April 2011 after completing her bachelor's degree at California State University, Sacramento and has been writing narrative appraisal reports for a variety of commercial properties. She is now involved in appraisal assignments covering office, retail, industrial, land and mixed-use properties, as well as special-use properties including self-storage facilities, hotels and mobile home parks. Ms. Gilbertson has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations
Certified General Real Estate Appraiser - State of California (No. 3002204)

Education
Academic:
Bachelor of Science in Business Administration (Concentration in Real Estate and Land Development), California State University, Sacramento

Appraisal Institute Courses:
Basic Appraisal Principles
Basic Appraisal Procedures
Uniform Standards of Professional Appraisal Practice
Real Estate Finance and Statistics and Valuation Modeling
Sales Comparison Approach
Report Writing and Case Studies
Market Analysis and Highest and Best Use
Site Valuation and Cost Approach
Basic Income Capitalization
Expert Witness for Commercial Appraisers
Commercial Appraisal Review

Sample of Appraisal Experience

27-Room Hotel Stockton, California	In this assignment for Wells Fargo Bank, we estimated the market value of the going concern of 27-room, limited service hotel. The market value of the going concern was also allocated between real property, FF&E (personal property), and business enterprise.
76,971 SF Multi-Building Office Complex Sacramento, California	This appraisal involved the valuation of a three, multi-tenant office buildings. In this assignment, we estimated the market value of the leased fee interest in the property as of a current inspection date, and the prospective market value upon stabilized occupancy. The as-is and prospective values were provided for each building, as well as in bulk. The client for this assignment was Mechanics Bank.
120,944 SF Office Building & 6,000 SF Bank Building Modesto, California	In this assignment for Bank of America, the subject property consisted of a five-story medical office building and a free standing bank branch building. We estimated the hypothetical market value of the property as if stabilized, the as-is market value, and the prospective market value upon stabilized occupancy.
14,703 SF Retail Building (Proposed) Escalon, California	This report involved the valuation of a commercial-zoned site proposed for development of a single tenant retail building with a credit tenant in place (build-to-suit). The valuation scenarios included the prospective market value (leased fee interest) upon completion of construction and at stabilized occupancy, the hypothetical market value (leased fee interest) at completion of construction and stabilized occupancy, and the as-is market value of the land (fee simple interest). The client for this assignment was Wells Fargo.
Commercial Laundry Facility Gilroy, California	This report involved the valuation of a two-building commercial laundry facility. We estimated the retrospective market value of the leased fee interest. The client was Libitzky Property Companies.
Mobile Home Park Lakeport, California	This assignment involved the valuation of multifamily project consisting of 19 income producing mobile home lots and two for-ret duplexes (or four apartment units). The valuation involved the prospective market value upon stabilized occupancy and the as-is market value which accounted for the renovation of the duplex units and deferred maintenance.
Mixed-Use Commercial Development (Proposed) Fresno, California	This appraisal involved the valuation of an 87.32 acre portion of master planned community proposed for retail, office, and multifamily development, as well as a plaza, lake, and recreation area. The valuation of multifamily parcels included some second level ("air rights") area. We estimated the as-is market value, hypothetical market values assuming all backbone infrastructure is in place in bulk, by parcel and the aggregate retail value. This report was prepared for Wells Fargo.

Business, Consumer Services & Housing Agency

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REAL ESTATE APPRAISER LICENSE

Sara A. Gilbertson

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002204

Effective Date: May 30, 2016
Date Expires: May 29, 2018

Jim Martin, Bureau Chief, BREA

3025146

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Update Appraisal Report

Properties within City of Sacramento Community Facilities District No. 2007-01, Natomas Meadows (portion of)
Sacramento, California 95831

Date of Report: July 7, 2017

Prepared For:

Mr. Brian Wong, MBA, CPFO
Debt Manager
City of Sacramento
Office of the City Treasurer
915 I Street, HCH – 3rd Floor
Sacramento, CA 95814

Prepared By:

Kevin K. Ziegenmeyer, MAI
Eric A. Segal, MAI
Sara A. Gilbertson, Appraiser

Seevers Jordan Ziegenmeyer
Real Estate Appraisal & Consultation

Seevers Jordan Ziegenmeyer Real Estate Appraisal & Consultation

July 7, 2017

Mr. Brian Wong, MBA, CPFO
Debt Manager
City of Sacramento
Office of the City Treasurer
915 I Street, HCH – 3rd Floor
Sacramento, CA 95814

RE: Properties within City of Sacramento Community Facilities District No. 2007-01, Natomas Meadows (portion of) Sacramento, California 95831

Dear Mr. Wong:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an update to our appraisal of the above-referenced property. In the original document, dated April 28, 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) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004). Furthermore, the valuation completed in the attached report is performed consistent with City's stated policies for Land Secured Financing appraisals, which dictates that the value estimates are less the net present value (NPV) of the annual special taxes proposed for the financing. Our original appraisal had an effective date of value of March 7, 2017. **This update appraisal may only be used in conjunction with our original report**.

As an Update 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 intended use of this Update Appraisal Report, dated July 7, 2017, is to ascertain whether the current estimate of cumulative, or aggregate, value of the District derived in the original Appraisal Report, dated April 28, 2017, is not-less-than that derived in the original Appraisal Report as of the date of inspection (value), March 7, 2017. Subsequent to the original date of value (March 7, 2017), market conditions have continued to improve, and home construction and sales have continued within the active subdivisions comprising the District.

The appraised properties represent certain undeveloped land areas in Improvement Area No. 1, a portion of the Natomas Meadows master planned community, within the boundaries of City of Sacramento Community Facilities District ("CFD") No. 2007-01 (Natomas Meadows). The appraised properties consist of 489 residential units (369 improved, detached single-family residential lots and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners. Any properties within the boundaries of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), as well as eight existing single-family homes with assigned assessed improvement values, are not a part of this appraisal. Natomas Meadows is generally located at the southeast corner of Del Paso Road and Gateway Park Drive; Improvement Area No. 1 of Natomas Meadows is the northern portion of the community (excluding Villages 1 and 5, as well as a detention basin, which encompass Improvement Area No. 2).

As of the date of inspection, March 7, 2017, Lennar Homes of California, Inc. owned 119 lots, of which three homes (models) were complete and 21 lots were under construction with single-family homes. There are three rolling-option contracts between the master developer and two homebuilders (Woodside and D.R. Horton). Woodside was vested in 24 finished lots, of which five homes were complete (including three models) and six lots were under construction with single-family homes. D.R. Horton was vested in 38 finished lots, of which two homes (models) were under construction. The master developer (Granite Bay Natomas Meadows) owns 184 improved lots, of which three lots were under construction with homes (models). The 120-unit townhome site comprises a single unimproved 8.23± acre parcel vested with Pardee Homes (d/b/a TriPoint). There were four completed homes transferred to individual homeowners from the Woodside (Woodside Homes at Natomas Meadows) subdivision without an assessed value for both land and (structural) improvements.

The Appraisal Report dated April 28, 2017 derived estimates of market value of the appraised properties comprising the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows), as well as the aggregate, or cumulative, value of the District. Please note the aggregate value ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership.

Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites) are not a part of this appraisal and, therefore, are not included herein. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, as of the original date of value, March 7, 2017, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value was assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Presented below is a summary of pertinent information pertaining to the subject properties:

Property Rights Appraised:	Fee simple estate
Property Description:	The subject properties represent the taxable properties within the boundaries of the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows), subject to the Lien of the Special Tax securing the Bonds, as of the effective (updated) date of value (July 7, 2017), which encompasses 370 Assessor's parcels.

The appraised properties consist of 489 residential units (369 detached single-family residential units and 120 attached townhome units) held by one master developer/homebuilder and four separate merchant builders, as well as four individual homeowners.

Zoning & Entitlements:

According to the City of Sacramento Planning Department, the majority of the subject is zoned R-1A-PUD – Single-Family Alternative Residential (15 units per acre), Planned Unit Development. The purpose of the R-1A designation is to permit single-unit or duplex dwellings, whether attached or detached, at a higher density than is permitted in the R-1 zone. Dwellings that have no interior side yards, such as townhouses and rowhouses, are allowed. The maximum density allowed is 15 units per acres on a minimum lot size of 2,900 square feet per dwelling unit.

The subject townhome site is zoned R-2B-PUD – Multifamily Residential (21 units per acre), Planned Unit Development. The purpose of the R-2B zone is to accommodate broader density flexibility as a transition from the garden-apartment setting to a more traditional apartment setting. This zone allows for a maximum of 21 units per acre on a 2,000 square foot minimum lot.

Additionally, the appraised properties represent a portion of the Natomas Meadows Master Planned Community, which in its entirety encompasses 110 acres. At build-out, Natomas Meadows is planned to include over 900 homes and living units with a 12-acre park and bike trails linked to the city's master trail system. The 120 attached townhome site (market rate) was approved in 2006, entitlement permit number P06-124

Earthquake Zone:

According to the Seismic Safety Commission, the appraised properties are located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Highest and Best Use as Vacant: The highest and best use as vacant, is for near term medium and high density residential development. The probable buyer of the residential lots, in bulk, is a production homebuilder intending to build a combination of entry-level and/or first-time move-up homes. Development of the subject multifamily component as proposed, a 120-unit for-sale townhome development, is maximally productive. The probable buyer of the high density residential land would be a builder/developer.

Highest and Best Use as Improved: The highest and best use of the subject as improved is for near term residential development. The probable buyer of the subject residential lots in an as-improved condition would be a production homebuilder. The probably buyer for the high density residential land would be a builder/developer.

Type and Definition of Value: The purpose of this update appraisal is to estimate the not-less-than market value of the subject property as of a current date.

Scope of Work: In preparing this update appraisal, we analyzed market data presented in our original appraisal report dated April 28, 2017 (as of the March 7, 2017 date of value/inspection). In addition, we analyzed current market conditions. This Update Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file. The purpose of this Update Appraisal Report, dated July 7, 2017, is to ascertain whether the current estimate of cumulative, or aggregate, value of the District derived in the original Appraisal Report, dated April 28, 2017, is not-less-than that derived in the original Appraisal Report as of the date of inspection (value), March 7, 2017.

Date of Inspection: The subject was not re-inspected.

Date of Report: July 7, 2017

Date of Value: July 7, 2017

Conclusion of Cumulative, or Aggregate, Value of the District: The estimates of not-less-than cumulative, or aggregate, value of the District is presented in the table on the following page:

Property Owner	Lot Description	Lot Size (SF)	No. of Lots	Concluded Lot Value (Rd.)*	Permits & Fees**	Extension (Rd.)
Lennar Homes of California, Inc.	Completed Single-Family Homes without AV's					
	The Orchid		1	$375,000	$0	$375,000
	The Daliah		1	$435,000	$0	$435,000
	The Hydrangea		1	$455,000	$0	$455,000
		Subtotal	*3*			*$1,265,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	47 x 85	3,995	21	$90,000	$38,782	$2,700,000
		Subtotal	*21*			*$2,700,000*
	Improved Single-Family Lots					
	47 x 85	3,995	63	$90,000	-$16,263	$4,650,000
	45 x 102	4,590	32	$95,000	-$16,263	$2,520,000
		Subtotal	*95*			*$7,170,000*
Lennar Homes of California Total			***119***			***$11,135,000***
Woodside 05N, LP	Completed Single-Family Homes without AV's					
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		2	$340,000	$0	$680,000
	Plan 4		2	$350,000	$0	$700,000
		Subtotal	*5*			*$1,710,000*
	Partially Improved Single-Fmaily Homes (Under Construction)					
	Alley	2,831	6	$79,000	$30,967	$660,000
		Subtotal	*6*			*$660,000*
	Improved Single-Family Lots					
	Alley	2,831	13	$79,000	-$16,263	$820,000
		Subtotal	*13*			*$820,000*
Woodside 05N, LP Total			***24***			***$3,190,000***
D.R. Horton CA2, Inc.	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	2	$95,000	$45,942	$280,000
		Subtotal	*2*			*$280,000*
	Improved Single-Family Lots					
	47 x 85	3,995	20	$90,000	-$16,263	$1,470,000
	45 x 102	4,590	16	$95,000	-$16,263	$1,260,000
		Subtotal	*36*			*$2,730,000*
D.R. Horton CA2, Inc.			***38***			***$3,010,000***
Granite Bay Natomas Meadows (d/b/a GBD Communities & Anthem United)	Partially Improved Single-Fmaily Homes (Under Construction)					
	45 x 102	4,590	3	$95,000	$45,942	$420,000
		Subtotal	*3*			*$420,000*
	Improved Single-Family Lots					
	Alley	2,831	81			
	47 x 85	3,995	56	$71,602 /lot		$12,960,000
	45 x 102	4,590	44	(average)		
		Subtotal	*181*			*$12,960,000*
Granite Bay Natomas Meadows Total			***184***			***$13,380,000***
Individual Homeowners	Completed Single-Family Homes without AV's					
	Plan 1		1	$325,000	$0	$325,000
	Plan 2		1	$330,000	$0	$330,000
	Plan 3		1	$340,000	$0	$340,000
	Plan 4		1	$350,000	$0	$350,000
		Subtotal	*4*			*$1,345,000*
Individual Homeowners Total			***4***			***$1,345,000***
Pardee Homes (d/b/a TriPointe)	Townhome	N/Ap	120	$22,000	$0	$2,640,000
		Subtotal	*120*			*$2,640,000*
Pardee Homes (d/b/a TriPointe) Total			***120***			***$2,640,000***
TOTAL AGGREGATE VALUE OF APPRAISED PROPERTIES WITHIN THE DISTRICT			**489**			**$34,700,000**
Aggregate Retail Value of 8 Existing Homes (Based on Assessed Value)*			***8***			***$2,297,599***
TOTAL AGGREGATE VALUE OF APPRAISED & ASSESSED PROPERTIES WITHIN THE DISTRICT			**497**			**$36,997,599**

* As of the date of value (inspection), March 7, 2017

** Merchant Builders are not eligible for the permit and fee credits

*** Provided by the Assessor's Office

Any properties within the appraised portion of the District not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal and, therefore, are not included in the table above. We were requested to include the assessed value for both land and improvements for the eight existing single-family homes to provide the total aggregate value of the appraised and assessed properties within the subject portion of the District (Improvement Area No. 1). It's worth noting, there were 32 homes under construction by Lennar, Woodside, D.R. Horton, and Anthem United; however, no contributory value is assigned to these partially completed homes other than the permits and fees paid at building permit, net of the permit and fee credits considered herein ($16,263 per lot).

Please note the aggregate value noted above ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership. The estimates of market value account for the impact of the Lien of the Special Taxes securing the Bonds. The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the District are not marketed concurrently, which would suggest a market under duress.

This Update Appraisal Report dated July 7, 2017, which contains 13 pages, must remain attached to the original appraisal dated April 28, 2017, which contains 165 pages, plus related exhibits and Appendix, in order for the value opinions set forth herein to be considered valid.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

It is noted the use of an extraordinary assumption or hypothetical condition may have affected the results of the appraisal.

Extraordinary Assumptions

1. We have been requested to estimate the market value of the appraised properties, *by ownership*, as well as the cumulative, or aggregate, value, subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid. Several of the appraised lots are currently under contract as part of three separate options and purchase agreements. According to the contracts the seller grants to the buyers the exclusive option to purchase the subject lots during the term of the option. However, the market values estimated by ownership are premised on the vested owner as of the original date of inspection (March 7, 2017).

2. Lot counts, by ownership, were provided from various sources, including the master developer (Granite Bay Natomas Meadows d/b/a GBD Communities) and the master developer consultant, DPFG. Lot counts between these two sources did not completely reconcile with public records with respect to the transfer of lots between the master developer and merchant builders regarding the rolling takedown of developable lots. Specifically, the 28 Woodside lots correspond to the first 5 takedowns stipulated in their rolling option purchase contract. The 38 DR Horton lots comprise the first three takedowns of the 3,995 SF lots (20 lots), as well as the first two takedowns of the 4,590 SF lots (14 lots) and at the time of inspection, public records indicated only a portion of the third takedown of 4,590 SF lots, 4 of the 6 lots, were vested with DR Horton resulting in 38 lots (20+14+4). Consequently, public records were relied upon in this appraisal report.

3. A preliminary title report was not provided for this appraisal. As a result, the appraiser assumes no negative title restrictions or easements affect the subject property. The client is advised to obtain a title report to determine any possible conditions of title affecting the property appraised. The appraiser accepts no responsibility for matters pertaining to title, and the opinion(s) of value stated herein could be negatively impacted by title restrictions.

4. According to the City of Sacramento, the master developer (Granite Bay Natomas Meadows d/b/a GBD Communities) will receive reimbursement from City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bond proceeds in the amount of $5.6 million related to infrastructure costs associated with development of Natomas Meadows, including an existing detention basin, with the balance of the Bond proceeds eligible to prepay impact fees. Specifically, North Natomas Public Facilities Fees of $4,584.53 per lot and City Fees of $11,678.16 per lot, for a total of $16,262.69 per lot, will be paid by proceeds from the Bonds [please refer to the *Table 3. List of Authorized Fees (Improvement Area #1 and #2)* in the Appendix to this Report]. According to the City of Sacramento, bonding capacity is limited to a 3:1 value-to-lien on the aggregate of the value of the District, by ownership. Based on the estimates of value, by ownership, presented in this Appraisal Report, an anticipated Bond size of approximately $12,330,000, based on a 3:1 value-to-lien, is estimated. Considering the costs of issuance, estimated at 13.54% per the Finance Team, construction fund proceeds of approximately $10,660,000 are estimated for this analysis. Deducting the $5.6 million described above suggests approximately $5,060,000 in potential Bond proceeds eligible to fund prepaid

fees, or approximately 311 lots ($5,060,000 ÷ $16,262.69 per lot), which is more than sufficient to prefund the impact fees for the 181 lots held by the master developer.

Hypothetical Conditions

1. We have been requested to estimate the market value of the appraised properties, *by ownership*, as well as the cumulative, or aggregate, value as of the date of inspection (March 7, 2017), subject to the hypothetical condition impact fees to be financed by the City of Sacramento Community Facilities District No. 2007-01 (Natomas Meadows) Bonds have been paid.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. No responsibility is assumed for matters of law or legal interpretation.

3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.

5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.

8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.

10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.

11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the

subjects' physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. 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.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.

13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.

14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.

15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.

16. An inspection of the appraised properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.

17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I 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.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have previously made an inspection of the property that is the subject of this report.
- Eric A. Segal, MAI, and Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567 (Expires June 4, 2019)

July 7, 2017
DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I 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.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have not made a personal inspection of the property that is the subject of this report.
- Kevin Ziegenmeyer, MAI, and Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Eric A. Segal, MAI
State Certification No.: AG026558 (February 18, 2019)

July 7, 2017
DATE

CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I 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.
- I have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- I have made an inspection of the properties that are the subject of this report.
- Kevin Ziegenmeyer, MAI, and Eric A. Segal, MAI, reviewed this report.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.

Sara A. Gilbertson, Appraiser
State Certification No.: 3002204 (May 29, 2018)

July 7, 2017
DATE

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1)
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 $12,295,000 aggregate principal amount of City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of July 1, 2017 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 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.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

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

"Acquisition and Construction Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

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

"Bond Redemption Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Reserve Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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 Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) 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 Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Act.

"Community Facilities Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), City of Sacramento, County of Sacramento, State of California Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Costs of Issuance Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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.

"Developed Property" means, for any Fiscal Year, all Taxable Land in Improvement Area No. 1 that is classified as Developed Property for such Fiscal Year under the Special Tax Formula.

"Developer" means Granite Bay-Natomas Meadows, LP, and its successors or assigns.

"Event of Default" means an event described as such in the Master Indenture.

"Expense Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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 September 28, 2007.

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

"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 September 28, 2007.

"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.

"Improvement Area No. 1" means Improvement Area No. 1 of the Community Facilities District.

"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.

"Independent Consultant" means any consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relative to special taxes and special tax bond financing for California community facilities districts formed pursuant to the Act, appointed and paid by the City, and who, or each of whom –

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

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

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

"Initial Supplemental Reserve Requirement" means $474,656.00.

"Master Indenture" means the Master Indenture, dated as of July 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.

"Other CFD Bonds" means, as of any date of determination, any and all bonds, notes or other evidences of indebtedness issued under the Act, other than the Bonds, then outstanding and payable at least partially from special taxes to be levied on any Taxable Land in Improvement Area No. 1.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

(1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

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

"Rebate Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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 Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) 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 Improvement Area No. 1 under and pursuant to the Act at the special election held in Improvement Area No. 1 on December 9, 2013.

"Special Tax Formula" means the Amended and Restated Rate and Method of Apportionment of Special Tax approved at the special election held in Improvement Area No. 1 on December 9, 2013.

"Special Tax Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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.

"Supplemental Reserve Fund" means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Supplemental Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Supplemental Reserve Requirement" means the Initial Supplemental Reserve Requirement as reduced from time to time 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 Improvement Area No. 1 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.

"Undeveloped Property" means, for any Fiscal Year, all Taxable Land in Improvement Area No. 1 that is classified as Undeveloped Property for such Fiscal Year under the Special Tax Formula.

"Value" means, with respect to any Taxable Land in Improvement Area No. 1, either the current assessed value of such Taxable Land within Improvement Area No. 1 or the appraised value of such Taxable Land in Improvement Area No. 1 determined by an MAI appraiser.

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 the Costs of Issuance Fund; and

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

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

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

Deposit of Proceeds of the Special Tax in the Special Tax Fund

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the "Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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, the Bond Reserve Fund, and the Supplemental Reserve Fund.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Remaining Facilities Amount" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City (whether by proceedings for foreclosure or otherwise) of any delinquent installment of the Special Tax (including any penalties and interest thereon) for which a transfer was previously made by the Trustee from the Supplemental Reserve Fund to the Bond Redemption Fund (as determined by the Treasurer), the Treasurer shall transfer or deposit the amount of such delinquency (including any penalties and interest thereon) in the following amounts and in the following order of priority: (i) first, the Treasurer shall transfer to the Trustee for deposit in the Bond Reserve Fund so much of such amount, if any, as is necessary to restore the amount on deposit in the Bond Reserve Fund to the Required Bond Reserve but only to the extent that amounts on deposit in the Bond Reserve Fund were previously used to make up a deficiency in the Bond Redemption Fund as a result of such delinquent installment of the Special Tax (as determined by the Treasurer); (ii) second, the Treasurer shall transfer to the Trustee for deposit in the Supplemental Reserve Fund so much of such amount remaining, if any, as is necessary to restore the amount on deposit in the Supplemental Reserve Fund to the current Supplemental Reserve Requirement; (iii) third, the Treasurer shall transfer to the Developer so much of such amount remaining, if any, as is necessary to reimburse the Developer for any previous reduction in the Supplemental Reserve Requirement for which the Developer has not been reimbursed; and (iv) fourth, the Treasurer shall deposit in the Special Tax Fund so much of such amount remaining, if any, after the transfers described in clauses (i), (ii), and (iii) of this paragraph. The amounts of the transfers and deposits described in clauses (i), (ii), (iii), and (iv) of this paragraph will be determined by the Treasurer and such determinations shall be final and conclusive. Except as provided in this paragraph, no proceeds of the Special Tax will be deposited in the Supplemental Reserve Fund.

Allocation of Money in the Special Tax Fund

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

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

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

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

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve; or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the paragraph immediately above it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund.

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

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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.

Supplemental Reserve Fund

(a) Under the Master Indenture, there is established with the Trustee a fund to be known as the "Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Supplemental Reserve Fund." The Trustee shall deposit the Initial Supplemental Reserve Requirement in the Supplemental Reserve Fund on the date of issuance of the Series 2017 Bonds. The Trustee shall also deposit in the Supplemental Reserve Fund such other amounts as are transferred by the City to the Trustee for deposit therein under the provisions of the Master Indenture described in the third paragraph under the caption "Deposit of Proceeds of the Special Tax in the Special Tax Fund" above. All money in the Supplemental Reserve Fund shall be used and withdrawn by the Trustee solely as provided in the Master Indenture and described under this caption "Supplemental Reserve Fund."

(b) If, by any February 15 or August 15, the amount on deposit in the Special Tax Fund is not sufficient for the Treasurer to transfer to the Trustee the amount required to be deposited in the Bond Redemption Fund on or before the next succeeding March 1 or September 1, as applicable, then at least two Business Days before the next succeeding March 1 or September 1, as applicable, the Treasurer shall notify the Trustee in writing of the amount of the deficiency, if any, that is the result of any delinquency in the payment of the Special Tax levied on Undeveloped Property (and for which no reduction to the Supplemental Reserve Requirement has previously been made as provided in the Master Indenture) (the "Supplemental Reserve Fund Draw Amount") and direct the Trustee to transfer the Supplemental Reserve Fund Draw Amount to the Bond Redemption Fund from the amount, if any, then on deposit in the Supplemental Reserve Fund. Not later than the March 1 or September 1 immediately succeeding the Trustee's receipt of the notice and direction from the Treasurer and before withdrawing and utilizing amounts on deposit in the Bond Reserve Fund to make up any deficiency in the Bond Redemption Fund as of such March 1 or September 1, as applicable, the Trustee shall transfer the Supplemental Reserve Fund Draw Amount to the Bond Redemption Fund from the amount, if any, then on deposit in the Supplemental Reserve Fund.

(c) After the deposit of the Initial Supplemental Reserve Requirement in the Supplemental Reserve Fund, the Supplemental Reserve Requirement shall be reduced as follows:

(1) If on any date after November 30 of any year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying: (i) that building permits issued by the City in Improvement Area No. 1 during the six-month period commencing on the June 1 preceding such November 30 and ending on such November 30, both dates inclusive, will result (or has resulted) in all or any portion of the Taxable Land that was classified as Undeveloped Property under the Special Tax Formula for the Fiscal Year in which such six-month period ended (and for which no reduction to the Supplemental Reserve Requirement has previously been made as provided in the Master Indenture) being reclassified as Developed Property under the Special Tax Formula for the Fiscal Year following the Fiscal Year in which such six-month period ended; (ii) the amount of the Special Tax levied on that Undeveloped Property in Fiscal Year 2017-2018; and (iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(2) If on any date after May 31 of any year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying: (i) that building permits issued by the City in Improvement Area No. 1 during the six-month period commencing on the December 1 preceding such May 31 and ending on such May 31, both dates inclusive, will result (or has resulted) in all or any portion of the Taxable Land that was classified as Undeveloped Property under the Special Tax Formula for the Fiscal Year in which such six-month period ended (and for which no reduction to the Supplemental Reserve Requirement has previously been made as provided in the Master Indenture) being reclassified as Developed Property under the Special Tax Formula for the Fiscal Year following the Fiscal Year in which such six-month period ended; (ii) the amount of the Special Tax levied on

that Undeveloped Property in Fiscal Year 2017-2018; and (iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(3) If during any Fiscal Year the City delivers to the Trustee a Certificate of the City (which, at the City's option, may be based on a written certificate or written certificates of one or more Independent Consultants) certifying as follows:

(i) that the aggregate Value of all Undeveloped Property in Improvement Area No. 1 owned by any given property owner (and for which no reduction to the Supplemental Reserve Requirement has previously been made as provided in the Master Indenture) is at least four times the sum of the following: (A) an allocable share of the aggregate principal amount of all Bonds then Outstanding, determined by multiplying the aggregate principal amount of all Bonds then Outstanding by a fraction, the numerator of which is the amount of the Special Tax levied on such Undeveloped Property in such Fiscal Year, and the denominator of which is the total amount of the Special Tax levied on all Taxable Land in Improvement Area No. 1 in such Fiscal Year; (B) the aggregate principal amount of all fixed lien special assessments levied on such Undeveloped Property, based upon information from the most recent Fiscal Year for which such information is available; and (C) an allocable share of the aggregate principal amount of all Other CFD Bonds outstanding, determined by multiplying the aggregate principal amount of all Other CFD Bonds outstanding by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on such Undeveloped Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land, based upon information from the most recent Fiscal Year for which such information is available;

(ii) the amount of the Special Tax levied on that Undeveloped Property in Fiscal Year 2017-2018; and

(iii) the difference between the amount of the existing Supplemental Reserve Requirement and the amount certified by the City under clause (ii) of this paragraph, then the existing Supplemental Reserve Requirement shall be immediately reduced to an amount equal to the amount certified by the City under clause (iii) of this paragraph.

(4) If on any date the City delivers to the Trustee a Certificate of the City certifying that the Special Tax levied on all Undeveloped Property in Improvement Area No. 1 for a Fiscal Year is less than 10% of the Special Tax levied on all Taxable Land in Improvement Area No. 1 for that Fiscal Year, then the Supplemental Reserve Requirement shall immediately be reduced to $0.00 and the Supplemental Reserve Fund shall no longer be required to be maintained by the Trustee.

(d) In connection with the reduction of the Supplemental Reserve Requirement as provided in the Master Indenture, the City shall also direct the Trustee in writing to withdraw any amount then on deposit in the Supplemental Reserve Fund in excess of the reduced Supplemental Reserve Requirement and transfer the excess to or upon the order of the Developer. Upon receipt of a Certificate of the City as provided in the Master Indenture and the written direction of the City as provided in the Master Indenture, the Trustee shall withdraw any amount then on deposit in the Supplemental Reserve Fund in excess of the reduced Supplemental Reserve Requirement and transfer the excess to or upon the order of the Developer, as set out in the written direction of the City as provided in the Master Indenture. If the Supplemental Reserve Requirement has been reduced as provided in the Master Indenture, then, upon the transfer of all amounts remaining on deposit in the Supplemental Reserve Fund as set out in the written direction of the City as provided in the Master Indenture, the Trustee shall close the Supplemental Reserve Fund.

(e) Notwithstanding anything to the contrary in the Master Indenture, the City shall not be required to transfer any amount to the Supplemental Reserve Fund to restore the amount on deposit therein to the Supplemental Reserve Requirement except as provided in the provisions of the Master Indenture described under the third paragraph under the caption "Deposit of Proceeds of the Special Tax in the Special Tax Fund" above.

Covenants of the City

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

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Master Indenture.

Against Federal Income Taxation.

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

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the "Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1), 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 Improvement Area No. 1 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 Bond Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing the Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the proceeds of the Special Tax and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

(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.

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APPENDIX F

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of July 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 Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017 (the "**Bonds**"). The Bonds are being issued under Resolution No. 2017-0276 adopted by the Sacramento City Council on June 27, 2017, and a Master Indenture, dated as of July 1, 2017 as supplemented by a First Supplemental Indenture dated as of July 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 Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California.

   - "***EMMA***" means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

   - "***Listed Events***" means any of the events listed in Section 5(a) of this Certificate.

   - "***MSRB***" means the Municipal Securities Rulemaking Board.

   - "***Official Statement***" means the Issuer's official statement with respect to the Bonds.

   - "***Participating Underwriter***" means Stifel, Nicolaus & Company, Incorporated.

- "***Rate and Method of Apportionment***" means the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 approved by the Resolution of Formation.

- "***Resolution of Formation***" means the Resolution adopted by the Sacramento City Council on September 10, 2013, and designated as Resolution No. 2013-0301, by which the City undertook change proceedings with respect to the District and designated Improvement Area No. 1 of 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. If the Dissemination Agent is other than the Issuer, then not later than 15 business days before the date referred to in the prior sentence, the Issuer shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4 of this Certificate, except that the Issuer's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) will apply. Not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the date for providing the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with Section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer's certification and will have no duty or obligation to review the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in Section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—

(1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and

(2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. **Content of Annual Reports**. The Issuer's Annual Report must contain or include by reference all of the following:

(a) *Financial Statements*. The Issuer's audited financial statements for the Issuer's most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) *Financial and Operating Data*. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

(1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:

(A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).

(B) The Bond Reserve Fund.

(C) The Supplemental Reserve Fund, if any.

(2) The assessed valuation of the Taxable Parcels within Improvement Area No. 1 in the aggregate, which may be in a form similar to Table 4 (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 Improvement Area No. 1 for the prior fiscal year, which may be in a form similar to Table 8 in the Official Statement.

(5) An update of the information in Table 6 of the Official Statement based on the assessed valuation of the Taxable Parcels within Improvement Area No. 1 for the current fiscal year, except that the information with respect to overlapping land-secured debt need not be included.

(6) If any single property owner is responsible for 10% or more of the Special Tax levy for the current fiscal year, an update of the information in Table 7 of the Official Statement based on the assessed valuation of the Taxable Parcels within Improvement Area No. 1 for the current fiscal year, except that the information with respect to overlapping land-secured debt need not be included.

(7) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(A) The Required Bond Reserve for the prior fiscal year.

(B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

(C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.

(c) Any or all of the items listed in Section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

5. **Reporting of Significant Events**.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not 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 Colville, City Treasurer

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APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

This Developer Continuing Disclosure Certificate (this "Disclosure Certificate"), dated July 1, 2017, is executed and delivered by Granite Bay-Natomas Meadows, LP, a Washington limited partnership (the "Landowner"), in connection with the issuance by the City of Sacramento (the "City") with respect to the $12,295,000 City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017 (the "Bonds"). The Bonds are being issued under a Master Indenture, dated as of July 1, 2017 as supplemented by a First Supplemental Indenture dated as of July 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. The following entities that are landowners within Improvement Area No. 1 are not Affiliates of the Landowner and information on the development of the property owned by such entities will not be provided pursuant to this Disclosure Certificate: (i) Anthem United Willow Homes Limited Partnership; (ii) Lennar Homes of California, Inc.; (iii) Woodside 05N, LP; (iv) D.R. Horton CA2, Inc.; and (v) Pardee Homes.

"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 City of Sacramento Natomas Meadows Community Facilities District No. 2007-01.

"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.

"Improvement Area No. 1" means Improvement Area No. 1 of the District.

"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 July 13, 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 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 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. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the 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, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—Granite Bay" and "—Granite Bay Development Plan."

2. 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 Improvement Area No. 1.

3. To the extent not updated by Section 4(a)(1) above, an update of the sale, if any, of property within Improvement Area No. 1 by the Landowner to a 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 the Landowner obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1) 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 Improvement Area No. 1, or would materially adversely affect the financial condition of the Landowner or its Affiliates or their respective ability to pay special taxes levied within Improvement Area No. 1;

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 adversely affect the completion of the development of parcels owned by the Landowner or its Affiliates within Improvement Area No. 1, or would materially adversely affect the financial condition of the Landowner or its Affiliates and their respective ability to pay special taxes levied within Improvement Area No. 1; 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 Improvement Area No. 1, 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 its Affiliates and their respective ability to pay special taxes levied within Improvement Area No. 1.

(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 Improvement Area No. 1 that is responsible for less than 20% of the special tax levy in Improvement Area No. 1.

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:	Granite Bay-Natomas Meadows, LP 2001 Douglas Blvd., Suite 200 Roseville, CA 95661
Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, CA 94104 Attn: Municipal Research

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.

GRANITE BAY-NATOMAS MEADOWS, LP,
A Washington limited partnership

By: Granite Bay Development II, LLC,
A Washington limited liability company,
Its General Partner

By:____________________________

Name: __________________________

Title: ___________________________

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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 City 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 City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com.*

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX I

FORM OF INVESTOR LETTER

City of Sacramento
Sacramento, California

U.S. Bank National Association
San Francisco, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Re: City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017

Ladies and Gentlemen:

In connection with its purchase on the date hereof of a beneficial interest in the above-referenced bonds (the "Bonds"), issued pursuant to a Master Indenture dated as of July 1, 2017, as supplemented by a First Supplemental Indenture dated as of July 1, 2017, each by and between the City of Sacramento (the "City") and U.S. Bank National Association, as trustee (together, the "Indenture"), the undersigned (the "Bond Purchaser"), hereby represents, warrants and agrees as follows (capitalized terms used in this investor letter (this "Letter") but not defined have the meaning given them in the Indenture):

(a) The Bond Purchaser: (i) is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") promulgated under the Securities Act of 1933, as amended (the "Act"); (ii) is acquiring the Bonds for its own account or for the account of a Qualified Institutional Buyer and not with a present view toward resale or the distribution thereof; and (iii) is capable of evaluating investment risks and market value independently, both in general and with regard to transactions and investment strategies in municipal securities, such as the Bonds.

(b) The Bond Purchaser understands that the Bonds: (i) have not been registered under the Act and that such registration is not legally required; (ii) have not been registered and may not have otherwise been qualified for sale under the "Blue Sky" laws and regulations of any state; (iii) will not be listed in any stock or other securities exchange; (iv) will not carry a rating from any rating service; and (v) due to a lack of rating, may not be readily marketable. The Bond Purchaser will not resell or otherwise dispose of all or any part of the Bonds, except as permitted by law and in compliance with, and subject to, all applicable federal and state securities laws and regulations.

(c) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there may be no established market for the Bonds and that the Bond Purchaser must bear the economic risk of an investment in the Bonds for a certain period of time.

(d) The Bond Purchaser acknowledges that the obligation of the City to pay debt service on the Bonds is a special, limited obligation payable solely from the Special Tax and certain other amounts held under the Indenture, and that the City is not obligated to use any other moneys or assets of the City to pay debt service on the Bonds.

(e) The Bond Purchaser acknowledges that it has been supplied with or been given access to the Preliminary Official Statement dated July 5, 2017 (the "POS") and a final Official Statement dated July

13, 2017 (the "OS"), delivered in connection with the Bonds, both including an Appraisal Report dated April 28, 2017 (with a date of value of March 7, 2017).

(f) The Bond Purchaser understands that the City and the Underwriter, and their respective counsel and Bond Counsel will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

(g) The signatory of this Letter is a duly authorized representative of the Bond Purchaser with the authority to sign this Letter on behalf of the Bond Purchaser, and this Letter has been duly authorized, executed and delivered.

Very truly yours,

[BOND PURCHASER NAME]

By:____________________________________
Name:__________________________________
Title: __________________________________

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