

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 alternative minimum tax. 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.”



\$6,855,000

CITY OF SACRAMENTO

**NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019**

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. 2 (“Improvement Area No. 2”) 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. 2) Special Tax Bonds, Series 2019 (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 facilities fees required in connection with the development of Improvement Area No. 2; (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds; and (d) fund capitalized interest on the Bonds due on September 1, 2019.

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 May 1, 2019 as supplemented by a First Supplemental Indenture dated as of May 1, 2019, 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. 2 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. 2. See “SOURCES OF PAYMENT FOR THE BONDS.” Special taxes levied in Improvement Area No. 1 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, 2019. The Bonds will be transferable or exchangeable only 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. 2 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

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

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

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, 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 May 29, 2019.

STIFEL

\$6,855,000
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019
MATURITY SCHEDULE

BASE CUSIP^{®†}: 786071

SERIAL BONDS

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP^{®†}
2020	\$ 15,000	3.000%	1.640%	101.681	NA4
2021	20,000	4.000	1.900	104.612	NB2
2022	30,000	4.000	2.010	106.238	NC0
2023	35,000	4.000	2.120	107.609	ND8
2024	45,000	4.000	2.180	108.988	NE6
2025	55,000	5.000	2.270	115.833	NF3
2026	65,000	5.000	2.370	117.433	NG1
2027	75,000	5.000	2.440	117.342 ^C	NH9
2028	90,000	5.000	2.510	116.894 ^C	NJ5
2029	100,000	5.000	2.600	116.322 ^C	NK2
2030	115,000	5.000	2.690	115.752 ^C	NL0
2031	130,000	5.000	2.750	115.374 ^C	NM8
2032	145,000	5.000	2.820	114.935 ^C	NN6
2033	160,000	5.000	2.860	114.685 ^C	NP1
2034	180,000	5.000	2.910	114.374 ^C	NQ9
2035	195,000	5.000	2.950	114.125 ^C	NR7
2036	215,000	5.000	2.990	113.877 ^C	NS5

\$775,000 5.000% Term Bonds due September 1, 2039, Yield: 3.050% Price: 113.506^C CUSIP No.[†] NT3

\$1,795,000 5.000% Term Bonds due September 1, 2044, Yield: 3.180% Price: 112.708^C CUSIP No.[†] NU0

\$2,615,000 5.000% Term Bonds due September 1, 2049, Yield: 3.230% Price: 112.403^C CUSIP No.[†] NV8

^C Priced to the optional redemption date of September 1, 2025, at 103%.

[†] 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© 2019 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. 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
Eric Guerra, Vice Mayor, District 6
Angelique Ashby, District 1
Allen Warren, District 2
Jeff Harris, District 3
Steven Hansen, District 4
Jay Schenirer, District 5
Rick Jennings II, District 7
Larry Carr, District 8

ADMINISTRATIVE OFFICES

Howard Chan, City Manager
Michael Jasso, Assistant City Manager
Leyne Milstein, Assistant City Manager
Chris Conlin, Assistant City Manager
John P. Colville Jr., City Treasurer
Susana Alcalá Wood, City Attorney
Mindy Cuppy, City Clerk
Dawn Holm, Finance Director

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Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

Hilltop Securities, Inc.
Encino, California

Trustee

U.S. Bank National Association
San Francisco, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Appraiser

BBG, Inc.
Sacramento, California

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

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

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “IMPROVEMENT AREA NO. 2” 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.

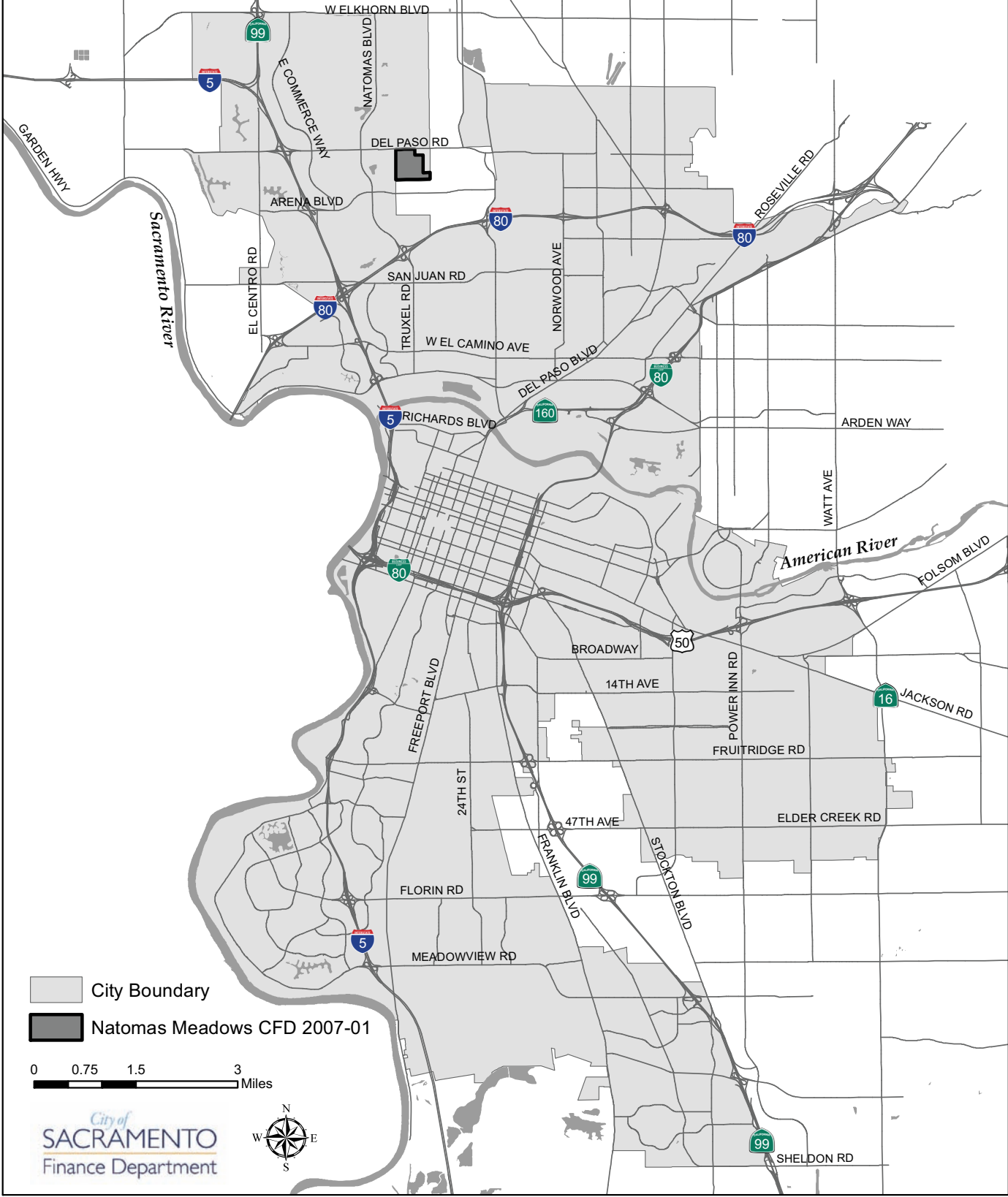
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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**City of Sacramento
Natomas Meadows
CFD 2007-01**



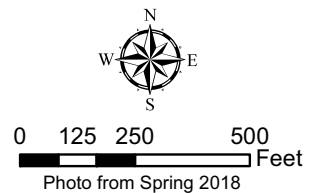
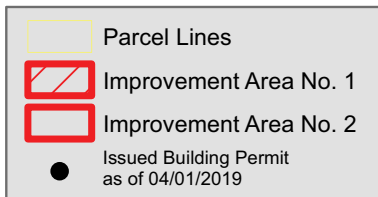
City Boundary
 Natomas Meadows CFD 2007-01

0 0.75 1.5 3 Miles

City of
SACRAMENTO
 Finance Department



Natomas Meadows CFD No. 2007-01 Improvement Area No. 2 Issued Permits



\$6,855,000
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Sacramento (the “City”) of the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019 (the “Bonds”) in the aggregate principal amount of \$6,855,000. The Bonds are being issued by the City with respect to Improvement Area No. 2 (“Improvement Area No. 2”) of the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “District”). 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 facilities fees required in connection with the development of Improvement Area No. 2; (b) fund a reserve fund securing the Bonds; (c) pay costs of issuance of the Bonds and (d) fund capitalized interest on the Bonds due on September 1, 2019. See “THE FINANCING PLAN — Estimated Sources and Uses of Funds.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a Master Indenture, dated as of May 1, 2019 as supplemented by a First Supplemental Indenture dated as of May 1, 2019, 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. 2 and all amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund as provided in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.” Special taxes levied in Improvement Area No. 1 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” and “UNDERWRITING.”

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 Date of the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated May 6, 2019 under the caption “IMPROVEMENT AREA NO. 2 — Delinquency History” to reflect that there were no delinquencies in the payment of the Fiscal Year 2018-19 Special Tax levy.

Improvement Area No. 2

General. Improvement Area No. 2 is located at the southeast quadrant of Terracina Drive and Gateway Park Drive, approximately seven miles north of downtown Sacramento. Approximately 21.46 acres of property in Improvement Area No. 2 are expected to be subject to the Special Tax (as defined in this Official Statement) at build-out. The property within Improvement Area No. 2 which is not subject to the levy of the Special Tax consists primarily of public right of ways and a detention basin owned and maintained by the City. Granite Bay-Natomas Meadows, LP, a Washington limited partnership (“Granite Bay”) is currently the master developer of property in Improvement Area No. 2. 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. 2, 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 \$8,000,000 for Improvement Area No. 2. 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. See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge.*”

Property Ownership and Development Status

Improvement Area No. 2 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. 2 is planned for 260 residential units at build-out, consisting of 48 traditional single family detached homes and 212 cluster or alley-loaded single family homes. The balance of the property within Improvement Area No. 2 is anticipated to be used for public right of ways and a detention basin. See “IMPROVEMENT AREA NO. 2 — General Description.” Construction within the District commenced in 2007 but development was delayed as a result of the de facto building moratorium described under “IMPROVEMENT AREA NO. 2 — De Facto Flood Hazard and Building Moratorium.”

As set forth in the Appraisal Report (as defined below), as of the February 7, 2019 date of value, Granite Bay, Anthem United Willow Homes Limited Partnership, a Washington limited partnership

(“Anthem”) (which is an affiliated entity of Granite Bay), Lennar Homes of California, Inc. (“Lennar”), Woodside 05N, LP a California limited partnership (“Woodside”) and Kit Construction, Inc. dba Carson Homes (“Carson Homes”) owned the number of lots within Improvement Area No. 2 set forth in the table below. As of such date, there were 24 homes within Improvement Area No. 2 which had been conveyed to individual homeowners. The 84 lots owned by Granite Bay, as shown in the table below, are under contract to be sold to Woodside. Such sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract. As further described under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT,” since February 7, 2019, certain of the builders listed below have conveyed additional homes to individual homeowners.

<i>Owner⁽¹⁾</i>	<i>No. of Units⁽¹⁾</i>	<i>Property Value⁽²⁾</i>
Granite Bay ⁽³⁾	84	\$ 7,195,000
Anthem	32	4,300,000
Lennar	48	3,840,000
Woodside	57	3,990,000
Carson Homes	15	2,455,000
Individual Homeowners	<u>24</u>	<u>10,470,000</u>
Total	260	\$32,250,000

⁽¹⁾ Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 2 at buildout. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

⁽²⁾ Reflects appraised value of property as set forth in the Appraisal Report. See “INTRODUCTION — Appraisal Report” and “APPENDIX B — Appraisal Report and Update Appraisal Report.”

⁽³⁾ The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Source: Appraiser.

As of the February 7, 2019 date of value, the property within Improvement Area No. 2 owned by Granite Bay and the aforementioned merchant builders varied from finished lots (with all curbs, gutters, sidewalks, street lighting and wet and dry utilities complete) to lots with completed homes. Final maps have been recorded for all of the property within Improvement Area No. 2. All backbone infrastructure necessary to complete development within Improvement Area No. 2 is complete. A completed clubhouse, pool and associated recreational facilities are located within Improvement Area No. 2 and serve the entire Natomas Meadows community.

Development within Improvement Area No. 2 is ongoing. Since the February 7, 2019 date of value set forth in the Appraisal Report, certain merchant builders have conveyed additional homes to individual homeowners. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.” The table below summarizes the property ownership within Improvement Area No. 2 as of February 7, 2019 and as of April 1, 2019.

<i>Owner⁽¹⁾</i>	<i>No. of Units as of February 7, 2019⁽¹⁾</i>	<i>No. of Units as of April 1, 2019⁽²⁾</i>
Granite Bay ⁽³⁾	84	84
Anthem	32	28
Lennar	48	48
Woodside	57	57
Carson Homes	15	12
Individual Homeowners	<u>24</u>	<u>31</u>
Total	260	260

⁽¹⁾ Reflects ownership information as set forth in the Appraisal Report. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

⁽²⁾ Reflects ownership information as of April 1, 2019. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

⁽³⁾ The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Source: Appraiser; Granite Bay.

Under the Rate and Method, parcels with building permits as of June 1 of each year will be classified and taxed as “Developed Property” in the next Fiscal Year. Based on building permits obtained as of April 1, 2019, 63 parcels are expected to be taxed as “Developed Property” in Fiscal Year 2019-20. Parcels that will be classified as Developed Property for the Fiscal Year 2019-20 Special Tax levy include completed homes owned by homeowners, completed homes and homes under construction owned by merchant builders, and a completed clubhouse owned by the Natomas Meadows Community Association. The Special Tax levy allocable to Developed Property represents approximately 33% of the total projected Fiscal Year 2019-20 Special Tax levy. As of April 1, 2019, the remaining parcels in Improvement Area No. 2 are expected to be taxed as “Undeveloped Property” in Fiscal Year 2019-20, meaning that no building permits had been obtained for such parcels as of such date. The projected Special Tax levy for Fiscal Year 2019-20 allocable to Undeveloped Property represents approximately 67% of the projected Special Tax levy for such fiscal year. See “IMPROVEMENT AREA NO. 2—Value-to-Lien Ratios.”

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. 2 — De Facto Building Moratorium and Flood Hazard” and “SPECIAL RISK FACTORS — Natural Disasters.”

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. 2,” “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, which may only be issued to refund the Bonds (the “Refunding Bonds”) or any Refunding Bonds outstanding, are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Refunding Bonds are payable solely from the Special Tax to be levied annually against the taxable property in Improvement Area No. 2, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in Improvement Area No. 2, 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 Refunding Bonds. The Bonds and any Refunding 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. 2 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 pay debt service on the Bonds and any Refunding 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 Refunding 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 Refunding Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held in the Bond Reserve Fund 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. 2 is currently 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. 2 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. 2. See "SPECIAL RISK FACTORS — Property 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.

Refunding Bonds and Additional Liens. Under the terms of the Indenture, the City may issue Refunding 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 any Refunding Bonds. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Refunding Bonds." Refunding 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. 2, 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 (excluding the completed clubhouse) within Improvement Area No. 2 was prepared by BBG, Inc., Sacramento, California (the "Appraiser"). The Appraisal Report has a date of value of February 7, 2019 (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. 2 that are subject to the lien of the Special Tax. As currently planned, development in Improvement Area No. 2 is expected to consist of 260 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) (excluding the completed clubhouse) within Improvement Area No. 2 subject to the Special Tax was not less than \$32,250,000.

The Appraiser has prepared an Update Appraisal Report dated April 17, 2019 (the "Update Appraisal Report"). In the Update Appraisal Report, the Appraiser concludes that the value of the appraised properties as

of the date of the Update Appraisal Report, is not less than the conclusion of value for such property set forth in the Appraisal Report.

The Appraisal Report and the Update Appraisal Report are 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 or the Update Appraisal Report. See “IMPROVEMENT AREA NO. 2 — Property Values” and “—Value-to-Lien Ratios.” There is no assurance that any property within Improvement Area No. 2 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. 2,” “SPECIAL RISK FACTORS — Property 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, San Francisco, 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, San Francisco, California, 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 BBG, Inc., Sacramento, California, as the Appraiser, Hilltop Securities, Inc., Encino, 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. To assist in the marketing of the Bonds, Granite Bay and Woodside will execute and deliver continuing disclosure undertakings pursuant to which they will agree to provide, or cause to be provided on EMMA, updated information relating to their respective property in Improvement Area No. 2 (the “Developer Reports” and together with the City Reports, the “Reports”) on a semiannual basis, and notices of certain events.

As described herein, Granite Bay is currently scheduled to convey the remaining lots that it owns within Improvement Area No. 2 to Woodside at the end of May 2019. Upon such transfer of lots, Granite Bay’s obligation to provide updated information under its continuing disclosure undertaking will terminate. Granite Bay and Woodside are currently in negotiations to reschedule the transfer of such lots to a later time. Depending on the time of such transfer, Granite Bay may not file any Developer Reports prior to the termination of its continuing disclosure undertaking. Should such transfer not occur, Granite Bay’s obligations under its continuing disclosure undertaking will continue in accordance with its terms.

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, Granite Bay and Woodside, 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.”

Other Information

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

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

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

THE FINANCING PLAN

Authorized Facilities 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 facilities 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. 2 — 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	\$ 6,855,000.00
Plus Original Issue Premium	897,950.20
Total Sources	<u>\$ 7,752,950.20</u>

Uses of Funds:

Acquisition and Construction Fund	\$ 6,643,911.45
Bond Redemption Fund ⁽¹⁾	87,182.78
Costs of Issuance ⁽²⁾	425,284.43
Bond Reserve Fund	596,571.54
Total Uses	<u>\$ 7,752,950.20</u>

⁽¹⁾ Amount represents capitalized interest on the Bonds through September 1, 2019.

⁽²⁾ 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, 2019 (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 maturing on or after September 1, 2026, 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, 2025, 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:

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2025 through August 31, 2026	103%
September 1, 2026 through August 31, 2027	102
September 1, 2027 through August 31, 2028	101
September 1, 2028 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:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Any Interest Payment Date from March 1, 2020 through March 1, 2026	103%
September 1, 2026, and March 1, 2027	102
September 1, 2027, and March 1, 2028	101
September 1, 2028, and any Interest Payment Date thereafter	100

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of the Special Tax.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2039, 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:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2037	\$ 235,000
2038	260,000
2039 (maturity)	280,000

The Bonds maturing on September 1, 2044, 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:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2040	\$ 305,000
2041	330,000
2042	360,000
2043	385,000
2044 (maturity)	415,000

The Bonds maturing on September 1, 2049, 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:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2045	\$ 450,000
2046	485,000
2047	520,000
2048	560,000
2049 (maturity)	600,000

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 for payment of the redemption price thereof. 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) the 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 due on September 1, 2019 will be paid from capitalized interest.

<i>Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
9/1/2019	--	\$ 87,182.78	\$ 87,182.78
3/1/2020	--	170,575.00	170,575.00
9/1/2020	\$15,000.00	170,575.00	185,575.00
3/1/2021	--	170,350.00	170,350.00
9/1/2021	20,000.00	170,350.00	190,350.00
3/1/2022	--	169,950.00	169,950.00
9/1/2022	30,000.00	169,950.00	199,950.00
3/1/2023	--	169,350.00	169,350.00
9/1/2023	35,000.00	169,350.00	204,350.00
3/1/2024	--	168,650.00	168,650.00
9/1/2024	45,000.00	168,650.00	213,650.00
3/1/2025	--	167,750.00	167,750.00
9/1/2025	55,000.00	167,750.00	222,750.00
3/1/2026	--	166,375.00	166,375.00
9/1/2026	65,000.00	166,375.00	231,375.00
3/1/2027	--	164,750.00	164,750.00
9/1/2027	75,000.00	164,750.00	239,750.00
3/1/2028	--	162,875.00	162,875.00
9/1/2028	90,000.00	162,875.00	252,875.00
3/1/2029	--	160,625.00	160,625.00
9/1/2029	100,000.00	160,625.00	260,625.00
3/1/2030	--	158,125.00	158,125.00
9/1/2030	115,000.00	158,125.00	273,125.00
3/1/2031	--	155,250.00	155,250.00
9/1/2031	130,000.00	155,250.00	285,250.00
3/1/2032	--	152,000.00	152,000.00
9/1/2032	145,000.00	152,000.00	297,000.00
3/1/2033	--	148,375.00	148,375.00
9/1/2033	160,000.00	148,375.00	308,375.00
3/1/2034	--	144,375.00	144,375.00
9/1/2034	180,000.00	144,375.00	324,375.00
3/1/2035	--	139,875.00	139,875.00
9/1/2035	195,000.00	139,875.00	334,875.00
3/1/2036	--	135,000.00	135,000.00
9/1/2036	215,000.00	135,000.00	350,000.00
3/1/2037	--	129,625.00	129,625.00
9/1/2037	235,000.00	129,625.00	364,625.00
3/1/2038	--	123,750.00	123,750.00
9/1/2038	260,000.00	123,750.00	383,750.00
3/1/2039	--	117,250.00	117,250.00
9/1/2039	280,000.00	117,250.00	397,250.00
3/1/2040	--	110,250.00	110,250.00
9/1/2040	305,000.00	110,250.00	415,250.00
3/1/2041	--	102,625.00	102,625.00
9/1/2041	330,000.00	102,625.00	432,625.00
3/1/2042	--	94,375.00	94,375.00
9/1/2042	360,000.00	94,375.00	454,375.00
3/1/2043	--	85,375.00	85,375.00
9/1/2043	385,000.00	85,375.00	470,375.00
3/1/2044	--	75,750.00	75,750.00
9/1/2044	415,000.00	75,750.00	490,750.00
3/1/2045	--	65,375.00	65,375.00
9/1/2045	450,000.00	65,375.00	515,375.00
3/1/2046	--	54,125.00	54,125.00
9/1/2046	485,000.00	54,125.00	539,125.00
3/1/2047	--	42,000.00	42,000.00
9/1/2047	520,000.00	42,000.00	562,000.00
3/1/2048	--	29,000.00	29,000.00
9/1/2048	560,000.00	29,000.00	589,000.00
3/1/2049	--	15,000.00	15,000.00
9/1/2049	<u>600,000.00</u>	<u>15,000.00</u>	<u>615,000.00</u>
Totals	\$6,855,000.00	\$7,584,682.78	\$14,439,682.78

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Indenture defines the term “Special Tax” to mean the special tax authorized to be levied and collected annually on all Taxable Land in Improvement Area No. 2 under and pursuant to the Act at the special election held in Improvement Area No. 2 on December 9, 2013. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions.” Special taxes levied in Improvement Area No. 1 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. 2. 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. 2, 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 facilities 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 (\$8,000,000 of which is allocated to Improvement Area No. 2 and the balance to Improvement Area No. 1). On December 9, 2013, an election was held within Improvement Area No. 2 at which the eligible voters approved the issuance of bonds for Improvement Area No. 2 in an amount not to exceed \$8,000,000, secured by special taxes levied on property within Improvement Area No. 2 to finance the facilities and fees. The landowners within Improvement Area No. 2 also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued for Improvement Area No. 2, 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. 2 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 Refunding 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 other Expenses, 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 Refunding 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 Refunding 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 Refunding 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 Refunding Bonds pursuant to the terms of any Supplemental Indenture.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — “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. 2 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. 2 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 2, 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. 2 is composed of three tax zone areas (each a “Zone”). Each Fiscal Year, all Taxable Property within each Zone of Improvement Area No. 2 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 2018-19 and 2019-20 is as follows:

<i>Land Use Class and Tax Zone⁽¹⁾</i>	<i>Residential Floor Area</i>	<i>Fiscal Year 2018-19 Assigned Special Tax Rate</i>	<i>Fiscal Year 2018-19 Backup Special Tax</i>	<i>Fiscal Year 2019-20 Assigned Special Tax Rate</i>	<i>Fiscal Year 2019-20 Backup Special Tax</i>
Tax Zone 5					
Residential Property	Greater than 1,500 sq. ft.	\$ 1,491	\$ 1,269	\$ 1,520	\$1,294
Residential Property	1,500 sq. ft. or less	1,049	1,269	1,070	1,294
Non-Residential Property		25,204		25,708	
Undeveloped Property		25,204		25,708	
Tax Zone 6					
Residential Property	Greater than 1,950 sq. ft.	\$ 1,767	\$ 1,546	\$ 1,802	\$ 1,577
Residential Property	1,950 sq. ft. or less	1,325	1,546	1,351	1,577
Non-Residential Property		26,371		26,989	
Undeveloped Property		26,371		26,898	
Tax Zone 7					
Residential Property	Greater than 2,300 sq. ft.	\$ 1,932	\$ 1,818	\$ 1,971	\$ 1,855
Residential Property	2,300 sq. ft. or less	1,325	1,818	1,351	1,855
Non-Residential Property		18,270		18,635	
Undeveloped Property		18,270		18,635	

⁽¹⁾ Tax Zones 1 through 4 are located in Improvement Area No. 1 of the District.

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. 2, 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:

First: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 2 based on the Expected Residential Lot Count prior to the proposed reduction;

Second: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 2 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. 2 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. 2 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. 2 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. 2 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. 2. 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.

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. 2 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. 2.

Although the Special Tax constitutes a lien on taxable parcels within Improvement Area No. 2, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 2. In addition to the obligation to pay the Special Tax, properties in Improvement Area No. 2 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. 2. 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. 2 resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See "— Teeter Plan" below.

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

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

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

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

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure.” 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 — Property Values.” 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 Refunding 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 Refunding Bonds; and provided further, that, with respect to the issuance of any issue of Refunding 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 Refunding 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 Refunding 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 \$596,571.54 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. 2 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 Refunding 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

Refunding 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 Refunding Bonds. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund.”

Issuance of Refunding Bonds

The City may issue additional series of Refunding 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 Refunding 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) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(b) After the issuance and delivery of such Series of bonds either (i) none of the Bonds or Refunding 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. 2 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. 2

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 “SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge*.” Pursuant to such change proceedings, eligible electors within Improvement Area No. 2 authorized the City to incur bonded indebtedness with respect to Improvement Area No. 2 to finance certain public facilities and governmental facilities fees to meet the needs of new development within Improvement Area No. 2, approved the Rate and Method for Improvement Area No. 2 and authorized the levy of the Special Tax.

Improvement Area No. 2 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. 2 is planned for 260 residential units at build-out, consisting of 48 traditional single family detached homes and 212 cluster or alley-loaded single family homes. A completed clubhouse, pool and associated recreational facilities are located within Improvement Area No. 2 and serve the entire Natomas Meadows community. The balance of the property within Improvement Area No. 2 is anticipated to be used for public right of ways and a detention basin.

Construction within the District commenced in 2007. At such time, Pardee Homes (“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 substantially all of the property owned by Pardee in the District.

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. On June 16, 2015, the City allowed for the issuance of building permits within the Natomas Basin. See “—De Facto Building Moratorium and Flood Hazard” below.

As set forth in the Appraisal Report, as of the Date of Value, Granite Bay, Anthem (which is an affiliated entity of Granite Bay), Lennar, Woodside and Carson Homes owned 84, 32, 48, 57 and 15 lots, respectively, within Improvement Area No. 2. As of such date, there were 24 homes within Improvement Area No. 2 which had been conveyed to individual homeowners. The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.

Final maps have been recorded for all of the property within Improvement Area No. 2. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.” As of the Date of Value, the property within Improvement Area No. 2 varied from finished lots to lots with completed homes. As of such date, Anthem and Carson Homes had commenced vertical construction of homes within Improvement Area No. 2.

Development within Improvement Area No. 2 has progressed since the Date of Value. Table 1 below summarizes the property ownership and certain development information within Improvement Area No. 2 as of April 1, 2019. 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. 2)⁽¹⁾
DEVELOPMENT AND OWNERSHIP STATUS

<i>Ownership of Property</i>	<i>Number of Parcels/Units Owned</i>	<i>Homes Completed and Closed to Individual Homeowners</i>	<i>Property Development Status</i>
Granite Bay – Under Contract with Woodside ⁽²⁾	84	0	Finished Lots
Anthem	28	21	Finished Lots/Homes Under Construction
Lennar	48	0	Finished Lots/Homes Under Construction
Woodside	57	0	Finished Lots/Homes Under Construction
Carson Homes	<u>12</u>	<u>10</u>	Homes Under Construction
Totals	229	31	

⁽¹⁾ As of April 1, 2019.

⁽²⁾ The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.
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. 2, 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. 2. In accordance with the terms of Pardee’s sale of certain property within Improvement Area No. 2 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. 2, 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 \$6.4 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.”

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. 2 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. 2). 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. 2 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. 2 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. 2’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 April 1, 2019. 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. 2)
OVERLAPPING DEBT SUMMARY

<i>Overlapping District</i>	<i>Percent Applicable</i>	<i>Total Outstanding Bonded Debt⁽¹⁾</i>
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	0.031%	\$ 83,110
Sacramento Area Flood Control District Natomas Basin Local Assessment District	0.112	36,687
City of Sacramento Natomas Meadows CFD No. 2007-01, Improvement Area No. 2 Bonds	100.000	<u>6,855,000</u>
Total		\$ 6,974,797
Total Property Value⁽²⁾: \$32,250,000		
Value-to-Lien Ratio		4.62:1

⁽¹⁾ Excludes overlapping general obligation debt.

⁽²⁾ Based on the Appraisal Report.

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

Estimated Fiscal Year 2019-20 Tax Burden

The following table sets forth the estimated total tax obligation of sample parcels of Developed Property for a residential unit within Improvement Area No. 2 based on the initial principal amount of the Bonds, the Fiscal Year 2019-20 Special Tax levy at the Assigned Special Tax rates and the Fiscal Year 2018-19 tax rates for overlapping taxing entities. The amounts charged and the effective tax rates vary for individual parcels within Improvement Area No. 2 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. 2)
ESTIMATED TAX OBLIGATION
FOR SAMPLE UNITS**

		<i>Tax Zone 5</i>	<i>Tax Zone 6</i>	<i>Tax Zone 7</i>
<i>Assumptions</i>		<u>1,750 SF</u>	<u>1,950 SF</u>	<u>2,900 SF</u>
Average Home Price ⁽¹⁾		\$ 345,000	\$ 370,000	\$ 510,000
Homeowner's Exemption		<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>
Net Estimated Value		\$ 338,000	\$ 363,000	\$ 503,000
	<i>Percent of Total Value⁽²⁾</i>			
<i>Ad Valorem Property Taxes</i>				
General Purposes	1.0000%	\$ 3,380	\$ 3,630	\$ 5,030
Los Rios Community College District GO Bonds	0.0131	44	48	66
Natomas USD GO Bonds	<u>0.1928</u>	<u>652</u>	<u>700</u>	<u>970</u>
Total Ad Valorem Property Taxes	1.2059%	\$ 4,076	\$ 4,377	\$ 6,066
<i>Direct Charges</i>				
SAFCA Consolidated Capital Assessment #2		\$ 150	\$ 175	\$ 233
Sacramento Area Flood Control		4	5	10
Sacramento Maintenance CFD No. 2014-04		129	129	129
Natomas Basin Local Assessment District		57	66	88
Sacramento Library Services Tax		1	1	2
SACTO Core Library Services Tax		0	0	1
North Natomas TMA CFD		28	28	28
North Natomas Landscaping CFD No. 3		84	84	84
Neighborhood Park Maintenance CFD 2002-02		69	69	69
Reclamation District No. 1000 M&O		25	25	25
Improvement Area No. 2 Natomas Meadows CFD 2007-01 ⁽³⁾		<u>1,520</u>	<u>1,351</u>	<u>1,971</u>
Total Direct Charges		\$ 2,067	\$ 1,933	\$ 2,640
Total Taxes and Direct Charges⁽⁴⁾		\$ 6,143	\$ 6,310	\$ 8,706
Percent of Average Home Price		1.78%	1.71%	1.71%

(1) Based on the Appraisal Report.

(2) Based on Fiscal Year 2018-19 *ad valorem* tax rates.

(3) Reflects the Fiscal Year 2019-20 Assigned Special Tax rates.

(4) Totals may not sum due to rounding.

Source: Goodwin Consulting Group, Inc.; Appraiser; Sacramento County; California Municipal Statistics, Inc.

Property Values

Assessed Value. The estimated assessed value of the property within Improvement Area No. 2, as shown on the County's assessment roll for Fiscal Year 2018-19, is approximately \$15,689,513 (all of which was land value). The assessed value of the property within Improvement Area No. 2 represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIII A 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. 2 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

Appraisal. As described above, due to Article XIII A 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. 2, the City engaged BBG, Inc., the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within Improvement Area No. 2 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. 2 subject to the lien of the Special Tax (excluding the completed clubhouse, which was 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. 2 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 estimated marketed value of the appraised property within Improvement Area No. 2 was not less than \$32,250,000. Table 4 below shows the market value of the various parcels owned by Granite Bay, Anthem, Lennar, Woodside, Carson Homes and the aggregate of individual owners within Improvement Area No. 2 as set forth in the Appraisal Report as of the Date of Value. Since such date, certain of the merchant builders below have sold additional homes to individual homeowners. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

TABLE 4
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
SUMMARY OF APPRAISED VALUES
(AS OF FEBRUARY 7, 2019)

<i>Owner⁽¹⁾</i>	<i>No. of Units⁽¹⁾</i>	<i>Property Value⁽²⁾</i>
Granite Bay ⁽³⁾	84	\$7,195,000
Anthem	32	4,300,000
Lennar	48	3,840,000
Woodside	57	3,990,000
Carson Homes	15	2,455,000
Individual Homeowners	<u>24</u>	<u>10,470,000</u>
Total	260	\$32,250,000

- (1) Reflects ownership information as set forth in the Appraisal Report and the total projected number of units within Improvement Area No. 2 at buildout. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”
- (2) Reflects appraised value of property as set forth in the Appraisal Report. See “INTRODUCTION — Appraisal Report” and “APPENDIX B — Appraisal Report and Update Appraisal Report.”
- (3) The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Source: Appraiser.

In estimating the value for the lots owned by Granite Bay, Anthem, Lennar, Woodside, Anthem, Carson Homes and individual homeowners, the Appraiser used a combination of the cost approach, sales comparison approach, income capitalization approach, and a residual analysis to derive a value indication for the completed homes and finished lots within Improvement Area No. 2.

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. 2 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. 2 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. 2 as of the Date of Value and under the conditions specified in the Appraisal Report. 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 April 17, 2019. 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, Anthem, Lennar, Woodside and Carson Homes have continued to build and sell homes within Improvement Area No. 2 and have added value to the property subject to the Appraisal Report. 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. 2 is less than the value of Improvement Area No. 2 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. 2.

Value-To-Lien Ratios

Based on the principal amount of the Bonds and other land-secured debt (i.e. other community facilities districts or assessment districts), the estimated appraised value-to-lien ratio within Improvement Area No. 2, including all Taxable Property as of the Date of Value is approximately 4.62-to-1. This ratio does not include overlapping general obligation bonds. See “— Direct and Overlapping Indebtedness” above.

The share of Bonds set forth in Table 5 below is allocated based on each property’s share of the estimated Fiscal Year 2019-20 Special Tax levy based on building permits issued as of April 1, 2019. Table 5 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. 2 as of the Date of Value, as set forth in the Appraisal Report. Since the Date of Value, certain of the merchant builders have sold additional completed homes to individual homeowners within Improvement Area No. 2. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

In the City Reports provided pursuant to the City Continuing Disclosure Certificate, Table 5 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

**TABLE 5
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP**

<i>Special Tax Category</i>	<i>Number of Planned Residential Units⁽¹⁾</i>	<i>Taxable Acreage</i>	<i>Appraised Value⁽¹⁾</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy⁽²⁾</i>	<i>Percent of Estimated Fiscal Year 2019-20 Tax Levy</i>	<i>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds⁽³⁾</i>	<i>Total Direct and Overlapping Debt⁽⁴⁾</i>	<i>Value-to- Lien Ratio</i>
Developed Property⁽⁵⁾								
Individual Homeowners	24	N/A	\$ 10,470,000	\$ 44,146	11.7%	\$ 804,513	\$ 882,825	11.86:1
Anthem	12	N/A	1,836,141	23,649	6.3	430,989	438,376	4.19:1
Carson Homes	15	N/A	2,455,000	22,805	6.1	415,597	440,563	5.57:1
Woodside	4	N/A	280,000	6,081	1.6	110,826	110,954	2.52:1
Lennar Homes	8	N/A	640,000	13,514	3.6	246,280	246,535	2.60:1
Natomas Meadows Community Association ⁽⁶⁾	<u>N/A</u>	<u>0.54</u>	<u>N/A</u>	<u>13,831</u>	<u>3.7</u>	<u>252,056</u>	<u>255,666</u>	<u>N/A</u>
Subtotal	63	0.54	\$ 15,681,141	\$ 124,026	33.0%	\$ 2,260,260	\$ 2,374,919	6.60:1
Undeveloped Property⁽⁵⁾								
Granite Bay	84	7.33	\$ 7,195,000	\$ 123,011	32.6%	\$ 2,241,764	\$ 2,243,240	3.21:1
Anthem	20	2.23	2,463,859	27,067	7.2	493,280	493,966	4.99:1
Woodside	53	3.22	3,710,000	53,987	14.4	983,869	985,567	3.76:1
Lennar	<u>40</u>	<u>2.74</u>	<u>3,200,000</u>	<u>48,059</u>	<u>12.8</u>	<u>875,827</u>	<u>877,104</u>	<u>3.65:1</u>
Subtotal	197	15.51	\$ 16,568,859	\$ 252,124	67.0%	\$ 4,594,740	\$ 4,599,878	3.60:1
Total	260	16.05	\$ 32,250,000	\$ 376,150	100.0%	\$ 6,855,000	\$ 6,974,797	4.62:1

⁽¹⁾ Based on Appraisal Report as of the Date of Value. Excludes the value of the completed clubhouse which was not appraised and for which the County has not assigned assessed value.

⁽²⁾ Interest on the Bonds is capitalized through September 1, 2019.

⁽³⁾ Allocated based on share of estimated Fiscal Year 2019-20 Special Tax levy.

⁽⁴⁾ Includes land-secured overlapping special tax and assessment lien debt as of April 1, 2019. 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 April 1, 2019. 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⁾ The clubhouse property, which serves Natomas Meadows community, was not appraised and has not been assigned assessed value by the County. The clubhouse is subject to the Special Tax levy which is expected to be paid by the Natomas Meadows Community Association.

Source: Goodwin Consulting Group, Inc.

Property Ownership Summary

Table 6 below shows the taxpayers within Improvement Area No. 2 measured by the percentage of the estimated Fiscal Year 2019-20 Special Tax levy based on ownership status as of the Date of Value and building permits issued as of April 1, 2019. See “SPECIAL RISK FACTORS — Concentration of Ownership.”

**TABLE 6
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
PROJECTED FISCAL YEAR 2019-20 SPECIAL TAX LEVY BY PROPERTY OWNERSHIP**

<i>Property Ownership⁽¹⁾</i>	<i>Number of Planned Residential Units⁽¹⁾</i>	<i>Appraised Value⁽¹⁾</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>Percent of Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds⁽²⁾</i>	<i>Total Direct and Overlapping Debt Lien⁽³⁾</i>	<i>Value-to- Lien Ratio</i>
Individual Homeowners	24	\$ 10,470,000	\$ 44,146	11.7%	\$ 804,513	\$ 882,825	11.86:1
Anthem	32	4,300,000	50,717	13.5	924,269	932,342	4.61:1
Carson Homes	15	2,455,000	22,805	6.1	415,597	440,563	5.57:1
Granite Bay	84	7,195,000	123,011	32.7	2,241,764	2,243,240	3.21:1
Woodside	57	3,990,000	60,068	16.0	1,094,694	1,096,521	3.64:1
Lennar	48	3,840,000	61,573	16.3	1,122,106	1,123,639	3.42:1
Natomas Meadows Community Association ⁽⁴⁾	<u>N/A</u>	<u>N/A</u>	<u>13,831</u>	<u>3.7</u>	<u>252,056</u>	<u>255,666</u>	<u>N/A</u>
Total	260	\$ 32,250,000	\$ 376,150	100.0%	\$ 6,855,000	\$ 6,974,797	4.62:1

⁽¹⁾ Based on Appraisal Report as of the Date of Value.

⁽²⁾ Allocated based on share of the estimated Fiscal Year 2019-20 levy.

⁽³⁾ Includes land-secured overlapping special tax and assessment lien debt as of April 1, 2019. See “— Direct and Overlapping Indebtedness” above.

⁽⁴⁾ The clubhouse property, which serves Natomas Meadows community, was not appraised and has not been assigned assessed value by the County. The clubhouse is subject to the Special Tax levy which is expected to be paid by the Natomas Meadows Community Association.

Source: Goodwin Consulting Group, Inc.

Table 7 below shows the value to lien ratio and projected Fiscal Year 2019-20 Special Tax levy on the Special Tax category based on building permits issued as of April 1, 2019, and the status of development as of the Date of Value.

**TABLE 7
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
PROJECTED FISCAL YEAR 2019-20 SPECIAL TAX LEVY AND ESTIMATED VALUE TO LIEN RATIOS BY DEVELOPMENT STATUS**

<i>Special Tax Category and Development Status</i>	<i>Number of Planned Residential Units⁽¹⁾</i>	<i>Taxable Acreage</i>	<i>Appraised Value⁽¹⁾</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy⁽²⁾</i>	<i>Percent of Estimated Fiscal Year 2019-20 Tax Levy</i>	<i>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds⁽³⁾</i>	<i>Total Direct and Overlapping Debt⁽³⁾⁽⁴⁾</i>	<i>Value-to-Lien Ratio</i>
Developed Property⁽⁵⁾								
Completed Homes – Individually-Owned	24	N/A	\$ 10,470,000	\$ 44,146	11.7%	\$ 804,513	\$ 882,825	11.86:1
Completed Homes – Builder-Owned	1	N/A	115,000	1,520	0.4	27,706	30,126	3.82:1
Completed Homes – Model Homes	4	N/A	1,190,000	6,081	1.6	110,826	119,843	9.93:1
Homes Under Construction/Finished Lots	34	N/A	3,906,141	58,448	15.5	1,065,159	1,086,458	3.60:1
Completed Community Clubhouse ⁽⁶⁾	<u>N/A</u>	<u>0.54</u>	<u>N/A</u>	<u>13,831</u>	<u>3.7</u>	<u>252,056</u>	<u>255,666</u>	<u>N/A</u>
Subtotal	63	0.54	\$ 15,681,141	\$ 124,026	33.0%	\$ 2,260,260	\$ 2,374,919	6.60:1
Undeveloped Property⁽⁵⁾								
Finished Lots ⁽⁷⁾	197	15.51	\$ 16,568,859	\$ 252,124	67.0%	\$ 4,594,4740	\$ 4,599,878	3.60:1
Total	260	16.05	\$ 32,250,000	\$ 376,150	100.0%	\$ 6,855,000	\$ 6,974,797	4.62:1

⁽¹⁾ Based on Appraisal Report as of the Date of Value. Excludes the value of the completed clubhouse which was not appraised and for which the County has not assigned assessed value.

⁽²⁾ Interest on the Bonds is capitalized through September 1, 2019.

⁽³⁾ Allocated based on share of estimated Fiscal Year 2019-20 Special Tax levy.

⁽⁴⁾ Includes land-secured overlapping special tax and assessment lien debt as of April 1, 2019. See “— Direct and Overlapping Indebtedness” above.

⁽⁵⁾ Development status is as of the Date of Value. Special Tax category is based on building permits issued as of April 1, 2019. 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⁾ The clubhouse property, which serves Natomas Meadows community, was not appraised and has not been assigned assessed value by the County. The clubhouse is subject to the Special Tax levy which is expected to be paid by the Natomas Meadows Community Association.

⁽⁷⁾ 84 of such lots are described in the Appraisal Report as “near-finished” because such lots did not have a final tract map as of the Date of Value. Such final tract map was recorded on April 22, 2019.

Source: Goodwin Consulting Group, Inc.

Table 8 below sets forth the estimated appraised value-to-lien ratios for Taxable Property within Improvement Area No. 2 by various ranges based upon the principal amount of the Bonds and overlapping lands-secured debt.

TABLE 8
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
VALUE-TO-LIEN STRATIFICATION OF TAXABLE PARCELS

<i>Value-to-Lien Category</i>	<i>No. of Taxable Parcels</i>	<i>Number of Planned Residential Units⁽¹⁾</i>	<i>Appraised Value</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds⁽²⁾</i>	<i>Total Direct and Overlapping Debt Lien⁽³⁾</i>	<i>Percent of Total Direct and Overlapping Debt Lien</i>
Greater than 10.00:1 ⁽⁴⁾	25	25	\$ 10,767,500	\$ 45,666	\$ 832,219	\$ 912,494	13.1%
Between 5.00:1 to 10.00:1	18	18	2,740,394	23,721	432,295	439,850	6.3
Between 4.00:1 to 4.99:1	53	53	4,992,527	64,316	1,172,102	1,173,833	16.8
Between 3.00:1 to 3.99:1	68	151	12,779,579	206,219	3,758,164	3,784,368	54.3
Less than 3.00:1 ⁽⁴⁾	13	13	970,000	22,397	408,163	408,585	5.9
Clubhouse Property ⁽⁵⁾	<u>1</u>	<u>0</u>	<u>N/A</u>	<u>13,831</u>	<u>252,056</u>	<u>255,666</u>	<u>3.7</u>
Totals	178	260	\$ 32,250,000	\$ 376,150	\$ 6,855,000	\$ 6,974,797	100.0%

⁽¹⁾ Based on Appraisal Report as of the Date of Value.

⁽²⁾ Allocated based on the estimated Fiscal Year 2019-20 Special Tax levy.

⁽³⁾ Includes land-secured overlapping special tax and assessment lien debt as of April 1, 2019. See “— Direct and Overlapping Indebtedness” above.

⁽⁴⁾ The minimum value to lien in the less than 3.00:1 category is 1.77:1. The maximum value to lien in the greater than 10.00:1 category is 12.24:1.

⁽⁵⁾ The clubhouse property, which serves Natomas Meadows community, was not appraised and has not been assigned assessed value by the County. The clubhouse is subject to the Special Tax levy which is expected to be paid by the Natomas Meadows Community Association.

Source: Goodwin Consulting Group, Inc.

Delinquency History

The District levied the Special Tax in Improvement Area No. 2 in Fiscal Year 2018-19 (which was the first year of the Special Tax levy) in the amount of \$56,613.94 and there were no delinquencies in the payment of such Special Tax levy.

Improvement Area No. 2 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. 2, without regard to the actual amount of collections. See "SECURITY FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 2 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, Woodside, Carson 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. 2. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within Improvement Area No. 2. 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. 2 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. 2. Improvement Area No. 2 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. 2 is planned for the development of 260 residential units, consisting of 48 traditional single family detached homes and 212 cluster or alley-loaded single family homes. All of the property within Improvement Area No. 2 has been graded and all backbone infrastructure necessary to complete the development as currently planned in Improvement Area No. 2 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. 2. In-tract infrastructure within Improvement Area No. 2 has been completed, and the merchant builders will be responsible for service completion (i.e., connecting from the completed utility stubs at the property line to the constructed homes). Final maps have been recorded for all of the property within Improvement Area No. 2.

A summary of the development status by the merchant builders within Improvement Area No. 2 is set forth in the Table 9 below.

TABLE 9
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2)
SUMMARY OF ACTIVE MERCHANT BUILDER DEVELOPMENTS
(As of April 1, 2019)

<i>Developer</i>	<i>Neighborhood Name</i>	<i>Closed to Individual Homeowners</i>	<i>Total Planned Units at Buildout⁽¹⁾</i>	<i>Estimated Home Square Footage Ranges</i>	<i>Estimated Base Home Prices⁽²⁾</i>
Anthem	Willow	21	49	2,535 – 3,272	\$483,500 - \$538,500
Lennar	Amberwood	0	48	1,836 – 2,338	\$417,990 - \$460,990
Woodside	Hamlet	0	141	1,546 – 2,172	\$330,000 - \$398,000
Carson Homes	Cypress Village	<u>10</u>	<u>22</u>	1,505 – 2,017	\$359,990 - \$391,990
Total		31	260		

⁽¹⁾ As of April 1, 2019, Woodside had acquired 57 lots within Improvement Area No. 2 and is under contract to acquire an additional 84 lots from Granite Bay. The sale of such 84 lots is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.

⁽²⁾ Base home prices for Woodside are preliminary and have not been marketed to the public. 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.

Source: Anthem, Lennar, Woodside and Carson Homes.

Property Ownership Within Improvement Area No. 2. As of April 1, 2019, property within Improvement Area No. 2 was owned by Granite Bay, Anthem, Lennar, Woodside, Carson 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. 2)

<i>Ownership of Property as of April 1, 2019</i>	<i>Number of Actual/Projected Residential Units</i>
Individual Homeowners	31
Granite Bay – Under Contract with Woodside ⁽¹⁾	84
Anthem	28
Lennar	48
Woodside	57
Carson Homes	<u>12</u>
Total Project Residential Units at Buildout	260

⁽¹⁾ As of the April 1, 2019, Granite Bay owned 84 lots under contract to be conveyed to Woodside. Such sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.

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. 2, 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 expects to sell the property within Improvement Area No. 2 to merchant homebuilders, which has included Anthem, an affiliate of Granite Bay. The following table shows several projects that Anthem or its affiliates are developing in the greater Sacramento market:

**CITY OF SACRAMENTO
 NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
 (IMPROVEMENT AREA NO. 2)
 ANTHEM UNITED DEVELOPMENTS IN THE GREATER SACRAMENTO MARKET**

<i>Project</i>	<i>Number of Projected Lots</i>	<i>Location</i>	<i>Development Status</i>
Fiddymont 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 within Improvement Area No. 2. Granite Bay has improved the lots it acquired in Improvement Area No. 2 to finished lot condition, which improvements included grading, paving, installation of sewers and storm drains, and other required infrastructure. Granite Bay has completed construction of a clubhouse, pool and associated recreational facilities which are located in Improvement Area No. 2 and serve the entire Natomas Meadows community.

As of April 1, 2019, Granite Bay has conveyed all of the property within Improvement Area No. 2 to merchant homebuilders with the exception of property under contract to be conveyed to Woodside (consisting of 84 finished lots). Such sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.

Granite Bay’s Financing Plan. As of April 1, 2019, Granite Bay had expended approximately \$25 million to acquire its property within the District, including approximately \$12 million to acquire property within Improvement Area No. 2, and approximately \$11.6 million on development and holding costs to convert lots into finished lot condition within Improvement Area No. 2. Aside from certain landscaping work, Granite Bay has completed all site development and lot improvements within Improvement Area No. 2.

Granite Bay has financed the development costs and the marketing of homesites to merchant builders utilizing equity, sales proceeds, proceeds of the bonds issued for Improvement Area No. 1, and a loan with Umpqua Bank (the “Umpqua Loan”). The balance due on the Umpqua Loan is approximately \$2.4 million and secured by a deed of trust on the property that Granite Bay owns in Improvement Area No. 2. Granite Bay has entered into a contract with Woodside to convey the final 84 lots that Granite Bay owns in Improvement Area No. 2, which sale is currently scheduled to close at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract.

Granite Bay expects to repay the balance of the Umpqua Loan at the time such 84 lots close to Woodside, at which point the deed of trust for the Umpqua Loan on such lots will be released. No assurances can be made that such sale to Woodside will close or as to the timing of such closing.

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. Anthem entered into purchase and sale agreements with Granite Bay pursuant to which Anthem has acquired 49 lots within Improvement Area No. 2. The price per lot ranged from approximately \$75,000 to \$99,318.

Anthem plans to develop the lots that it owns within Improvement Area No. 2 into 49 single family detached homes in a project marketed as “Willow at Natomas Meadows,” which is a continuation of Anthem’s product being constructed in Improvement Area No. 1. Anthem estimates that home sizes in such project will range from approximately 2,535 square feet to 3,272 square feet with base sales prices ranging from approximately \$483,500 to \$538,500. 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 April 1, 2019, Anthem had completed and conveyed 21 homes to individual homeowners and owned 13 homes under construction and 15 finished lots. Anthem has completed all intract infrastructure necessary to develop the property that it owns within Improvement Area No. 2. Anthem commenced home sales in May 2017, and expects sellout of the portion of the Willow at Natomas Meadows project in Improvement Area No. 2 in the first quarter of 2020.

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 \$10.3 million. Anthem expects to finance such costs using a combination of available equity and a construction loan. There can be no assurance that Anthem will complete its homebuilding activities in Improvement Area No. 2 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. 2. 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.*

Recent Litigation Against Lennar Corporation. A lawsuit was filed in the state court of California against Lennar Corporation relating to Lennar Corporation and LandSource Communities Development, LLC, a Delaware limited liability company (“LandSource”), in which the California Public Employees’ Retirement System (“CalPers”) invested in 2007 (“Complaint”). LandSource filed for bankruptcy on June 8, 2008 (“LandSource Bankruptcy Matter”), and a plan for reorganization was approved by the bankruptcy court on July 20, 2009. (In re: LandSource Communities Development LLC, et al, Case No. 08-11111, United States Bankruptcy Court, District of Delaware.) The Complaint, which is filed as a qui tam action by a newly created limited liability company, makes a number of claims related to Lennar Corporation’s actions regarding LandSource and the related bankruptcy and seeks injunctive relief and damages (including statutory and treble) relating to CalPers’ alleged \$970 million loss. Lennar Corporation filed a petition to remove the Complaint to federal court (Citizens Against Corporate Crime (“CACC”) v. Lennar Corporation (9th Circuit, California Eastern District Court, Case No. 2:2018cv01269). Lennar Corporation also filed a Motion to Reopen the Chapter 11 Bankruptcy Cases for the Limited Purpose of Enforcing the Injunction and Release in the Debtors’ Joint Chapter 11 Plan and Confirmation Order. Lennar Corporation contended that in addition to the Complaint being barred by the release and injunction in the LandSource Bankruptcy Matter, the Complaint was meritless and barred by applicable statutes of limitation and other defenses. On July 17, 2018, the Bankruptcy Court granted that motion, allowing Lennar Corporation to proceed with filing its proposed enforcement motion. After a hearing on October 25, 2018, the Bankruptcy Court granted the enforcement motion and found that CACC and its member Nicolas Marsch III (“Marsch”) filed the Complaint in violation of the injunction and release in the Chapter 11 Plan and Confirmation Order and barred CACC, Marsch and their agents from prosecuting the Complaint. Further, the Bankruptcy Court enjoined CACC, Marsch and their agents from continuing to pursue released and enjoined claims and causes of action against Lennar in further violation of the Chapter 11 Plan and Confirmation Order. CACC filed a Notice of Appeal and Statement of

Election; CACC also filed a Request for Consent to Dismiss the Complaint, and the federal district court dismissed the Complaint by minute order issued November 16, 2018. Lennar was not a party to the Complaint. Lennar believes that even if, in the unlikely event, the appeal and the underlying claims are successful against Lennar Corporation, Lennar will be able to complete the development and sale of its project within Improvement Area No. 2 as described in this Official Statement and pay the Special Tax and ad valorem tax obligations on the property that it owns within Improvement Area No. 2 prior to delinquency during Lennar's period of ownership.

Lennar Development Plan. On June 15, 2018, Lennar acquired 48 lots from Granite Bay located within Improvement Area No. 2 for a purchase price of approximately \$75,000 per lot. Lennar plans to develop such lots into 48 single family detached alley-loaded homes in a project marketed as "Amberwood at Natomas Meadows." Alley-loaded lots consist of smaller lots without individual driveways, front yard garage access, and fenced rear yards. Lennar estimates that home sizes in the Amberwood at Natomas Meadows project will range from approximately 1,836 square feet to approximately 2,338 square feet and be marketed at base sales prices ranging from approximately \$417,990 to approximately \$460,990. 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. Aside from certain landscaping and paving of certain motor-courts, Lennar has completed intract infrastructure necessary to develop the property that it owns within Improvement Area No. 2. As of April 1, 2019, Lennar owned eight homes under construction and 40 finished lots. Lennar commenced home sales in January 2019 and expects sellout of the Amberwood at Natomas Meadows project in the first quarter 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 estimates that its remaining construction costs will be approximately \$16 million. Lennar expects to finance the remaining costs to complete its development in Improvement Area No. 2 using internal funds. There can be no assurance that Lennar will complete its homebuilding activities in Improvement Area No. 2 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. 2. See "SPECIAL RISK FACTORS — Failure to Develop Property."

Woodside

General. Woodside 05N, LP, a California limited partnership (previously defined as "Woodside"), is wholly owned by Woodside Group, LLC, a Nevada limited liability company ("Woodside Group"), directly or through its wholly owned subsidiaries. Woodside is owned 99% directly by Woodside 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 Group. The parent of Woodside Group is Woodside Homes Company, LLC, a Delaware limited liability company. The ultimate parent of Woodside Homes Company, LLC, is Sekisui House Ltd., a Japanese public company based in Osaka, whose stock is listed on the Tokyo and Nagoya Stock Exchanges.

Woodside Group's subsidiaries engage in the design, construction, and sale of single-family homes under the brand name of "Woodside Homes." Woodside Homes is one of America's top 30 homebuilders having built more than 40,000 homes across the United States, with current operations in Arizona, California, Nevada and Utah.

Woodside Development Plan. Woodside has entered into a contract with Granite Bay to purchase 141 residential lots in two take-downs. Woodside closed escrow on the first 57 lots in June 2018 and is currently scheduled close escrow on the remaining 84 lots at the end of May 2019, however, Granite Bay and Woodside are currently in negotiations to reschedule the closing to a later time. There is no guarantee that Woodside will close escrow on the remaining lots under contract. Woodside plans to develop all such lots with single-family detached cluster homes with shared motor court driveways in a neighborhood to be marketed as Hamlet by Woodside. Aside from the shared motor court driveways, in-tract infrastructure necessary to develop such property has been completed by Granite Bay. The proposed homes to be constructed by Woodside are projected to range from approximately 1,546 square feet to approximately 2,172 square feet and consist of an approximately equal number of four floor plans. Initial base sales prices have not been released, but are projected to range from approximately \$330,000 to approximately \$398,000, exclusive of lot premiums, options, upgrades, incentives, and any selling concessions or price reductions that may be offered. Actual base sales prices may be less than current projections.

As of April 1, 2019, Woodside had obtained four building permits for the models, which were under construction, and a modular sales office was being installed on the site. Woodside expects to open the sales office and begin marketing the first phase of homes within Hamlet in April, 2019 and close escrow on the first home by August 2019. Full build-out of all 141 homes proposed to be constructed by Woodside in Improvement Area No. 2 is projected to occur by September 2022.

Notwithstanding Woodside's projections regarding acquiring the remaining 84 lots under contract and completing home construction and sellout of its planned development within Improvement Area No. 2, no assurance can be given that Woodside will complete such acquisition and development as currently anticipated.

Woodside Financing Plan. As of April 1, 2019, Woodside had spent approximately \$3.8 million on land acquisition and home design costs related to its proposed Hamlet project within Improvement Area No. 2. Woodside expects to spend approximately \$5.6 million to acquire the remaining 84 additional lots within Improvement Area No. 2 and approximately \$23.6 million in additional site development, permit and impact fees and direct and indirect constructions costs between April 1, 2019 and full build-out of all 141 homes proposed to be constructed (exclusive of internal financing repayment sales and marketing costs and expenses, corporate overhead allocation, and other carrying costs).

To date, Woodside has financed its development activities within Improvement Area No. 2 with internal funding, including cash generated from its homebuilding operations and advances from affiliates of its ultimate parent, Woodside Homes Company, LLC. Woodside Homes Company, LLC has a \$330 million unsecured term loan. Woodside Homes Company, LLC also has an unsecured revolving credit facility with borrowing capacity as of April 1, 2019 of \$200 million, subject to a borrowing base. Woodside intends to use the above-described sources of funds to finance the remaining land acquisition and development costs, home construction costs and carrying costs for its development within Improvement Area No. 2 (including property taxes, special assessments and/or special taxes) until Woodside has sold all of its planned single-family detached homes within Improvement Area No. 2.

Notwithstanding Woodside's belief that it will have sufficient funds to complete its planned development in Improvement Area No. 2, no assurance can be given that sources of financing available to Woodside will be sufficient to complete the property development and home construction as currently anticipated. While affiliates of Woodside have made such internal financing available in the past, there can be no assurance whatsoever of their willingness or ability to do so in the future. Neither Woodside nor any of its affiliates have 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 Woodside's planned development within Improvement Area No. 2 and other financing by Woodside or its affiliates is not put into place, there could be a shortfall in the funds required to complete the proposed development by

Woodside and portions of the project may not be developed. See “SPECIAL RISK FACTORS — Failure to Develop Property.”

Carson Homes

General. Kit Construction Company, Inc. (dba Carson Homes) (previously defined as “Carson Homes”), is a privately held home construction company based in Sacramento, California. Carson Homes was founded in 1953 by Eugene “Kit” Carson, Sr. Since that time Carson Homes has completed construction of over 2,500 homes and 2,000 apartment units in 30 communities across California and Nevada. The officers of the company are Eugene G. Carson Jr. as the President, Todd E. Carson as Vice President, and Stefanie G. Carson as the Secretary/Treasurer. The below table lists certain of Carson Homes’ completed developments in Northern California.

CARSON HOMES COMPLETED DEVELOPMENT PROJECTS

<i>Project Name</i>	<i>Number of Units</i>	<i>Location</i>	<i>Status</i>
Quail Ridge	69	Elk Grove, California	Closed Out
Waterman Ranch	57	Elk Grove, California	Closed Out
Twelve Bridges	19	Lincoln, California	Closed Out
Atwood Ranch	15	Auburn, California	Closed Out

Source: Carson Homes.

Carson Homes Development Plan. On June 14, 2017, Carson Homes acquired 22 lots from Granite Bay located within Improvement Area No. 2. The price per lot was approximately \$56,500. Carson Homes plans to develop such lots into 22 single family detached homes in a project marketed as “Cypress Village.” Such homes are expected to be arranged in clusters, with units sharing common motor-court access. Carson Homes estimates that home sizes in the Cypress Village project will range from approximately 1,505 square feet to approximately 2,017 square feet and will be marketed at base sales prices ranging from approximately \$359,990 to approximately \$391,990. 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. Carson Homes has completed all intract infrastructure necessary to develop the property that it owns within Improvement Area No. 2. As of April 1, 2019, Carson Homes had completed and conveyed ten homes to individual homeowners and owned four model homes and eight homes under construction. As of such date, two homes were in escrow. Carson Homes commenced home sales in June 2018 and expects sellout of the Cypress Village project by June 2019.

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

Carson Homes Financing Plan. As of April 1, 2019, Carson Home has expended approximately \$5.9 million on its land acquisition, development and home construction costs within Improvement Area No. 2. Carson Homes estimates that its remaining construction costs will be approximately \$1.0 million. Carson Homes expects to finance the remaining costs to complete its development in Improvement Area No. 2 using internal funds and a construction loan. Carson Homes has obtained a construction loan which is secured by deeds of trust on the property owned by Carson Homes within Improvement Area No. 2. Such construction loan may be drawn upon in the maximum amount of \$5.8 million and as of April 1, 2019, Carson Homes had approximately \$2.8 million outstanding under such loan. Amounts drawn under such construction loan is

repaid directly through the escrowed funds for the purchase price of homes, at which point the deeds of trusts on the applicable lots are released.

There can be no assurance that Carson Homes will complete its homebuilding activities in Improvement Area No. 2 as described in this Official Statement. No assurance can be given that amounts necessary to fund the planned development by Carson Homes will be available when needed. Neither Carson Homes nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Carson Homes' proposed development within Improvement Area No. 2. See "SPECIAL RISK FACTORS — Failure to Develop Property."

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. 2 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. 2. See "—Property Values" and "— Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area No. 2, 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. 2 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. 2 as of the Date of Value, approximately 88.3% of the estimated Fiscal Year 2019-20 Special Taxes would be paid by Granite Bay, the merchant builders and the Natomas Meadows Community Association. Based on development status as of the Date of Value, approximately 67% of the estimated Fiscal Year 2019-20 Special Tax would be levied on Undeveloped Property. Since the Date of Value, certain merchant builders have conveyed completed homes to individual homeowners within Improvement Area No. 2. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" above.

Failure of any developers currently owning property within Improvement Area No. 2, 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, 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. 2. See “— Failure to Develop Property.”

The City expects to levy the Special Tax on Undeveloped Property within Improvement Area No. 2 in Fiscal Year 2019-20, which as of the date of this Official Statement, is owned by Granite Bay, Lennar, Woodside and Anthem. In the event that such developers fail to complete the intended construction and development in Improvement Area No. 2, 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, Carson Homes, 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.

Failure to Develop Property

Development of property within Improvement Area No. 2 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. 2 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. 2 has been graded and backbone infrastructure (sewer, water, storm drains, utilities, and arterial roads) within Improvement Area No. 2 has been completed. As of the date of this Official Statement, the property owned by Granite Bay and the merchant builders vary from finished lots to completed homes. In-tract infrastructure within Improvement Area No. 2 has been completed, and the merchant builders will be responsible for service completion (i.e., connecting from the completed utility stubs at the property line to the constructed homes). 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. 2 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. 2 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. 2 to pay the Special Tax when due.

There can be no assurance that land development operations within Improvement Area No. 2 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. 2 would cause the property values within Improvement Area No. 2 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. 2 to pay the Special Tax when due.

The City expects to levy the Special Tax on Undeveloped Property in Fiscal Year 2019-20 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. 2 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. 2 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 “—Property Values.”

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Internal Revenue Code of 1986, as amended (the “Code”). For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within Improvement Area No. 2. However, the City cannot predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 2, the pace at which homes in Improvement Area No. 2 are sold to individual homeowners by the merchant builders therein or the ability or willingness of homeowners to pay the Special Tax or property taxes.

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. 2 will generally be based on the Zone to which a parcel of Taxable 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. 2 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. 2 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. 2 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

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

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in Improvement Area No. 2, 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. 2 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. 2 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. 2. 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. 2 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. 2 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. 2, 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. 2 would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

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. 2 or of any other purchaser or potential purchaser of property in Improvement Area No. 2 or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within Improvement Area No. 2 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. 2 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. 2 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).

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.

In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within Improvement Area No. 2 is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault.

Improvement Area No. 2 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. 2 — 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. 2).

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property. Improvement Area No. 2 is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone.

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. 2, 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. 2. The City has not independently determined whether any owner (or operator) of any of the parcels within Improvement Area No. 2 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.

Property Values

The value of the property within Improvement Area No. 2 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. 2 — 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. 2, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 2, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 2 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. 2 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. 2 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 2. See "IMPROVEMENT AREA NO. 2 — 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. 2. In addition, the landowners within Improvement Area No. 2 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. 2 described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “IMPROVEMENT AREA NO. 2 — 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. 2 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. 2 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. 2 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. 2, 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. 2 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. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

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

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

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glaspoly 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 exempts 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 *Glaspoly* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glaspoly* 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 as a result of such event 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 XIII C and Article XIII D 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 XIIC 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 XIIC 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 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.”

Litigation with Respect to Community Facilities Districts

Shapiro. 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 XIII A, Section 4 thereof and Article XIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court has issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661). As described below, this case

involves an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2015, the City initiated proceedings to form a CFD to finance certain costs to acquire and construct a streetcar line. Because more than 12 registered voters resided within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the registered voters within the territory of the proposed CFD, as required by the Act. The proposed special tax did not receive the requisite two-thirds vote for approval. In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its tentative ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the tentative ruling states that the special tax is invalid. The ruling in *Horizon* is only tentative. The City can make no assurances as to whether the superior court will issue a final ruling, when the final ruling will be issued, or whether the final ruling will differ from the tentative ruling. If issued, the superior court’s final ruling would not be binding upon other courts within the State and would not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the tentative ruling on a number of grounds, the City has determined that it will not appeal the final ruling, if one is issued.

The Special Tax Election in Improvement Area No. 2. With respect to the San Diego Decision, the facts of such case 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. 2 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 in the San Diego Decision does not apply to the Special Tax election in Improvement Area No. 2. 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. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in Improvement Area No. 2 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. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

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. 2 to complete the remaining proposed development within Improvement Area No. 2.

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.

Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds

Property owners within Improvement Area No. 2, including Granite Bay, the merchant builders and any individual property owner, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption—*Extraordinary Redemption from Special Tax Prepayments.*"

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. 2 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, 2020.

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. Certain continuing-disclosure filings during the past five years were made after the required filing date, such as the City's annual reports for two of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City's annual

reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employee's Retirement System and the City's California Public Employees' Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On one occasion in the last five years, the City inadvertently failed to file a notice of an insurer-related rating change. On a couple of occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

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. 2, Granite Bay and Woodside will each execute a Continuing Disclosure Certificate (the "Developer Continuing Disclosure Certificates"), and will covenant to provide Developer Reports semiannually not later than June 15 and December 15 of each year beginning December 15, 2019, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. Each of the Developer Reports will contain updates regarding the respective entity's development within Improvement Area No. 2 as outlined in Section 4 of each of the Developer Continuing Disclosure Certificates attached as Appendix G. In addition to the Developer Reports, Granite Bay and Woodside will agree to provide notices of certain events set forth in their respective Developer Continuing Disclosure Certificate.

As described herein, Granite Bay is currently scheduled to convey the remaining lots that it owns within Improvement Area No. 2 to Woodside at the end of May 2019. Upon such transfer of lots, Granite Bay's obligation to provide updated information under its continuing disclosure undertaking will terminate. Granite Bay and Woodside are currently in negotiations to reschedule the transfer of such lots to a later time. Depending on the time of such transfer, Granite Bay may not file any Developer Reports prior to the termination of its continuing disclosure undertaking. Should such transfer not occur, Granite Bay's obligations under its continuing disclosure undertaking will continue in accordance with its terms.

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 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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

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 the Beneficial Owners to incur significant expense.

LEGAL MATTERS

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. 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 Hilltop Securities, Inc. ("Hilltop"), as municipal advisor in connection with the issuance and sale of the Bonds. Although Hilltop has assisted in the preparation of this Official Statement, Hilltop 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 Hilltop 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 \$7,660,407.70, being \$6,855,000.00 aggregate principal amount thereof, plus original issue premium of \$897,950.20 and less Underwriter's discount of \$92,542.50. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

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. 2 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 Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 2 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 or 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. 2 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 163 Buildable Lots of Residential Property in Tax Zone 5, 48 Buildable Lots of Residential Property in Tax Zone 6, and 49 Buildable Lots of Residential Property in Tax Zone 7 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. 2” means Improvement Area No. 2 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. 2 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. 2.

“Public Property” means any property within the boundaries of Improvement Area No. 2 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. 2.

“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 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. 2 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. 2, 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. 2 pursuant to this RMA. Attachment 1 identifies the Tax Zones in Improvement Area No. 2 in CFD No. 2007-01.

“**Tax Zone 5**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 5.

“**Tax Zone 6**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 6.

“**Tax Zone 7**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 7.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of Improvement Area No. 2 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. 2. 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. 2 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. 2 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. 2 is shown below in Table 1.

**Table 1
IMPROVEMENT AREA NO. 2
CFD NO. 2007-1
ASSIGNED SPECIAL TAX
DEVELOPED PROPERTY**

Land Use Class	Description	Residential Floor Area	2013-14 Assigned Special Tax *
<i>Tax Zone 5</i>			
13	Residential Property	> 1,500 sq. ft.	\$1,350 per Residential Unit
14	Residential Property	≤ 1,500 sq. ft.	\$950 per Residential Unit
15	Non-Residential Property		\$22,828 per Acre
<i>Tax Zone 6</i>			
16	Residential Property	> 1,950 sq. ft.	\$1,600 per Residential Unit
17	Residential Property	≤ 1,950 sq. ft.	\$1,200 per Residential Unit
18	Non-Residential Property		\$23,885 per Acre
<i>Tax Zone 7</i>			
19	Residential Property	> 2,300 sq. ft.	\$1,750 per Residential Unit
20	Residential Property	≤ 2,300 sq. ft.	\$1,200 per Residential Unit
21	Non-Residential Property		\$16,548 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 \$1,149 per Residential Unit for Residential Property in Tax Zone 5, \$1,400 per Residential Unit for Residential Property in Tax Zone 6, and \$1,647 per Residential Unit for Residential Property in Tax Zone 7.

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. 2 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. 2 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 110% coverage on the Bonds' debt service. 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. 2 shall be \$22,828 per Acre for such property in Tax Zone 5, \$23,885 per Acre for such property in Tax Zone 6, and \$16,548 per Acre for such property in Tax Zone 7. 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. 2. 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. 2 up to 100% of the applicable Assigned Special Tax as shown in Table 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. 2 in CFD No. 2007-01.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for Improvement Area No. 2 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 2055-2056.

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. 2 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. 2 prior to the date of prepayment.

“Public Facilities Requirements” means either approximately \$4,555,000 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. 2 in CFD No. 2007-01.

1. Prepayment in Full

The Special Tax obligation applicable to an Assessor’s Parcel in Improvement Area No. 2 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 3. 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	<u>Reserve Fund Credit</u>
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.1.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. 2 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. 2 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. 2 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. 2 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. 2 in CFD No. 2007-01. The City Council's interpretation will be conclusive.

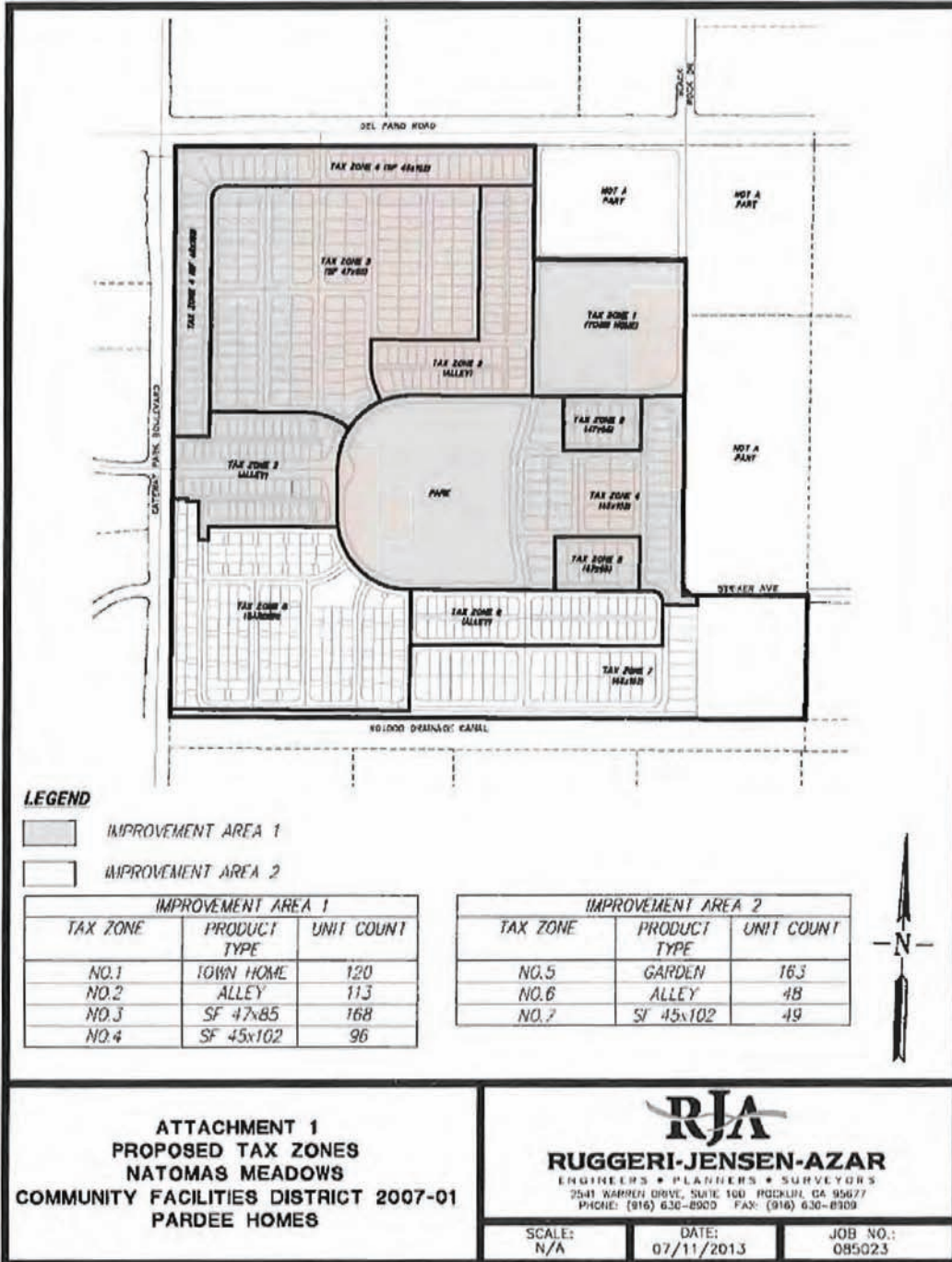
I. APPEALS

Any taxpayer who believes that the amount of the Special Tax assigned to a Parcel in Improvement Area No. 2 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. 2
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

IDENTIFICATION OF TAX ZONES



ATTACHMENT 2

City of Sacramento
 National Meadows Community Facilities District No. 2007-1
 Sample Prepayment Calculation
 for One Buildable Lot in Tax Zone 21a Improvement Area 2

<u>Assumptions</u>	<u>Source of Calculation</u>	
Assigned Special Tax on a 2,265 Sq. Ft. Residential Unit in Tax Zone 2	[Per Table 1 of RMA]	\$1,600
Backup Special Tax on a 2,261 Sq. Ft. Residential Unit in Tax Zone 2	[Per Exhibit 2-4]	\$1,400
Total Expected Special Tax Revenues in CFD		\$3,024,950
Total Expected Special Tax Revenues in Improvement Area B in CFD		\$333,500
Improvement Area B Percentage of Total Expected Special Tax Revenues in CFD		12.54%
Total Public Facilities Requirement for CFD	[Per definition]	\$14,000,000
Total Public Facilities Requirement for Improvement Area B	[12.54% of \$14,000,000]	\$4,555,344
Construction Proceeds from First Bond Issue		\$3,010,438
Total Remaining Facilities Costs		\$644,906
Redemption Premium %		3.0%
Reserve Fund Requirement %		10.0%
Outstanding Bonds	[Gross Bond Amount for Improvement Area B]	\$5,060,000

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

<u>Steps from Section 4 of SMA</u>	<u>Source of Calculation</u>		
Step 1 Assigned Special Tax per Unit (Backup Special Tax Per Unit)	[From above assumptions]	\$1,600	\$1,400
Step 2 Special Tax as a % of Total Expected Special Tax Revenues	[Step 1 divided by Total Expected Special Tax Revenues]	0.46%	0.42%
Step 3 *Bond Redemption Amount*	[Larger quotient from Step 2 multiplied by Outstanding Bonds]		\$14,375
Step 4 Total Remaining Facilities Costs	[From above]		\$644,906
Step 5 *Remaining Facilities Amount*	[Larger quotient from Step 2 multiplied by Step 4]		\$2,707
Step 6 *Redemption Premium*	[Step 3 multiplied by Redemption Premium %]		\$728
Step 7 Interest Accrued 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 *Delinquency Requirements*	[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 %]		(2,416)
Step 12 *Prepayment Amount*	[Sum of Steps 3, 5, 6, 9, and 10; minus Step 11]		\$25,784
		<u>Partial Prepayment</u>	<u>25%</u> \$6,446
		<u>Partial Prepayment</u>	<u>50%</u> \$12,892
		<u>Partial Prepayment</u>	<u>75%</u> \$19,338

(1) Assumes bonds are redeemed at the first interest payment. Thereafter the prepayment has been received.

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APPENDIX B

APPRAISAL REPORT AND UPDATE APPRAISAL REPORT

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Third-party reports by a true third party

Appraisal Report

Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2)

Residential Subdivision
SEQ of Gateway Park Dr. and Terracina Dr.
Sacramento, CA 95834

BBG File #119000060

Prepared For

Mr. John Colville
City Treasurer
City of Sacramento
915 "I" Street, HCH - 3rd Floor
Sacramento, CA 95814

Report Date

April 11, 2019

Date of Value

February 7, 2019

Prepared By

BBG, Inc., Northern California
1708 Q Street
Sacramento, CA 95811
Client Manager: Jarrod Hodgson, MAI



VALUATION



ADVISORY



ASSESSMENT



April 11, 2019

Mr. John Colville
City Treasurer
City of Sacramento
915 "I" Street, HCH - 3rd Floor
Sacramento, CA 95814

Re: Appraisal of Real Property
Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area 2)
SEQ of Gateway Park Dr. and Terracina Dr.
Sacramento, CA 95834
BBG File #BBG File #119000060

Dear Mr. Colville,

BBG, Inc. – Sacramento is pleased to submit the accompanying appraisal of Community Facilities District No. 2007-01 (Improvement Area No. 2) of the City of Sacramento, or “CFD No. 2007-01 IA No. 2,” commonly referred to in this report as “the CFD.” This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The CFD No. 2007-01 IA No. 2 bonds (the “Bonds”) will finance the acquisition of public facilities completed and finance eligible development impact fees.

The subject property is a portion of the Natomas Meadows residential project in Sacramento, California. As of the date of inspection, the subject property consisted of 4 completed model homes, 24 completed homes that had sold and transferred to individual homeowners, 19 partially completed homes, 1 completed and unclosed (escrow) home, 128 vacant finished lots and 84 near-finished lots. All physical site development (onsite in-tract development and offsites) are complete, albeit a final subdivision map (and its accompanying recordation costs) for the 84 near-finished lots has not recorded. Ownership in the project is divided between the master developer, Granite Bay-Natomas Meadows LP and its affiliated homebuilding company Anthem United Willow Homes LP, Kit Construction Co. Inc (dba Carson Homes), Woodside 05N LP (dba Woodside Homes), Lennar Homes of California Inc., and 24 individual homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land. The subject is more fully described within the attached report.

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

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Mr. John Colville

April 11, 2019

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We have been requested to provide market value by ownership, as well as the aggregate value of the subject property. The Dictionary of Real Estate Appraisal defines aggregate value as the “total of multiple of market value conclusions.” The aggregate value is not equal to the market value of the subject property in bulk.

As a result of our analysis, it is our opinion the market values by ownership and the aggregate value of the subject property as of February 7, 2019, and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, are:

VALUATION			
Ownership	Description	Value by Ownership (1)	
Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP (2)	9 partially completed homes, 23 vacant finished lots and 84 near-finished lots	\$11,495,000	(not-less than market value in bulk)
Kit Construction Co. Inc (dba Carson Homes)	4 Models, 10 partially completed homes, 1 completed and unclosed home	\$2,455,000	(not-less than market value in bulk)
Woodside 05N, LP (dba Woodside Homes)	57 vacant finished lots	\$3,990,000	(market value in bulk)
Lennar Homes of California, Inc	48 vacant finished lots	\$3,840,000	(market value in bulk)
Individual Home Owners	24 completed homes	\$10,470,000	(not-less than aggregate value)
		\$32,250,000	(not-less than aggregate value)

(1) Based on hypothetical conditions that Bonds had just sold and bond proceeds generate fee credits to the master developer, as described

(2) While separate legal entities, the parties to these companies are affiliated

As part of the scope of work, for the 24 homes that have transferred to individuals and the 4 model homes, our analysis is based on the smallest floor plan size offered at each project. Our analysis assigns no value to upgrades and lot premiums for the 24 homes that have transferred to individuals and 4 models. Moreover, except for fees paid at building permit, no value is assigned to partially completed construction or completed homes that have not yet sold and closed to individual buyers. For these reasons, certain market values by ownership and the aggregate value are not-less-than estimates.

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

EXTRAORDINARY ASSUMPTIONS (CONTINUED ON FOLLOWING PAGE)

1. Based on our inspection, except for the cost associated with recording a final subdivision map for 84 lots (an indirect cost), physical site development appears to be complete, and the Developer indicates site development is complete. Often, project approvals and agreements will stipulate the completion of certain offsite improvements not immediately connected to the property, of which—without being explicitly expressed—we would not be aware. It is an extraordinary assumption that all physical site improvements are completed, as described.

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EXTRAORDINARY ASSUMPTIONS (CONTINUED)

2. The appraisers relied on fees provided by the Developer. The budgeted fees appear reasonable relative to fees at other projects in the area. It is an extraordinary assumption that the said fees were reasonably true and correct. Any substantial changes in the cost and fee estimates could have an effect on the value conclusions and the feasibility of development. We assume that the fee information provided for our review and relied upon herein is correct.

HYPOTHETICAL CONDITIONS

1. As of the date of value, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. A portion of the bond proceeds from the Bonds will be used to finance certain development impact fees, i.e. generate fee credits for the master developer. In the market place, master developers typically handle fee credits in one of two ways. Sometimes master developers pass through said fee credits to builder-buyers at the time the real estate is sold, with no separate consideration paid for fee credits. In these instances, the real estate price paid by builder-buyers is higher because the fee credits are included in the purchase. Sometimes master developers do not pass through said fee credits to builder-buyers when the real estate is sold. In these instances, builder-buyers pay less for the real estate, but are contractually obligated to purchase the fee credits from the master developer when the builder applies for a building permit. In either instance, the total consideration paid by the builder-buyer is approximately the same (not accounting for the minor impact of the time value of money). The master developer of the subject property has already sold lots within the subject property to builders in advance of the sale of the Bonds. Thus, for those 105 lots that have already transferred to other builders in the project where home construction has not commenced (57 lots owned by Woodside Homes and 48 lots owned by Lennar), the sale of the real estate cannot include the fee credits because the credits will be owned by the master developer (GBD Communities) and the credits have not yet been purchased. Because a prudent developer in such a case would opt to utilize a separate revenue stream for fee credits (to reimburse for the costs that generated the said fee credits), it is an extraordinary assumption of this report that the master developer would keep the fee credits and not automatically assign the credits to Woodside Homes and Lennar for no consideration. Thus, for purposes of determining the value of real estate collateral, the values estimated for the real estate owned by Woodside Homes and Lennar do not reflect the potential value-added by the fee credits. These builders have not yet purchased the fee credits for the lots that they own. In contrast, the master developer still owns 107 lots (23 vacant finished lots within its own product line, and 84 near-finished lots under contract to sell to Woodside Homes). For these lots, it is still possible for the master developer to pass through the fee credits at the time of real estate sale (for higher real estate prices). Thus, for purposes of determining the value of real estate collateral, the values estimated for real estate owned by the master developer do reflect the value-added by the fee credits. Note that in addition to the lots owned by affiliates of Woodside Homes, Lennar and the master developer, within the subject individual households own 24 completed homes, Kit Construction Co. Inc (Carson Homes) owns 4 models, 10 partially completed homes and 1 completed and unclosed home, and Anthem United Willow Homes, LP (an affiliate of the master developer) owns 9 partially completed homes. For the completed/partially completed construction, all building permit fees are paid and the contributory value of the fees paid is reflected in our value estimates.

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BBG, Inc. - Northern California appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,

BBG, Inc.



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SUBJECT PHOTOS



Project signage and marketing on Gateway Boulevard



Looking north along Gateway Boulevard



Looking south along Gateway Boulevard



Completed model homes owned by Kit Construction Co Inc (Carson Homes)



Homes under construction by Kit Construction Co Inc (Carson Homes)



Completed and transferred homes built by Carson Homes



Clubhouse maintained by the Homeowner Association



Clubhouse area maintained by the Homeowner Association



Looking west along Silver Almond Lane (Tax Zone 5)



Looking south along Silver Cedar Lane (Tax Zone 5), at an area where site work is complete but final map has not recorded



Looking southeast across Tax Zone 5, at an area where site work is complete but final map has not recorded



Looking northeast across Tax Zone 5, at an area where site work is complete but final map has not recorded



Completed common area landscaping along the southern subject project border



Completed alley drive within Tax Zone 6



Looking south across Tax Zone 6 lots (Lennar) at homes under construction by Anthem United in Tax Zone 7



Completed/transferred homes within Tax Zone 7 (homes built by Anthem United)



A partially completed home in Tax Zone 7



Looking east along Garden Cypress Way in Tax Zone 7

SUMMARY OF SALIENT FACTS

Property	The subject property is 24 completed and sold production homes, 4 completed model homes, 19 partially completed homes, 1 completed and unclosed home, and 128 vacant finished lots and 84 near-finished lots within Community Facilities District No. 2007-01 (Improvement Area No. 2) of the City of Sacramento, or “CFD No. 2007-01 IA No. 12,” commonly referred to in this report as “the CFD.”
Location	The subject project is located at the southeast quadrant of Gateway Park Drive and Terracina Drive, within the city of Sacramento, Sacramento County, California 95834.
Assessor Parcel Numbers	Please refer to the <i>Property Analysis</i> section for a complete list of Assessor parcel numbers.
Ownership	24 completed homes have transferred to individual buyers, which includes 7 homes built by Carson Homes and 17 homes built by Anthem United Homes. Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP are affiliated companies and collectively retain ownership of 9 partially completed homes and 23 vacant finished lots and 84 near-finished lots (near-finished because final subdivision map has not recorded). Kit Construction Co. Inc. (dba Carson Homes) owns 4 model homes, 10 partially completed homes and 1 completed and unclosed home. Woodside 05N, LP dba Woodside Homes owns 57 vacant finished lots. Lennar Homes of California, Inc. owns 48 vacant finished lots. Note that Woodside 05N, LP is under contract to acquire 84 vacant finished lots from Granite Bay-Natomas Meadows, LP. Please refer to the <i>Property Analysis</i> section for a complete list of property owners.
Zoning	PUD – Planned Unit Development
Entitlements	Final subdivision maps have recorded.
Flood Zone	A99 – Within the 100-year floodplain. Zone A99 is defined by FEMA as a Special flood hazard area subject to inundation by 100-year flood which will be protected by a federal flood protection system when construction has reached specified statutory progress toward completion. Mandatory flood insurance purchase requirements apply.

Highest and Best Use	Single-family residential development, as currently approved.
Exposure Time	6 months
Marketing Time	6 months
Property Rights Appraised	Fee Simple Estate
Effective Date of Value:	February 7, 2019 (date of inspection)
Not-Less-Than Value:	

VALUATION

Ownership	Description	Value by Ownership (1)	
Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP (2)	9 partially completed homes, 23 vacant finished lots and 84 near- finished lots	\$11,495,000	(not-less than market value in bulk)
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Individual Home Owners	24 completed homes	<u>\$10,470,000</u>	(not-less than aggregate value)
		\$32,250,000	(not-less than aggregate value)

(1) Based on hypothetical conditions that Bonds had just sold and bond proceeds generate fee credits to the master developer, as described

(2) While separate legal entities, the parties to these companies are affiliated

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the Client and Intended Users may use or rely on the information, opinions and conclusions contained in the report.

GENERAL INFORMATION

IDENTIFICATION OF THE SUBJECT PROPERTY



Northeasterly view of the subject. Imagery as of 8/16/18

The subject property is a portion of the Natomas Meadows residential project in Sacramento, California. As of the date of inspection, the subject property consisted of 4 completed model homes, 24 completed homes that had sold and transferred to individual homeowners, 19 partially completed homes, 1 completed and unclosed (escrow) home, 128 vacant finished lots and 84 near-finished lots. All physical site development (onsite in-tract development and offsites) are complete, albeit a final subdivision map (and its accompanying recordation costs) for the 84 near-finished lots has not recorded. Bond proceeds will be used to reimburse for a portion of site improvements and to generate fee credits. Ownership in the project is divided between the master developer, Granite Bay-Natomas Meadows LP and its affiliated homebuilding company Anthem United Willow Homes LP, Kit Construction Co. Inc (dba Carson Homes), Woodside 05N LP (dba Woodside Homes), Lennar Homes of California Inc., and 24 individual

homeowners. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land.

PROJECT HISTORY

The larger Natomas Meadows project is planned for 637 single-family homes, 120 condominiums and 135 multifamily units. The project was approved on July 18, 2006 as “Natomas Place,” which is a PUD Planned Unit Development. The prior zoning was Manufacturing-Industrial Park Planned Unit Development. Prior to the recession, the multifamily (apartment) component was sold off to a developer and the balance was to be developed by Pardee Homes.

Newspapers reported Pardee invested more than \$60 million in site improvements, but they were only able to build and sell eight homes before the recession occurred. The project was moth-balled and the remaining 629 lots and condominium site sold to the current master developer in 2008 for \$25 million. On December 8, 2008, a *de facto* building moratorium for the North Natomas area began, whereby construction could only continue if building permit fees were paid and home foundations were completed by this date, or if the new construction was built 33-feet above flood elevation (which is impractical, hence a *de facto* moratorium). The moratorium lasted through June 15, 2015, with the City issuing building permits the following day.

In 2015 and 2016, the master developer sold various groups of lots in Improvement Area No. 1 to Lennar, DR Horton, Woodside Homes, and its homebuilding affiliate, Anthem United. While lot and home sizing varies between these four projects and the subject project, all are medium density and all will compete with one another to some extent. As of the date of value, the single-family component of Improvement Area No. 1 was approaching build out.

SUBJECT PROJECT TO DATE

Within Improvement Area No. 2, Carson Homes and Anthem United have active projects. Remaining lots have either transferred or contracted to sell to Lennar and Woodside Homes. Home and model construction at the Lennar and Woodside Homes projects in Improvement Area No. 2 have not yet commenced. The subject project is summarized below.

SUBJECT PROPERTY SUMMARY (PART 1 OF 2)		
232 Lots	20 lots have home construction underway with various stages of completion	10 partially completed homes by Carson Homes
		1 completed homes by Carson Homes (being marketed for sale and not-yet-sold)
		9 partially completed homes by Anthem United
128 vacant finished lots		23 lots owned by Anthem United Willow Homes, LP
		57 lots owned by Woodside Homes
		48 lots owned by Lennar
84 near-finished lots		Owned by Granite Bay-Natomas Meadows, LP (the master developer); under contract to sell to Woodside Homes as finished lots (with a recorded final subdivision map)

(table continued on the following page)

SUBJECT PROPERTY SUMMARY (PART 2 OF 2)

28 Homes	24 homes transferred to individual owners	7 built and sold/closed by Carson Homes
		17 built and sold/closed by Anthem United
	4 models	Built and owned by Carson Homes

FLOOD ZONE HISTORY

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

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

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

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

The City did not come close to the annual permit maximums since the moratorium was lifted, primarily because unimproved projects in North Natomas have not been brought forward due to financial infeasibility. Due to rollover provisions and projected supply and demand, the City-imposed cap on building permits is not expected to limit or restrict the subject project into the foreseeable future.

CURRENT OWNERSHIP AND SALES HISTORY

Granite Bay-Natomas Meadows, LP is the master developer and has been involved with the larger Natomas Meadows project for several years. Within the subject property, the master developer has sold villages to its affiliated homebuilding company, Anthem United Willow Homes, LP, and to Kit Construction Co. Inc (dba Carson Homes), Woodside 05N, LP (dba Woodside Homes) and Lennar Homes of California, Inc. The lots sold to third-party builders were delivered with site improvements completed by the seller.

The properties were actively marketed; the transactions were arm's-length and the sale prices reflected market pricing at the time of sale.

SALES HISTORY

	48 Lots (Alley)	57 Lots (Garden/Cluster)	84 Lots (Garden/Cluster)	22 Lots (Garden/Cluster)
Transfer Date	June 15, 2018	June 14, 2018	N/Ap	June 14, 2017
Contract Date	April 3, 2018	March 20, 2018	March 20, 2018	December 12, 2016
Seller	Granite Bay Natomas Meadows, LP	Granite Bay Natomas Meadows, LP	Granite Bay Natomas Meadows, LP	Granite Bay Natomas Meadows, LP
Buyer	Lennar Homes of California, Inc.	Wooside 05N, LP	Wooside 05N, LP	Kit Construction Co. Inc
Sale Price	\$5,625,000 for 75 Lots (48 subject lots and 27 nearby lots)	\$3,534,000	\$5,628,000	\$1,243,000
Allocated Sale Price	\$3,600,000	N/Ap	N/Ap	N/Ap
Price/Lot	\$75,000	\$62,000	\$67,000	\$56,500
Recording Instrument Number	201806150742	201806140619	Not yet recorded	201706141207
Market Pricing at Time of Sale	Yes	Yes	Yes	Year
Arm's-Length	Yes	Yes	Yes	Year
Comments	Buyer must pay master-marketing fee of \$500/home, due at lot closing, and agrees to purchase pre-paid fees/fee credits from the seller at later date for add'l consideration	Buyer must pay master-marketing fee of \$500/home, due at lot closing, and agrees to purchase pre-paid fees/fee credits from the seller at later date for add'l consideration	Buyer must pay master-marketing fee of \$500/home, due at lot closing, and agrees to purchase pre-paid fees/fee credits from the seller at later date for add'l consideration	Buyer indicated it would purchase fee credits from the seller if available when it pulls building permits

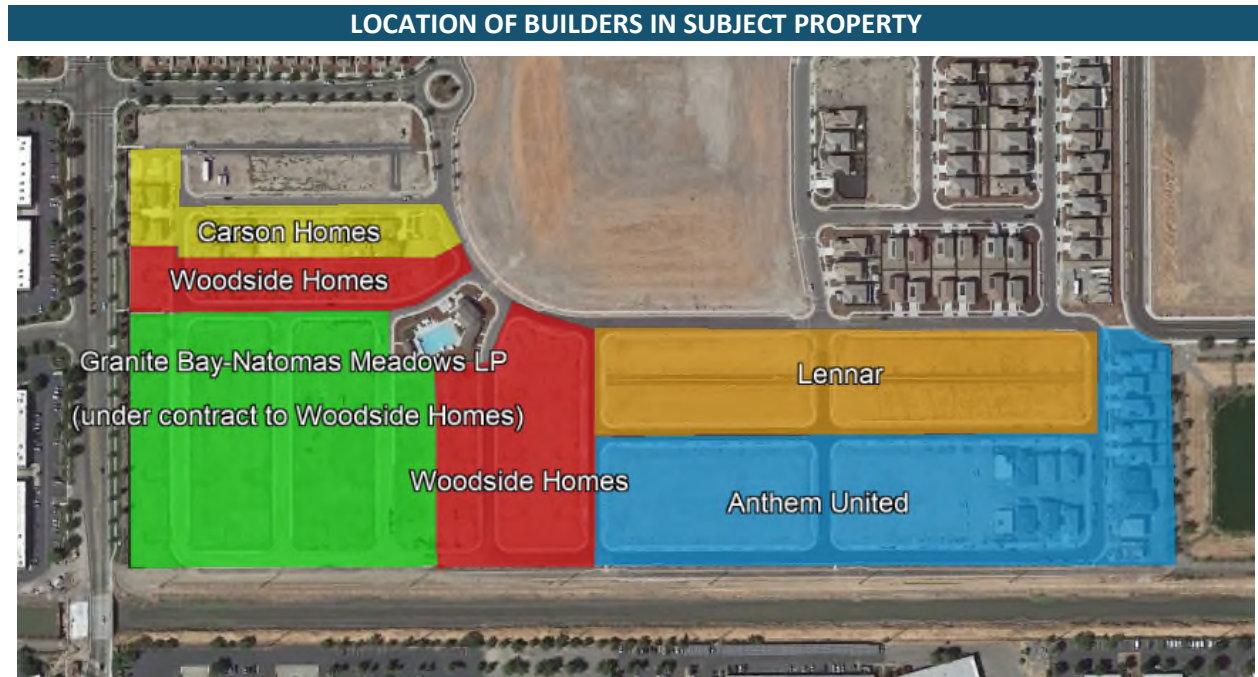
As shown above, the master developer has contracted to sell 84 lots to Woodside Homes. This sale was collectively negotiated as part of the same contract (March 2018) involving the 57 lots acquired by Woodside Homes in 2018.

The property transfer history between the master developer and its homebuilding affiliate is summarized below.

TRANSFER HISTORY BETWEEN AFFILIATED COMPANIES

	18 Lots (Traditional)	9 Lots (Traditional)	22 Lots (Traditional)
Transfer Date	May 15, 2018	March 16, 2018	November 28, 2017
Contract Date	December 15, 2017	December 15, 2017	September 30, 2016
Seller	Granite Bay Natomas Meadows, LP	Granite Bay Natomas Meadows, LP	Granite Bay Natomas Meadows, LP
Buyer	Anthem United Willow Homes, LP	Anthem United Willow Homes, LP	Anthem United Willow Homes, LP
Sale Price	\$1,787,724	\$855,000	\$2,325,000 for 31 Lots (22 subject lots and 9 nearby lots)
Allocated Sale Price	N/Ap	N/Ap	\$1,650,000
Price/Lot	\$99,318	\$95,000	\$75,000
Recording Instrument Number	201805150834	201803160804	201711281364
Market Pricing at Time of Sale	Yes	Yes	No
Arm's-Length	No	No	No
Comments			Market value exceeded its price at the time of closing due to rising prices over the lengthy contract period.

An exhibit reflecting subject land holdings is provided below.



Note: Does not reflect homes that have transferred to individuals.

In this report, and not accounting for fee credits, we estimate values of \$70,000/lot for each garden/4-pack cluster group of lots, \$80,000/lot for each alley group of lots and \$104,063/lot (after rounding) for each traditional group of lots. The estimated value conclusions are reasonable relative to recent lot sales from within the subject project. In light of value increases since mid-2018, the conclusion of \$70,000/lot for the garden/4-pack cluster category is reasonable relative to the March 2018 contract (June 2018 closing) to Woodside Homes of \$62,000/lot (Takedown 1) and pending price of \$67,000/lot for Takedown 2. Similarly, the conclusion of \$80,000/lot for the alley category is reasonable relative to the April 2018 (June 2018 closing) price of \$75,000/lot due to continued value increases after the date of sale. Finally, the value conclusion for the traditional lot category (\$104,063/lot) is reasonable relative to the early 2018 transfers between the master developer's affiliated companies (\$95,000 and \$99,318/lot) for the same reasons, albeit these transfers—while reflecting market pricing—were not arm's length market transfers.

To our knowledge, and excluding home sales that are ongoing, no other transfers have occurred within the last three years and the subject lots are not being marketed for sale. All lots within the subject are controlled or under contract to sell to builders.

Later in this report, we estimate the base floor plan values for the smallest homes at each product line, which are used to estimate the not-less-than values for the homes that have sold and transferred/closed to individuals. Our estimated base floor plan values are compared with current asking prices on the following page.

BASE HOME VALUE CONCLUSIONS

Product Line	Plan	Living Area (SF)	Estimated Current Retail Value	Base Asking Price (1)	\$ Difference	% Difference (Absolute)
Cypress Village by Carson Homes	Plan 1 (smallest)	1,505	\$330,000	\$359,990	-\$29,990	8.3%
Willow by Anthem United	Plan 1 (smallest)	2,535	\$480,000	\$483,490	-\$3,490	0.7%

(1) Does not reflect incentives

Both projects are offering a \$5,000 closing cost incentive for using a preferred lender. Cypress Village includes a pre-paid 20-year solar lease (the contributory value of which is not real estate and which is excluded from our value estimate). Willow includes around \$8,000 in upgrades at no cost to buyer (if upgrades are selected as an option; incentive cannot be applied to reduce base price). On whole, the difference between our value estimates and current asking prices are minor.

FACILITIES TO BE FINANCED BY THE DISTRICT

The Bonds are planned to finance of the acquisition of public facilities completed and finance eligible development impact fees, as well as pay Bond related expenses, administrative fees, and all costs and incidental expenses related to eligible facilities.

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

INTENDED USER AND INTENDED USE

The client and intended user is City of Sacramento. Other intended users identified by the client include legal council and underwriter. This appraisal report may only be relied upon by the client and intended user(s) named herein. The intended use is for bond financing.

PRIOR SERVICES

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

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the subject property by ownership and the aggregate value of all taxable property, as of the date of value, February 7, 2019, which represents the date of inspection. The values are subject to a hypothetical condition that the CFD Bonds have sold. The appraisal is valid only as of the stated effective date or dates.

PROPERTY RIGHTS APPRAISED

As stated above, our analysis pertains to the fee simple interest in the subject property. This is defined as follows:

Fee simple: “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

DEFINITION OF MARKET VALUE

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

“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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Source: Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

LOT DEFINITION(S)

Note that in this report, the term “finished lot” means all site development is completed, final map has recorded, and all development fees due at final map have been paid. A finished lot does not include fees due at building permit, since these items are associated with home construction. Moreover, a finished lot does not include shared motor-courts for garden product, which is typically regarded as flatwork in lieu of driveways associated with vertical construction. The definition of finished lot utilized in this report is shared by market participants in the Northern California region.

APPLICABLE REQUIREMENTS

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

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

LEVEL OF REPORTING DETAIL AND APPLICABLE REQUIREMENTS

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report which, at a minimum, must summarize the appraiser's analysis and the rationale for the conclusions.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as any additional standards of the client and intended users.

APPRAISER COMPETENCY

No steps were necessary to meet the competency provisions established under USPAP. We have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, we have adequate experience and qualifications to appraise the subject. Appraiser certifications and qualifications are included in the Addenda of this report.

SCOPE OF WORK

The intended use and intended user(s) of this appraisal report, characteristics and complexity of the subject property, market conditions, widely-accepted methods and practices within the appraisal profession, and other pertinent factors were all considered in our determination of scope of work, which is detailed in the following sections.

VALUATION METHODOLOGY

Appraisers typically consider utilizing the cost, sales, and/or income capitalization approach in developing an opinion of value. The applicability of each approach is determined by the economic characteristics of the property, the availability of reliable data, and the common practice of market participants that reflect the most likely purchaser of the subject property.

The valuation begins with the proposed home construction, where the sales comparison approach is the most applicable approach and sufficient sales data is available. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales of lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we conduct a “top down” land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility. Moreover, the income capitalization approach is not applicable for the completed homes because, while single-family homes can produce income, the market is owner-user dominated with prices established based on sales.

In the valuation of the subject lots, we utilize the sales comparison and a lot extraction/residual analysis. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The lot extraction/residual analysis deducts anticipated costs from current home value estimates, leading to estimates of residual lot value. Discounted cash flow analysis for the determination of lot value was not necessary given the small number of lots owned by each builder and the short home absorption periods (generally 18 months or less).

A traditional cost approach for the subject lots is not applicable. However, in the finished lot valuation, we utilized numerous land sales, some of which were vacant land sales. We considered the cost of completing site improvements for each sale when determining an estimate of finished lot value; and from this value, we deducted the subject’s projected remaining site improvement costs (if any) to arrive at an estimate of as is value. The same value could have been resulted had the comparables been analyzed on an unimproved or partially finished basis, with adjustments made for projected site development cost differences. From this value, we could have added the subject’s projected remaining site development costs and arrived at an estimate of finished lot value. However, this method is not utilized by market participants, who prefer to analyze land deals on an “all in” land plus cost basis. The method applied in this report mirrors how market participants analyze like property. Moreover, in arriving at an estimate of finished lot value, costs associated with proposed home construction relative to current home pricing were considered in the subdivision development method.

RESEARCH AND ANALYSIS

In preparing this appraisal and over the course of this assignment, we performed extensive research and analysis of the subject, its competitors, and the broader market factors that impact value. The type and extent of our research and analysis is described throughout the report as it pertains to each section. In summary:

- Researched the legal and physical attributes of the subject property including: a physical inspection of the property was completed and serves as the basis for the site description contained in this report; City of Sacramento provided us CFD formation documents and the Improvement Area boundary; representatives of the master developer (its staff and consultants) provided us detailed project information, including lot and home sales history, costs and other miscellaneous items; the sales history was verified by consulting public records (Parcelquest); zoning and entitlement information was obtained from the City of Sacramento Planning Department; the subject's earthquake zone, flood zone and utilities were verified with applicable public agencies; property tax information for the current tax year was obtained from the Sacramento County Tax Collector's Office.
- Analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles and interviews with various market participants.
- Determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for single-family residential homes (production homes).
- Gathered information on comparable properties and confirmed comparable transactions. We also relied on comparable information (sales, costs, permits and fees) that we had retained in our appraisal files and which may have resulted from prior interviews with market participants. The type and extent of our research and analysis is detailed in individual sections of the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.
- Estimated reasonable exposure and marketing times associated with the market value estimates.

INSPECTION DETAILS

Jarrod Hodgson, MAI, conducted an on-site inspection of the property of the subject on February 7, 2019.

REGIONAL ANALYSIS

SACRAMENTO MSA

The Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area is comprised of El Dorado, Placer, Sacramento and Yolo Counties, hereinafter called the Sacramento MSA. Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north the California's expansive Central Valley and has an estimated population of just over 500,000, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.3 million residents, making it the largest MSA in the Central Valley and the fourth largest in California behind greater Los Angeles, the San Francisco Bay Area and San Diego.

Situated approximately 85 miles northeast of San Francisco, Sacramento is at the intersection of two major interstate freeways (I-5 and I-80) and at the confluence of the Sacramento and American rivers. The area is also served by a number of rail lines including the Amtrak Capital Corridor. This, in addition to convenient access to airports, rail and a deep-water port, makes Sacramento well connected both regionally and nationally. Sacramento is increasingly regarded as a leading business location due to its growing, well-educated population, affordable cost of living, plentiful amenities and overall high quality of life.



ECONOMIC OVERVIEW

The resurgence of the local economy since the last recession has established itself across both private and public sectors. Healthcare emerged as a regional economic engine, adding nearly 63,000 jobs in the last 10 years. During the same time frame, Professional Services has added about 18,000 jobs while the State Government has added more than 13,000 jobs. Key points relating to the regional economy include the following.

- The regional unemployment has continued to decline and is currently on par with state and national levels. Total employment increased by a greater percentage in 2017 than 2016. As of November 2018, the unemployment rate was 3.5%, which is lower than the 2017 annual figure of 3.8%.
- Business confidence indexes from various groups suggest continued optimism for 2018. In addition, surveys indicate that consumer sentiment in the region remains positive.
- Commercial real estate fundamentals continue to trend in a positive direction, with vacancy rates declining and rental rates increasing in all property sectors. Investor demand remains high, as out-of-town buyers continue to scout the region in search of better yields relative to core markets.
- The regional single-family residential real estate market continued to trend positive in 2018, with increases in median prices and sales activity. Construction starts and sales of new homes continue to increase, but remain well below historic averages. The current cycle is expected to continue through at least 2019.
- Recent population growth has been close to 1% annually. This is down from the early to mid-2000's when the region was growing in excess of 2% annually.

POPULATION

The Sacramento MSA has an estimated 2018 population of 2,325,849, which represents an annual increase of 1% over the 2010 census. This is down from the early to mid- 2000’s when the region was growing in excess of 2% annually. Population growth trends within the region are summarized as follows:

	Population			Compound Annual % Change	
	2010 Census	2018 Est.	2023 Est.	2010 - 2018	2018 - 2023
City of Sacramento	466,488	500,558	522,447	0.9%	0.9%
Sacramento MSA	2,149,127	2,325,849	2,434,403	1.0%	0.9%
California	37,253,956	39,695,753	41,305,572	0.8%	0.8%

Source: Claritas, LLC.

Looking forward, Sacramento MSA’s population is projected to increase at a 0.9% annual rate from 2018-2023, equivalent to the addition of an average of approximately 22,090 residents per year.

EMPLOYMENT

Sacramento’s ability to attract and retain quality talent is largely attributed to its two higher-education institutions, the University of California, Davis and California State University, Sacramento. These facilities also help to foster organic growth within the labor force and produce a highly educated workforce for many of the region’s leading companies as well as businesses that are relocating from the Bay Area for the relatively affordable space and living costs. As the Bay Area becomes increasingly less affordable and congested, Sacramento will continue to provide a viable opportunity for a better quality of life to much of that labor force. As a result, the city has begun to attract the employers that desire to be close to this labor pool.

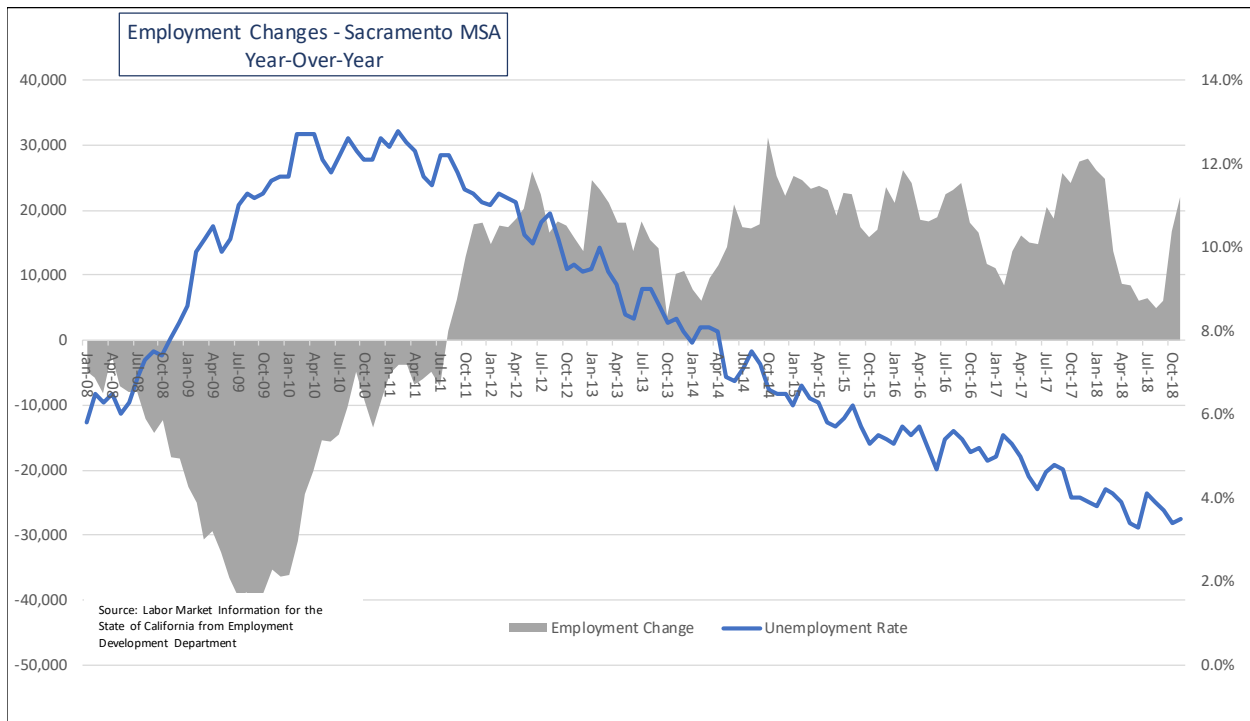
Total civilian employment in Sacramento MSA was 1,036,300 as of June 2018. This represents an increase of 6,000 as compared to one year earlier. The current employment for the MSA is now about 50,000 above the peak employment level in mid-2007 (985,000). There have been year-over year employment gains for

the region since April 2012. As of year-end 2017 total employment in the region increased 2.0% (almost 21,000). The following table provides an overview of the major industry sectors within the region.

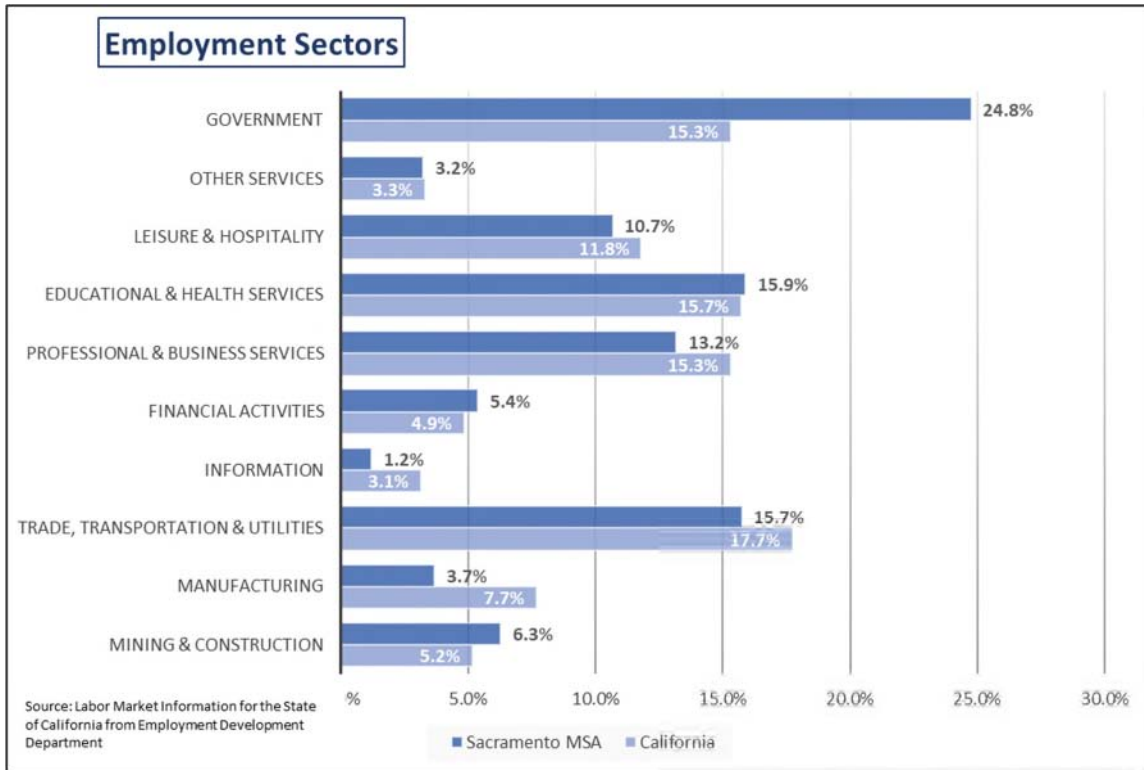
Employment Trends						
Year	Total Employment (Year End)				Unemployment Rate (Annual Avg.)	
	Sacramento MSA	% Change	California	% Change	Sacramento MSA	California
2007	977,700	-	16,931,600	-	5.8%	5.4%
2008	959,500	-1.9%	16,854,500	-0.5%	8.6%	7.3%
2009	923,100	-3.8%	16,182,600	-4.0%	11.7%	11.2%
2010	914,000	-1.0%	16,091,900	-0.6%	12.4%	12.2%
2011	932,000	2.0%	16,258,100	1.0%	11.0%	11.7%
2012	945,600	1.5%	16,602,700	2.1%	9.5%	10.4%
2013	956,100	1.1%	16,958,700	2.1%	7.7%	8.9%
2014	978,200	2.3%	17,348,600	2.3%	6.2%	7.5%
2015	1,002,100	2.4%	17,723,300	2.2%	5.3%	6.2%
2016	1,020,200	1.8%	18,065,000	1.9%	4.8%	5.4%
2017	1,041,100	2.0%	18,520,000	2.5%	3.8%	4.2%
Overall Change 2006-2017	63,400	6.5%	1,588,400	9.4%		
Avg. Unemp. Rate 2006-2017					7.9%	8.2%
Unemployment Rate - November 2018					3.5%	4.1%

Source: Labor Market Information for the State of California from Employment Development Department. The figures are not seasonally adjusted.

Another way of gauging an area’s economic health is through a comparison of unemployment rates in the region. Average annual unemployment rates for the region have been lower than the state for the last seven years. Over the past decade, the average annual unemployment rate for the Sacramento MSA was 7.9%, compared to 8.2% for California. A lower unemployment rate represents a positive in terms of economic health.



The following tables provide an overview and illustration of the major industry sectors within Sacramento MSA and the California. Total employment is broken down by major employment sector and ranked from largest to smallest based on the percentage of Sacramento MSA jobs in each category.



GOVERNMENT EMPLOYMENT

As the capital of California, a large portion of Sacramento’s employment has historically been dominated by the State government and other public-sector employers. Today, State government accounts for over 15% of all nonfarm employment (over 120,000 EE’s), while government as a whole employs 25% of the region’s labor pool (over 240,000 EE’s), which is a very large share by national norms.

With a GDP of \$2.75 trillion in 2017, California moved to 5th place in the IMF world economy rankings (California is the only state on the list of nations). As California continues to become more of a global player, Sacramento will continue to grow in significance as a city and the seat of the legislative body that governs the state.

PRIVATE SECTOR EMPLOYMENT

Government will always play a significant role in the region’s economic base; however, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in many private sector industries such as professional services, healthcare, education and trade, transportation and utilities. Sacramento has also provided a welcoming environment to many green and clean technology companies. This is largely due to California’s progressive environmental policies but also in the provision of the opportunity to influence these policies from within the California state capital.

The strength of the region’s labor force coupled with the availability of land, relatively affordable cost of living and ease of access to other major employment hubs continues to make Sacramento a desirable

place to conduct business. Major private sector companies that have maintained a strong local presence and continue to have a positive impact on the region’s economy are summarized in the following table.

Major Employers - Sacramento MSA					
Rank	Company	No. Employees	Rank	Company	No. Employees
1	University of California, Davis	20,100	11	VSP Global	2,382
2	Kaiser Permanente	16,100	12	Health Net Inc.	2,299
3	Sutter Health	15,200	13	Wells Fargo	2,190
4	Dignity Health	7,850	14	Cache Creek Casino Resort	2,150
5	Intel Corp.	6,000	15	Sacramento Municipal Utility District	2,046
6	Raley's Inc.	4,800	16	Hewlett-Packard Co.	2,000
7	California State University Sacramento	3,125	17	Northstar-At-Tahoe Resort	1,950
8	Thunder Valley Casino Resort	2,500	18	Sierra Joint community College	1,940
9	Apple Inc.	2,500	19	Bank of America	1,892
10	Squaw Valley Resort	2,500	20	California Health Services	1,890

Sources: Sacramento Business Journal 2017 Book of Lists; U.S. Department of Housing and Urban Development 2017-2018

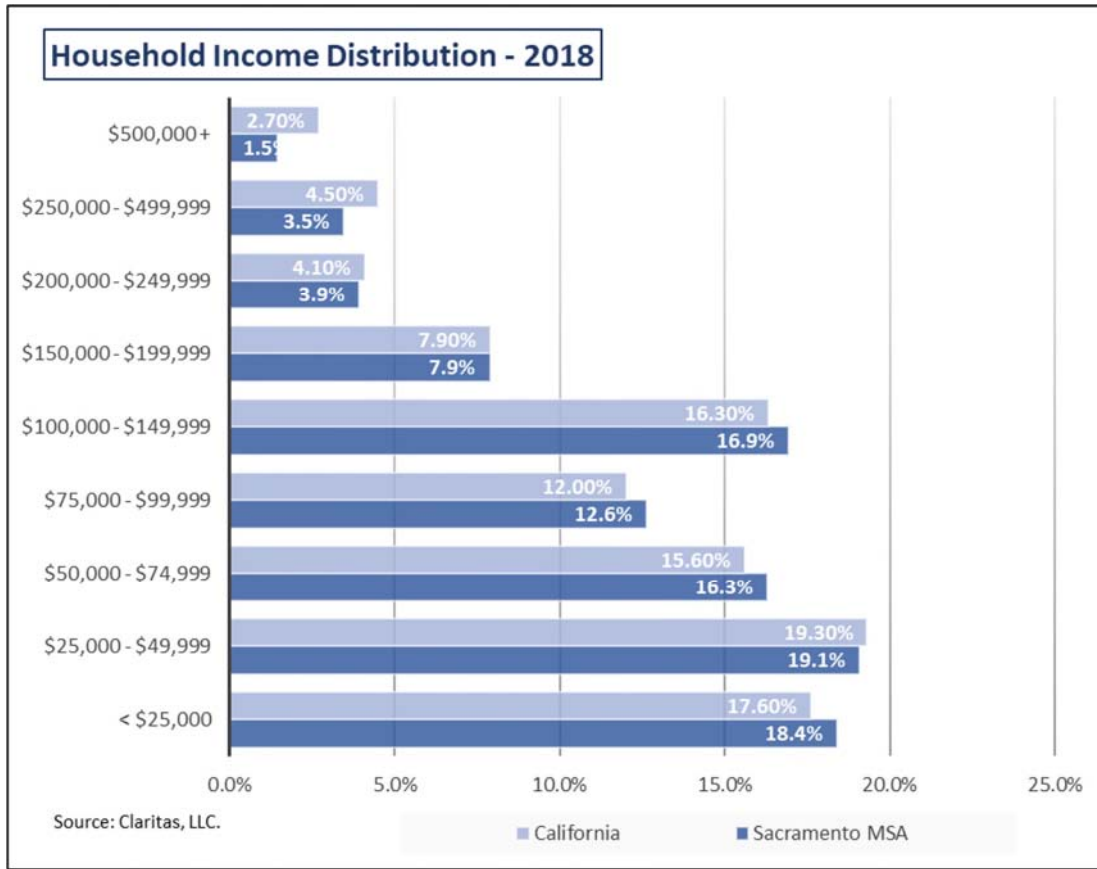
HIGHER EDUCATION

The University of California at Davis, situated 15 miles west of Sacramento, is one of the nation’s top public research universities and is ranked tenth amongst public universities nationwide by U.S. News and World Report. The UC Davis School of Medicine is ranked fourth amongst U.S. medical schools in research funding. Currently, more than 35,000 students are enrolled in over 100 undergraduate and 90 graduate programs at UC Davis. An additional 30,000 students are enrolled at California State University, Sacramento which offers 58 undergraduate and 40 graduate programs. Both schools make a significant impact on the higher-education levels of the local labor pool.

HOUSEHOLD INCOME AND INCOME DISTRIBUTION

The median household income for the overall Sacramento MSA (around \$69,000 in 2018) is about 9 percent below the statewide average. Within the region, median household income is the highest in Placer and El Dorado Counties. Areas of concern for the Sacramento region are the slower pace of income growth and an increase in income inequality. Detailed household income for the subject neighborhood and Sacramento is presented later in this report.

Household income distribution (2018) for the Sacramento MSA is presented on the following page.



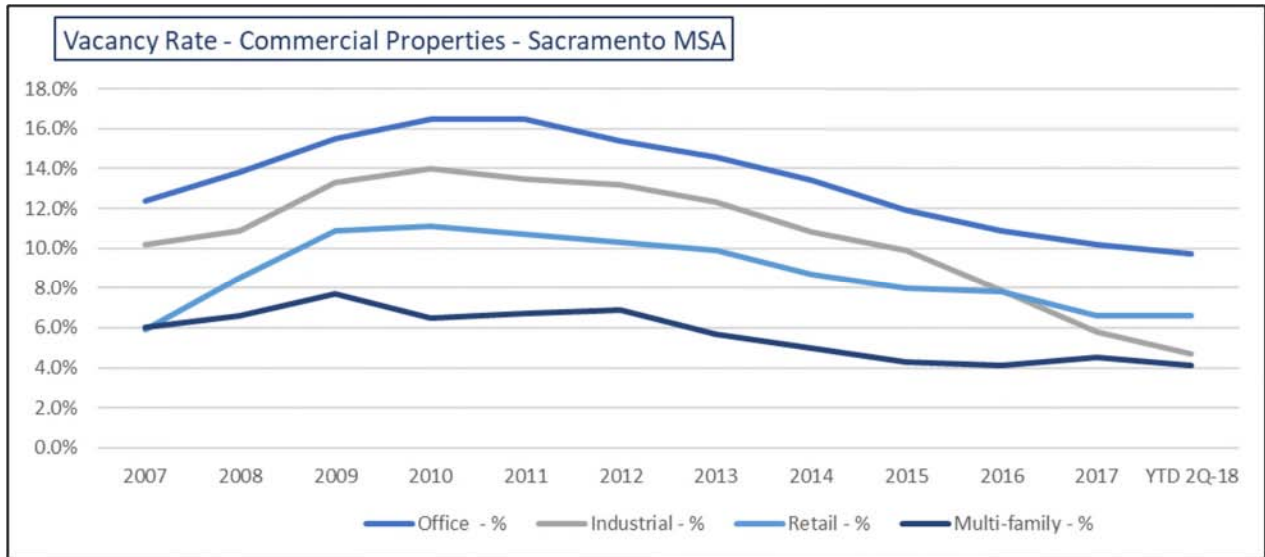
RESIDENTIAL REAL ESTATE

A *Detailed Residential Market Analysis* is presented later in this report. In summary, median home sale price points in all four counties are nearing the record highs seen in the last expansion period in mid-2005. Over the past five years, average home price appreciation steadily increased, albeit at a slower pace seen in 2013. The current cycle is expected to continue through at least 2019. Most new home buyers are local to the area, albeit a growing number of coming from the Bay Area due to the relative affordability of the Sacramento area. The southwest portion of the MSA, specifically southern Yolo County and western Sacramento County, will continue to be a primary landing place for Bay Area transplants seeking super-commutes, with other areas of the MSA also option for tele-commuters. Millennial households from the Bay Area are especially drawn the live-work aspects of downtown Sacramento.

New construction activity is moderate and steady, but well below construction activity in the last expansion period. Over the last two years, nearly half of new construction took place in Sacramento County, followed by Placer County (±35%). El Dorado County represented roughly 10% of new construction over the same period, followed by Yolo County with 9% in 2017.

COMMERCIAL REAL ESTATE

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



The Sacramento multifamily market is poised for continued success as the region is thriving with rising employment, increasing population, continued rent growth, and minimal vacancy. During the prior three years, rents rose an average of 9 percent annually. While rent growth is expected to continue, it will likely moderate to a more sustainable level at some point in the foreseeable future. The widening gap between the two housing options has maintained steady renter demand and limited concessions.

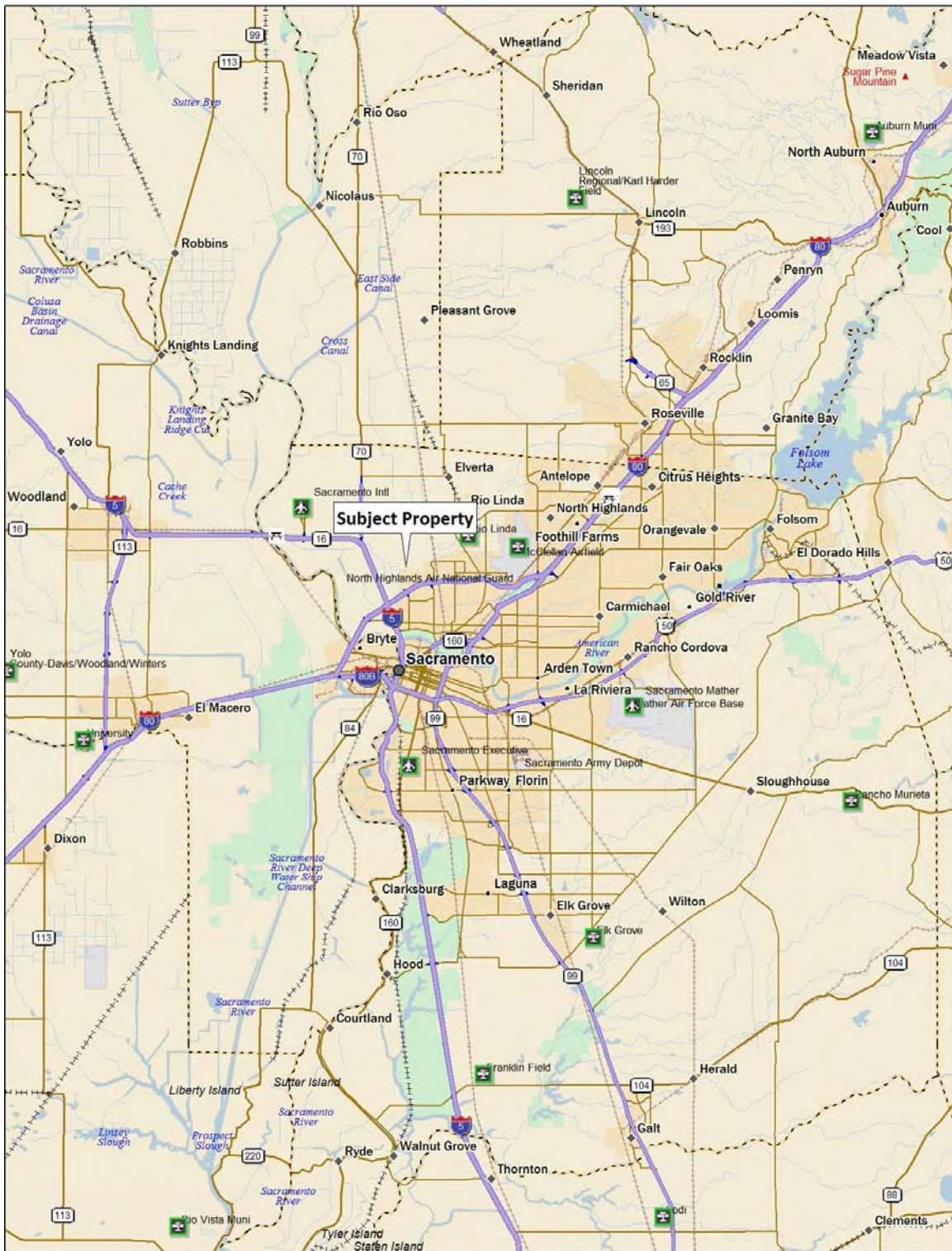
Construction activity for all property types has remained at historically low levels since the downturn in 2007. However, there is construction occurring on all property types within the area. For 2019, new construction is expected to follow a similar pattern as 2018, and limited to apartments, high identity retail, medical offices (including two large medical campuses) and a few distribution warehouses. Office construction will likely continue to be limited to build-to-suit or owner-user projects.

CONCLUSION

The region has experienced several economic cycles over the past 25 years. The growth periods were largely attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA's due to a heavy reliance on government jobs.

The current outlook for the region is encouraging due to strong fundamentals. The region's affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. The Sacramento region experienced growth in the number of jobs over the past five years, and it is reasonable to assume that growth in employment as well as population will continue to occur in the future. On a short-term basis, the economic outlook for Sacramento remains positive, consistent with trends experienced during 2018. Jobs in healthcare, education, and government will keep the unemployment rate from rising. On a long-term basis, it is anticipated that the Sacramento MSA will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

REGIONAL MAP



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www.delorme.com

Scale 1 : 400,000
1" = 6.31 mi Data Zoom 9-0

NEIGHBORHOOD ANALYSIS

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,” as described by The Dictionary of Real Estate Appraisal.

LOCATION AND NEIGHBORHOOD BOUNDARIES

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

The subject property is located in “North Natomas,” which represents the suburban area of the city of Sacramento located north of Interstate 80, west of Northgate Boulevard/Levee Road, and bounded by the city limits of Sacramento to the north and the Sacramento River to the west.

ACCESS AND LINKAGES

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

DEMOGRAPHICS

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

COMPARATIVE DEMOGRAPHIC ANALYSIS FOR PRIMARY TRADE AREA					
	1 Mile Radius	3 Mile Radius	5 Mile Radius	City of Sacramento	Sacramento MSA
Description	Totals	Totals	Totals	Totals	Totals
Population					
2019-2024 Projected Annual Rate of Growth	1.7%	1.3%	1.1%	0.9%	0.9%
2024 Projection	13,222	133,582	230,972	526,725	2,463,355
2019 Estimate	12,163	125,414	218,539	504,866	2,353,918
2010 Census	9,991	109,348	194,722	466,488	2,149,127
2000 Census	459	53,532	131,639	406,233	1,796,842
2019 Est. Median Age	32.52	33.73	34.02	35.81	37.95
2019 Est. Average Age	33.50	34.80	35.41	37.50	39.10
Households					
2024 Projection	4,407	43,704	76,599	194,391	894,871
2019 Estimate	4,129	41,441	72,850	186,971	856,425
2010 Census	3,647	37,505	66,217	174,695	787,667
2000 Census	209	18,217	44,748	154,287	665,300
2019 Est. Average Household Size	2.96	3.02	2.94	2.66	2.70
2019 Est. Households by Household Income					
Income Less than \$15,000	5.0	5.2	5.3	11.8	9.2
Income \$15,000 - \$24,999	7.5	5.6	5.2	9.6	7.7
Income \$25,000 - \$34,999	6.3	6.0	5.1	9.0	7.6
Income \$35,000 - \$49,999	10.9	7.9	7.6	12.2	11.1
Income \$50,000 - \$74,999	16.2	12.8	12.5	17.0	16.3
Income \$75,000 - \$99,999	13.9	13.3	13.2	12.2	12.4
Income \$100,000 - \$124,999	10.3	11.5	12.1	8.9	9.8
Income \$125,000 - \$149,999	8.2	9.3	10.0	6.1	7.3
Income \$150,000 - \$199,999	8.9	11.5	12.4	6.1	8.2
Income \$200,000 - \$249,999	4.7	7.1	7.3	3.1	4.3
Income \$250,000 - \$499,999	5.5	6.7	6.5	2.8	4.1
Income \$500,000 and more	2.6	3.2	2.9	1.2	2.0
2019 Est. Average Household Income	\$112,888	\$128,914	\$129,299	\$84,227	\$100,528
2019 Est. Median Household Income	\$81,738	\$98,435	\$102,020	\$59,967	\$71,678
2019 Est. Tenure of Occupied Housing Units					
Owner Occupied	42.7	54.9	50.0	49.1	60.9
Renter Occupied	57.3	45.1	50.0	50.9	39.1
2019 Est. Median All Owner-Occupied Housing Value	\$416,130	\$327,503	\$301,164	\$345,160	\$407,576

Source: Spotlight Demographics

As shown above, household income levels in the subject's immediate vicinity are much higher than the city of Sacramento, and slightly higher than the Sacramento MSA overall.

ABILITY TO PAY

Later in this report, we estimate the subject's smallest (garden/4-pack cluster) and largest (traditional) product types would have average home prices of around \$330,000 and \$485,000. At these price levels, and using household income figures for the one mile radius area, we estimate 67% and 51% of all buyers can afford the average prices. The loan rates and maximum qualifying income (43%) below are based on recent quotes from American Pacific Mortgage, Prime Lending and Summit Funding.

ABILITY TO PAY ANALYSIS – GARDEN/4-PACK CLUSTER PRODUCT

	Product:	4-Pack Cluster	Traditional
Avg. Home Price		\$330,000	\$485,000
Less: Down Payment	20%	-\$66,000	-\$97,000
Total Loan Amounts		\$264,000	\$388,000
Interest Rate (First)	4.500%		
Term (Years)	30		
Monthly Mortgage Payment		\$1,338	\$1,966
Taxes as % of Price, monthly	1.21%	\$333	\$489
Direct Levies, monthly		\$56	\$67
Special Tax for CFD 2007-01, monthly		\$124	\$161
Homeowner Association, monthly		\$135	\$135
Insurance as % of Price, monthly	0.20%	<u>\$55</u>	<u>\$81</u>
Total Monthly Housing Payment		\$2,041	\$2,898
Monthly Housing Payment as % of Income	43%	\$4,746	\$6,741
Required Annual Household Income		\$56,955	\$80,888

HOUSEHOLD INCOME CATEGORIES

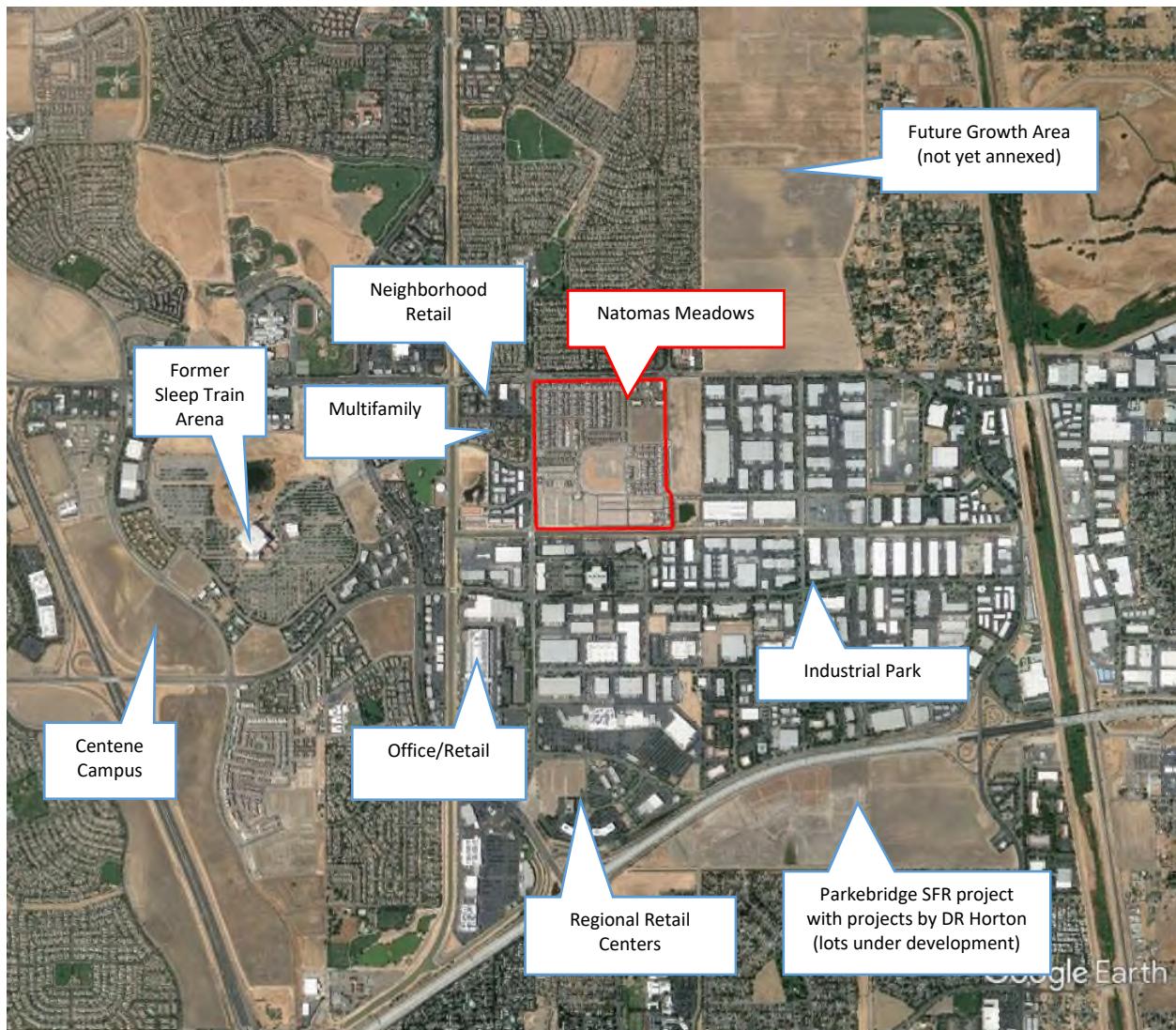
Household Income Categories	% of Total	% Afford 4-Pack Cluster	% Afford Traditional
< \$15,000	5.0%	-	-
\$15,000 - \$24,999	7.5%	-	-
\$25,000 - \$34,999	6.3%	-	-
\$35,000 - \$49,999	10.9%	-	-
\$50,000 - \$74,999	16.2%	13.0%	-
\$75,000 - \$99,999	13.9%	13.9%	11.1%
\$100,000 - \$124,999	10.3%	10.3%	10.3%
\$125,000 - \$149,000	8.2%	8.2%	8.2%
\$150,000+	<u>21.6%</u>	<u>21.6%</u>	<u>21.6%</u>
	100.0%	67.0%	51.2%

Source: Spotlight Demographics

SURROUNDING LAND USES

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

SURROUNDING LAND USES



The subject is located in an area with mixed land uses. With business park and light industrial uses to the south and retail commercial and multifamily uses to the west subject property was designed as a mixed medium density project, offering a range of single-family and multifamily types. North of the subject is Natomas Park suburban area, featuring mostly low density homes built within the last 15 years.

Supporting retail uses are nearby. Just west of Natomas Meadows is a strip retail center anchored by a local gym. In line retail fills the rest of the center. One mile west of the subject is a neighborhood center anchored by Raley's and Kohls. Major retail uses, are located one half mile to the south and include numerous Big Box retailers such as Target, Walmart and Petsmart, as well as in-line retail tenants.

A significant land use located one half mile west of the subject is former Sleep Train Arena, which was previously home to the Sacramento Kings and regional events. With the Golden One Center opening in 2016, the facility is longer utilized. The fate of the arena site is unclear. Local newspapers have cited reports by local politicians to attract a major hospital or tech-user, with the hope of bringing jobs to the area. The site has excellent transportation linkages and has nearby housing available for employees. In

2015, Kaiser Permanente announced their intent to construct a new medical facility in the Railyards area abutting downtown Sacramento, which would seem to make it less likely that another major hospital would open at the former Sleep Train Arena site. Other newspaper reports have cited speculation about relocating the Sacramento Zoo to the Sleep Train Arena site.

Just northeast of the Natomas Meadows projects in the “Panhandle” area, which is approved for annexation into the City. Development in this area is likely at least 18 to 24 months away.

Approximately one mile south of the subject is the Parkebridge project, where lot development is occurring. The developer of that project is delivering finished villages to DR Horton. Home sales and construction have not yet commenced. Parkebridge is located in “South” Natomas (south of Interstate 80). Home pricing in South Natomas is generally lower than North Natomas, all else being equal.

DEMAND GENERATORS

Approximately 1.5 miles west of the subject, just west of the former Sleep Train Arena, in September 2018 Centene Corporation broke ground on the first phase of a corporate campus. Phase 1 is planned for 500,000 square feet. The entire project at built out could measure around 1.25 million square feet. The location of the Centene campus to the Sacramento area is the result of an employment incentive with the City of Sacramento. Approximately 5,000 jobs are expected, of which at least 1,500 of those positions would be “net-new jobs” for the Sacramento region.

COMMUNITY USES

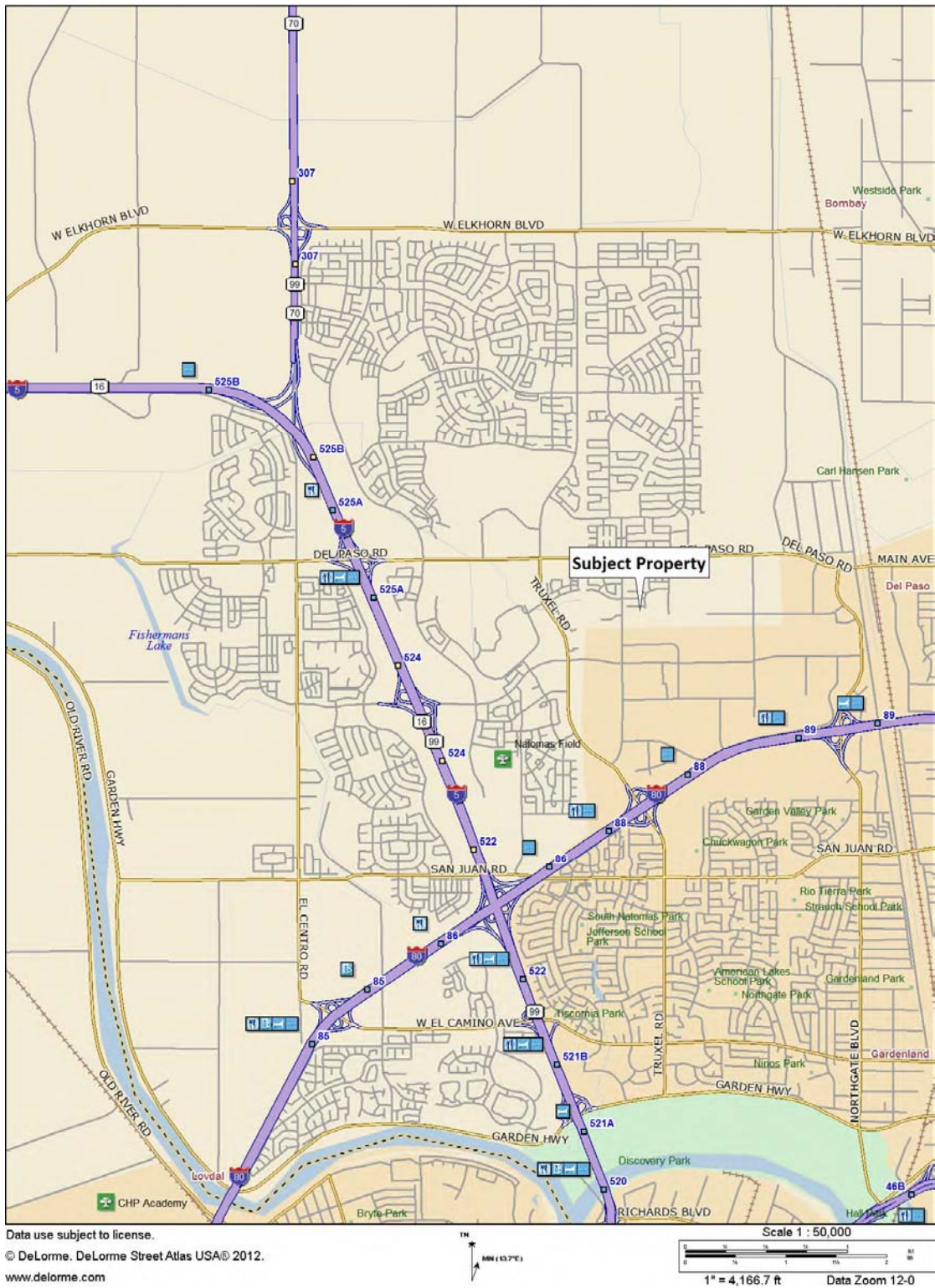
The center piece of the subject project is a large neighborhood park (proposed). Elsewhere, North Natomas offers a number of parks and community amenities. The 47-acre North Natomas Regional Park is located one mile northwest of the subject and numerous ball fields, trails, lake and dog park areas. It also hosts a farmer’s market. The nearest 18-hole golf course is Teal Bend, located eight miles northwest of the subject, just west of the Sacramento Airport.

The subject project is located within the Natomas Unified School District. Relative to other suburban areas in Sacramento County such as Rancho Cordova or Elk Grove, non-charter public schools in North Natomas are generally inferior with lower academic scores. However, the schools are generally newer and scores are improving. The subject’s assigned schools are generally similar to other schools in North Natomas. There are various charter school options in the area. However, waitlists can be extensive. The Natomas Unified School District is working to add new facilities to the area. With the residential sector recovering, the moratorium lifted and the population projected to increase, new schools will open to meet the increased demand.

CONCLUSION

North Natomas is one of the primary growth areas of the Sacramento MSA and the main suburban growth area for the city of Sacramento. Significant growth occurred from 2003 through 2008, but that growth was curtailed by the recession and building moratorium. With new projects opening in mid-2015, new projects have opened with affordable prices relative to the balance of the Sacramento MSA. The immediate neighborhood has mixed uses and includes light industrial and retail development, and the broader neighborhood offers a balanced mix of land uses, with supporting commercial services located nearby. Into the foreseeable future we expect land and home prices will trend upward at a slow and steady rate.

NEIGHBORHOOD MAP



PROPERTY DESCRIPTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources.

LOCATION

The subject is located at the southeast quadrant of Gateway Park Drive and Terracina Drive, within the city of Sacramento, Sacramento County, California 95834.

ASSESSOR PARCEL NUMBERS BY OWNERSHIP

The subject parcels and owners are summarized in the following table.

ASSESSOR PARCEL NUMBERS, OWNERSHIP AND PROPERTY DESCRIPTION (PART 1)

Tax ID	Owner	SF	Acres	Status	Base Home Size (SF)
225-2860-001	Kit Construction Co. Inc	2,444	0.06	Building Permit Pulled - Under Construction	
225-2860-002	Kit Construction Co. Inc	2,633	0.06	Building Permit Pulled - Under Construction	
225-2860-003	Kit Construction Co. Inc	2,418	0.06	Completed Model Home	2,017
225-2860-004	Kit Construction Co. Inc	2,448	0.06	Completed Model Home	1,644
225-2860-005	Kit Construction Co. Inc	2,448	0.06	Completed Model Home	1,505
225-2860-006	Kit Construction Co. Inc	2,418	0.06	Completed Model Home	1,860
225-2860-007	Kit Construction Co. Inc	2,418	0.06	Building Permit Pulled - Under Construction	
225-2860-008	Kit Construction Co. Inc	2,448	0.06	Building Permit Pulled - Under Construction	
225-2860-009	Kit Construction Co. Inc	2,448	0.06	Building Permit Pulled - Under Construction	
225-2860-010	Kit Construction Co. Inc	2,418	0.06	Building Permit Pulled - Under Construction	
225-2860-011	Kit Construction Co. Inc	2,418	0.06	Building Permit Pulled - Under Construction	
225-2860-012	Kit Construction Co. Inc	2,448	0.06	Building Permit Pulled - Under Construction	
225-2860-013	Withheld (Individual Household)	2,448	0.06	Completed/Transferred Home	1,505
225-2860-014	Kit Construction Co. Inc	2,418	0.06	Completed/Not Yet Sold and Closed	
225-2860-015	Withheld (Individual Household)	2,886	0.07	Completed/Transferred Home	2,017
225-2860-016	Withheld (Individual Household)	2,938	0.07	Completed/Transferred Home	1,644
225-2860-017	Withheld (Individual Household)	2,592	0.06	Completed/Transferred Home	1,505
225-2860-018	Withheld (Individual Household)	2,535	0.06	Completed/Transferred Home	1,860
225-2860-019	Withheld (Individual Household)	2,691	0.06	Completed/Transferred Home	2,017
225-2860-020	Withheld (Individual Household)	2,784	0.06	Completed/Transferred Home	1,644
225-2860-021	Kit Construction Co. Inc	2,544	0.06	Building Permit Pulled - Under Construction	
225-2860-022	Kit Construction Co. Inc	2,457	0.06	Building Permit Pulled - Under Construction	
225-2860-030	Woodside 05N, LP	2,592	0.06	Vacant Finished Lot	
225-2860-031	Woodside 05N, LP	2,535	0.06	Vacant Finished Lot	
225-2860-032	Woodside 05N, LP	2,535	0.06	Vacant Finished Lot	
225-2860-033	Woodside 05N, LP	2,592	0.06	Vacant Finished Lot	
225-2860-034	Woodside 05N, LP	2,925	0.07	Vacant Finished Lot	
225-2860-035	Woodside 05N, LP	2,886	0.07	Vacant Finished Lot	
225-2860-036	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2860-037	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2860-038	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2860-039	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2860-040	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2860-041	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2860-042	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2860-043	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2860-044	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2860-045	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2860-046	Woodside 05N, LP	2,532	0.06	Vacant Finished Lot	
225-2860-047	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	

Note: Land area based on Assessor records and home sizes based on building permits pulled.

ASSESSOR PARCEL NUMBERS, OWNERSHIP AND PROPERTY DESCRIPTION (PART 2)

Tax ID	Owner	SF	Acres	Status	Base Home Size (SF)
225-2860-048	Woodside 05N, LP	4,392	0.10	Vacant Finished Lot	
225-2870-001	Woodside 05N, LP	2,597	0.06	Vacant Finished Lot	
225-2870-002	Woodside 05N, LP	2,535	0.06	Vacant Finished Lot	
225-2870-003	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-004	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-005	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-006	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-007	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-008	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-009	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-010	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-011	Woodside 05N, LP	2,951	0.07	Vacant Finished Lot	
225-2870-012	Woodside 05N, LP	3,002	0.07	Vacant Finished Lot	
225-2870-013	Woodside 05N, LP	2,998	0.07	Vacant Finished Lot	
225-2870-014	Woodside 05N, LP	2,942	0.07	Vacant Finished Lot	
225-2870-015	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-016	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-017	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-018	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-019	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-020	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-021	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-022	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-023	Woodside 05N, LP	2,535	0.06	Vacant Finished Lot	
225-2870-024	Woodside 05N, LP	2,585	0.06	Vacant Finished Lot	
225-2870-025	Woodside 05N, LP	5,647	0.13	Vacant Finished Lot	
225-2870-026	Woodside 05N, LP	4,348	0.10	Vacant Finished Lot	
225-2870-027	Woodside 05N, LP	2,592	0.06	Vacant Finished Lot	
225-2870-028	Woodside 05N, LP	2,535	0.06	Vacant Finished Lot	
225-2870-029	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-030	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-031	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-032	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-033	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-034	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-035	Woodside 05N, LP	2,448	0.06	Vacant Finished Lot	
225-2870-036	Woodside 05N, LP	2,418	0.06	Vacant Finished Lot	
225-2870-037	Woodside 05N, LP	2,940	0.07	Vacant Finished Lot	
225-2870-038	Woodside 05N, LP	3,002	0.07	Vacant Finished Lot	
225-2880-001	Granite Bay-Natomas Meadows, LP	355,014	8.15	84 Near-Finished Lots	
225-2960-001	Lennar Homes of California, Inc	3,426	0.08	Vacant Finished Lot	
225-2960-002	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-003	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-004	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-005	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-006	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-007	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-008	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-009	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-010	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-011	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-012	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-013	Lennar Homes of California, Inc	3,419	0.08	Vacant Finished Lot	
225-2960-014	Lennar Homes of California, Inc	3,509	0.08	Vacant Finished Lot	
225-2960-015	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-016	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-017	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-018	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-019	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-020	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	

Note: Land area based on Assessor records and home sizes based on building permits pulled.

ASSESSOR PARCEL NUMBERS, OWNERSHIP AND PROPERTY DESCRIPTION (PART 3)

Tax ID	Owner	SF	Acres	Status	Base Home Size (SF)
225-2960-021	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-022	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-023	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-024	Lennar Homes of California, Inc	3,510	0.08	Vacant Finished Lot	
225-2960-025	Lennar Homes of California, Inc	3,509	0.08	Vacant Finished Lot	
225-2960-026	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-027	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-028	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-029	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-030	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-031	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-032	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-033	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-034	Lennar Homes of California, Inc	2,831	0.06	Vacant Finished Lot	
225-2960-035	Lennar Homes of California, Inc	3,510	0.08	Vacant Finished Lot	
225-2960-036	Lennar Homes of California, Inc	3,456	0.08	Vacant Finished Lot	
225-2960-037	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-038	Lennar Homes of California, Inc	2,957	0.07	Vacant Finished Lot	
225-2960-039	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-040	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-041	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-042	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-043	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-044	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-045	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-046	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-047	Lennar Homes of California, Inc	2,984	0.07	Vacant Finished Lot	
225-2960-048	Lennar Homes of California, Inc	3,426	0.08	Vacant Finished Lot	
225-2960-049	Withheld (Individual Household)	5,836	0.13	Completed/Transferred Home	2,535
225-2960-050	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	2,862
225-2960-051	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	3,075
225-2960-052	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	2,535
225-2960-053	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-054	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-055	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-056	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-057	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-058	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-059	Anthem United Willow Homes, LP	5,829	0.13	Vacant Finished Lot	
225-2960-060	Anthem United Willow Homes, LP	5,626	0.13	Vacant Finished Lot	
225-2960-061	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-062	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-063	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-064	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-065	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-066	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-067	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-068	Anthem United Willow Homes, LP	5,626	0.13	Vacant Finished Lot	
225-2960-069	Anthem United Willow Homes, LP	5,626	0.13	Vacant Finished Lot	
225-2960-070	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-071	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-072	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-073	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-074	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-075	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	

Note: Land area based on Assessor records and home sizes based on building permits pulled.

ASSESSOR PARCEL NUMBERS, OWNERSHIP AND PROPERTY DESCRIPTION (PART 4)

Tax ID	Owner	SF	Acres	Status	Base Home Size (SF)
225-2960-076	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-077	Anthem United Willow Homes, LP	5,626	0.13	Vacant Finished Lot	
225-2960-078	Anthem United Willow Homes, LP	5,843	0.13	Vacant Finished Lot	
225-2960-079	Anthem United Willow Homes, LP	4,590	0.11	Vacant Finished Lot	
225-2960-080	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-081	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-082	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-083	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-084	Anthem United Willow Homes, LP	4,590	0.11	Building Permit Pulled - Under Construction	
225-2960-085	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	2,862
225-2960-086	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	2,535
225-2960-087	Withheld (Individual Household)	4,590	0.11	Completed/Transferred Home	3,075
225-2960-088	Withheld (Individual Household)	5,836	0.13	Completed/Transferred Home	2,862
225-2960-089	Withheld (Individual Household)	6,216	0.14	Completed/Transferred Home	2,862
225-2960-090	Withheld (Individual Household)	5,734	0.13	Completed/Transferred Home	2,535
225-2960-091	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	3,075
225-2960-092	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	2,535
225-2960-093	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	3,075
225-2960-094	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	3,075
225-2960-095	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	2,862
225-2960-096	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	2,535
225-2960-097	Withheld (Individual Household)	5,733	0.13	Completed/Transferred Home	3,075

Note: Land area based on Assessor records and home sizes based on building permits pulled.

Of the subject's 260 lots, individual Assessor parcels have been assigned for 176 lots. The subject has 84 near-finished lots where physical site development is complete yet final subdivision map has not yet recorded. These lots are located within a single large lot parcel (225-2880-001).

LAND AREA

The subject property consists of 21.84 total acres. The subject's 84 near-finished lots are located within a large lot parcel comprising 8.15 gross acres. The remaining subject lots comprise 13.69 net acres (net of streets).

FRONTAGE/ACCESS

The Natomas Meadows has frontage and access from the east side of Gateway Park Boulevard and the south side of Del Paso Road. Within Natomas Meadows, South Breezy Meadow Drive is a primary interior route from which the subject has visibility. Frontage and access is typical and adequate for suburban development in this area.

SHAPE AND DIMENSIONS

The project and perimeter boundary comprise an irregular rectangular square shape. Based on the overall size and scale of the project, the shape does not adversely affect the project. Site utility based on shape and dimensions is average.

TOPOGRAPHY

The subject site has mostly level topography. Building pads have been leveled for vertical construction.

INFRASTRUCTURE AND OFFSITE IMPROVEMENTS

It appears all backbone infrastructure and offsite improvements are in place. A traffic signal is located at Terracina Drive and Gateway Park Drive, and a deceleration lane is in place on Del Paso Road. Along the eastern edge of the project, Blackrock Drive, a two lane collector, has been extended approximately 1,300 feet to Striker Avenue. A soundwall has been constructed along the project perimeter.

Also, the Natomas Meadows project has a completed clubhouse with pool (maintained by the Homeowner Association).

ONSITE IMPROVEMENTS

All intract improvements are in place. Flatwork (including motor-courts for garden/4-pack units) and vertical construction has not yet occurred. Flatwork for motor-courts is commonly a budgeted vertical construction cost (in lieu of driveways).

UTILITIES

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

DRAINAGE

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

ENVIRONMENTAL CONCERNS & HAZARDOUS SUBSTANCES

We were not provided with an environmental report; however, no unusual conditions were observed, and none were reported by the owner. For purposes of this appraisal, we assume that the subject site is not impacted by any significant environmental concerns that would warrant remediation, or otherwise impact the marketability of the property.

EASEMENTS, ENCROACHMENTS & RESTRICTIONS

We were not provided with a preliminary title report or deed. Our valuation assumes that any easements or restrictions that affect the subject property are typical of its type and location, and that there are no encroachments that adversely impact value. For purposes of this valuation we assume that the subject has a clear and marketable title.

ZONING AND ENTITLEMENTS

ZONING AND ENTITLMENT SUMMARY

Zoning Jurisdiction	City of Sacramento
Zoning Designation	PUD
Zoning Description	Planned Unit Development
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Single-family development

The subject property is zoned Planned Unit Development by the City of Sacramento. The zoning allows for single-family development. The assigned zoning is consistent with the low density, medium density and mixed use General Plan designations. The tentative subdivision map and Natomas Place PUD were approved on July 18, 2006. On the same date, a Development Agreement was approved with a 15 year term. The Development Agreement will expire on July 18, 2021 unless extensions are granted.

Single-family residential is legally permissible, and development as proposed is legally permissible.

Final subdivision maps have recorded for 176 of the 260 units in the subject property. There are 84 near-finished lots where physical site development is complete yet final subdivision map has not yet recorded.

AFFORDABLE HOUSING/RESTRICTED UNITS

The subject project is not required to build onsite affordable units. The subject lots have an in lieu and affordable housing fee paid at building permit.

FLOOD HAZARD STATUS

The following table summarizes flood hazard information.

FLOOD HAZARD STATUS

Community Panel Number	06067C-0063J
Date	June 16, 2015
Zone	A99
Description	Within 100-year floodplain
Insurance Required?	Yes

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

SOIL/SUBSOIL CONDITIONS

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

EARTHQUAKE ZONE

Given the presence of several active faults throughout the State of California, nearly all properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was passed in 1972 in order to regulate development of structures intended for human occupancy on the surface trace of active faults. While the Alquist-Priolo Act only addresses surface rupture risk, the Seismic Hazards Mapping Act, passed in 1990, considers non-surface earthquake hazards, such as liquefaction and landslides. These laws require the State Geologist to establish regulatory zones based on seismic risk, and distribute maps to agencies for affected areas for use in planning and development. Structures cannot be constructed over the trace of a fault, and a setback from the fault is typically required. Properties that are not located within a fault zone, but are at increased risk for seismic damage due to their location within affected cities can be subject to additional government-imposed requirements, such as seismic or soft-story retrofitting, and lenders and/or institutional investors will often require property owners/operators to carry earthquake insurance.

Based on our review of the current Alquist-Priolo Fault Zone and Seismic Hazard Zone Maps, the subject city is not affected by a nearby fault, and the subject property is not within a special studies zone.

CONCLUSION – SITE ANALYSIS

Overall, site dimensions, shape, and topography result in average utility. In consideration of site and legal characteristics, the subject is well-suited for residential development (production homes).

SUBDIVISION CHARACTERISTICS

GENERAL DESCRIPTION

General characteristics of the proposed subdivision are summarized below.

SUBDIVISION CHARACTERISTICS			
<u>Village Identification</u>	<u>Typical Lot Size</u>	<u>Configuration</u>	<u>No. of Lots</u>
Tax Zone 5	2,448	Garden/4-Pack Cluster	163
Tax Zone 6	2,831	Alley	48
Tax Zone 7	4,590	Traditional	49
Total:			260
Lot Premiums/Discounts	Typical size and position premiums		
Community Amenities	Clubhouse with gathering space, kitchen, pool maintained by HOA Proposed neighborhood park		

Natomas Meadows is designed as a pedestrian-oriented project with medium density residential components. Terracina Drive and Blackrock Drive are the primary collector roads. The focal point of the project is a neighborhood park (not yet constructed). A pedestrian trail and bike bath extend along the southern boundary. This project offers a range of housing types, which are generally classified as alley and/or cluster and traditional. Interior streets vary in width and type based on product type. For the garden/4-pack cluster product, sidewalks primarily abut interior streets; for the alley and traditional products, sidewalks are setback from curbs by landscape strips. Sample exhibits for selected types within the subject project are provided below.

Sample Exhibit – Garden/4-Pack Cluster



Sample Exhibit – Drive Thru Alley Configuration



Sample Exhibit – Traditional Configuration



The project includes a Clubhouse with gathering space, kitchen, pool maintained by HOA, which promotes project appeal and identity. A large neighborhood park is also proposed at the center of the Natomas Park project.

Overall the aesthetics are good for single-family residential development.

LOT SIZES AND ANTICIPATED PREMIUMS

Lot premiums for traditional small lot product are expected to be around 1.5% of total base revenue, with premiums for positioning and/or lot sizing. Cluster and alley product types should receive lesser premiums, mostly limited for positioning where lots have superior ingress/egress. We estimate these premiums will comprise 0.5% of total base revenue. Note that while we consider lot premiums in determining the subject land value, as previously stated per the scope of work, the estimated completed home and model values do not include lot premiums.

SITE DEVELOPMENT COSTS

The Developer indicates approximately \$55,000 is due when final subdivision map records for the 84 near-finished lots. All other site development is complete.

HOA DUES

The subject property has a Home Owner Association that manages the Recreation Center, common area, landscaping, private streets. The budgeted HOA fee is \$1,620 per year, paid monthly. Homes are annexed into the HOA upon completion of occupancy.

CONCLUSION – SUBDIVISION CHARACTERISTICS

The proposed subdivision is consistent with zoning, compatible with site characteristics and typical of other suburban projects in the area.

IMPROVEMENT DESCRIPTION

There are two active projects in the subject property: Cypress Place by Carson Homes and Willow by Anthem United, summarized below.

LOT AND PRODUCT SUMMARY

Village ID	Lot Configuration	Typical Lot Size (SF)	Home Size Range (SF)	Avg. Home Size (SF)*
Cypress Village by Carson Homes	Garden/4-Pack Cluster	2,448	1,505 to 2,017	1,757
Willow by Anthem United	Traditional	4,590	2,535 to 3,272	2,890

*Straightline average

The proposed products and home sizing are reasonable relative to other projects in the area with similar lot configurations. Base plans will contain finish-out and standard features such as stucco exterior, concrete tile roof and kitchen granite countertops. Like other new home projects, buyers will be able to select options/upgrades above the base amenity level. Base floor plans offered are summarized below.

BASE PLAN DESCRIPTION

Product Line	Lot Size Category (SF)	Plan	Home Size (SF)	Stories	Number of Bedrooms	Number of Bathrooms	Garage Size	Patio
Cypress Village by Carson Homes	Garden/Cluster	Plan 1	1,505	2	3	2.5	2 Full	Front
		Plan 2	1,644	2	3	2.5	2 Full	Front
		Plan 3	1,860	2	3	2.5	2 Full	Front
		Plan 4	2,017	2	3	3	2 Full	Front
Willow by Anthem United	Traditional	Plan 1	2,535	2	3	2.5	2 Full	Front
		Plan 2	2,862	2	3	2.5	2 Full	Front
		Plan 3	3,272	2	4	3	2 Full	Front

Homes have a wood frame on concrete foundation. Roofs are concrete tile and exterior walls are stucco with accents such as stone and lap-siding. Standard amenities vary by project but generally include granite countertops in the kitchen and marble counters in secondary bathrooms, tile flooring at entry and kitchen, walk in closet in master bedroom and sliding door closets in secondary bedrooms, 10'x10' secondary bedrooms, two-tone paint schemes, 3-1/4" baseboards and 2-1/4" door casings, and concealed-hinge maple or beech cabinetry in kitchen and laundry areas. Specific homes design varies by lot type category (such as cluster or traditional).

QUALITY SEGMENT

The quality of materials and workmanship reflected in the property's structure, systems, and finishes are consistent with the first time new/move quality segment.

HOME CONSTRUCTION COSTS

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

DIRECT COSTS

The Developer provided a budget of direct construction cost estimate for a 3,023 SF home (a weighted average of an un-disclosed future mix), which we have reviewed and retained in our work file. Below, we present direct cost comparables.

DIRECT CONSTRUCTION COST COMPARABLES						
City/Area	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Segment	Woodland	Lodi	Sacramento	Lincoln	Sacramento	Lathrop
Builder Type	Move Up	Move Up	Move Up	Move Up	Move Up	Move Up
Product Type	(1st Time)	(1st Time)	(1st Time)	(1st Time)	(1st Time)	(1st Time)
No. of Lots	<i>Private</i>	<i>Private</i>	<i>Private</i>	Public	<i>Private</i>	<i>Private</i>
Plan Size (SF)	Detached	Detached	Detached	Detached	Detached	Detached
	38	224	31	133	70	77
	2018	2018	2018	2018	2018	2018
< 1,250						
1,250 - 1,500	\$86.33 - \$93.03					
1,500 - 1,750	\$94.98	\$94.29				
1,750 - 2,000	\$95.36	\$89.13 - \$89.35	\$79.67			
2,000 - 2,250			\$77.89	\$73.02	\$78.00 - \$79.00	
2,250 - 2,500		\$87.17	\$75.87	\$73.28 - \$73.85	\$76.00	
2,500 - 2,750			\$73.85	\$69.50	\$74.00	
2,750 - 3,000						
3,000 - 3,250						\$75.42
3,250 - 3,500						\$73.17
> 3,500						\$72.29

(1) Costs include "On Lot" costs (e.g. flatwork, prep, SWPP, etc.)

The subject is planned for multiple product lines. In consideration of the budget and comparables, below we have estimated direct costs for a likely average home size for each product line, if the lots were to sell in a market transaction. Our estimate is supported by the comparable data and is in line with the Developer's estimate (which was a larger plan average with a lower cost per SF).

DIRECT CONSTRUCTION COSTS – APPRAISER ESTIMATE				
Product Line	Lot Size (SF)	Estimated Avg. Home Size (SF)	Product	Direct Cost (\$/SF)
Tax Zone 5	2,448	1,750	Garden/4-Pack Cluster	\$80.00
Tax Zone 6	2,831	1,950	Alley	\$78.00
Tax Zone 7	4,590	2,900	Traditional	\$75.00

The most cited concern by builders over the last 24 months is rising construction costs. Costs have generally increased \$5 to \$10/SF over the last five years. In recent months, cost increases have lessened as builders have become more adept at sourcing labor and materials.

INDIRECT COSTS

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

Below, we consider we consider indirect cost comparables.

INDIRECT CONSTRUCTION COST COMPARABLES							
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	
City/Area	Mountain House	Sacramento	Lodi	Stockton	Folsom	Fairfield	
No. of Lots	71	31	28	75	126	68	
Plan Range (SF)	1,900 - 2400	1,900 to 2,600	1,500 - 2,500	2,000 - 2,900	1,800 - 2,400 SF	1,600 - 2,500	
Avg. Home Size (SF)	2,176	2,254	2,050	2,391	2,212	2,058	
Avg Home Price	\$525,000	\$465,000	\$400,000	\$435,000	\$485,000	\$505,000	
Year	2018	2018	2018	2017	2017	2017	BBG Projection
Average Direct Cost/SF	\$91.57	\$76.67	\$85.67	\$85.12	\$76.30	\$93.32	variable
Sales Commissions	3.34%	3.50%	3.00%	3.00%	2.80%	1.65%	3.00%
Title, Escrow, Closing	0.44%	0.56%	1.00%	0.54%	0.16%	0.50%	0.25%
Warranty	0.90%	1.00%	1.00%	1.00%	0.06%	1.00%	1.00%
General/Administrative	4.00%	0.27%	3.00%	3.50%	3.75%	3.00%	3.00%
Marketing	1.05%	2.40%	1.00%	1.00%	0.75%	1.65%	1.25%
Master Marketing Fee	1.00%	-	-	-	-	-	-
<u>Other Indirects</u>							
Architectural/Engineering	0.28%	0.55%	0.20%	0.29%	1.96%	1.01%	0.75%
Insurance	1.20%	1.00%	0.33%	0.68%	0.33%	1.00%	1.00%
Contingency	1.13%	1.5% assumed	2.22%	1.5% assumed	0.63%	1.5% assumed	1.50%
Other	1.72%	2.53%	5.03%	1.54%	1.64%	2.41%	2.00%
Subtotal	4.32%	5.58%	7.78%	4.01%	4.57%	5.92%	5.25%
Total Indirects	15.05%	13.32%	16.78%	13.05%	12.09%	13.72%	13.75%

All percentages based on total revenue

Note that we removed all model construction and furniture costs from the comparable cost figures, since model costs are typically considered separately.

We've estimated individual indirect costs based on comparable data, to reflect a typical buyer of the subject, and have concluded a total indirect cost estimate of 13.75%.

Note: While the Developer's direct and indirect costs may have been provided, we utilize estimates based on comparable data, to represent how a typical buyer of the subject lots would perceive the subject, as opposed to the Developer (to ensure an estimate of market value as opposed to investment value).

PERMITS AND FEES

Below, we present the gross permits and fees reported for the subject project. The gross fees from the Developer's budget are connected to the average home sizes from the budget. The average home sizes utilized in the our analysis vary slightly (since they are based on a sale to another builder in a market sale), and we've estimated fees for each category accordingly (generally, a slightly lower fee estimate for Tax Zone 6, since we anticipate slightly smaller homes for this category than budgeted, based on current market conditions).

APPRAISER ESTIMATED PERMITS AND FEES

Village ID	Lot Size Category	Avg. Home Size from Gross Fee Budget	Developer's Budgeted Gross Avg. Fees	Appraiser Estimated Avg. Home Size	Appraiser Estimated Gross Avg. Fees
Tax Zone 5	2,448	1,750	\$44,779	1,750	\$45,000
Tax Zone 6	2,831	2,100	\$48,657	1,950	\$47,000
Tax Zone 7	4,590	2,850	\$58,439	2,900	\$59,000

Note that the master developer has existing Public Facilities Fee Credits applicable to lots it currently owns. Per the Master Developer, the existing credits are \$2,760/lot and are minor. Moreover, the CFD is expected to generate significant fee credits, the contributory value of which we consider for lots owned by the master developer.

CONCLUSION OF IMPROVEMENTS DESCRIPTION

The sizes of the homes are considered appropriate relative to lot sizing and the targeted market segment. The base home plans contain finish-out and standard features generally consistent with other suburban projects, reflecting current home buyer demand preferences.

Based on the improvement description herein for typical construction quality, the subject will be competitive with other new home projects in the area.

PROPERTY TAX ANALYSIS

PROPERTY TAXES AND ASSESSMENT DATA

Real estate taxes for the subject property are assessed and collected by the County of Sacramento. In 1978, California voters approved the Jarvis-Gann Amendment, popularly known as "Proposition 13". Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals, and limited increases on assessed values to 2% per year. The only circumstances under which properties are reassessed to current market value are upon a market sale, or completion of new construction or substantial renovation of a property. Ad valorem tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure.

This appraisal assumes a market sale of the subject property, rendering the current total ad valorem tax amount irrelevant to our analysis. In projecting real estate tax expenses for the subject property, we consider the ad valorem tax rate and direct assessments (which include Special Taxes).

The subject is located in Tax Rate Area 03-316, which has a 2018/2019 ad valorem tax rate of 1.2059%. For purposes of this appraisal, we assume that all outstanding taxes have been paid, and that the subject has a clear and marketable title.

As finished lots, direct levies currently total approximately \$215 per lot (minor variation), as summarized below.

DIRECT ASSESSMENT DETAIL - FINISHED LOTS (EXCLUDING CFD NO. 2007-01 IA NO. 2)

	Lot Type	Garden/4-Pack Cluster	Alley	Traditional
	Lot Condition	Finished	Finished	Finished
	Sample APN Analyzed	225-2860-008	225-2960-005	225-2960-079
Direct Levy	Tax Rate Zone	Zone 5	Zone 6	Zone 7
Sacramento Add'l Library SRV Tax		\$1	\$1	\$1
Natomas Basin Local Asmt Dist		\$2	\$2	\$2
N. Natomas TMA CFD		\$28	\$28	\$28
N. Natomas Landscaping CFD 3		\$84	\$84	\$84
Sacramento Area Flood Contrl		\$4	\$5	\$8
Reclamation District No. 1000		\$25	\$25	\$25
SAFCA Consolidated Cap Asmt #2		\$2	\$2	\$2
Neighborhood Park Maint CFD		<u>\$69</u>	<u>\$69</u>	<u>\$69</u>
Subtotal:		\$215	\$216	\$219

In addition to the direct levies above, the subject lots will be Special Taxes from the CFD, which are summarized below.

Special Taxes from the Rate and Method of Apportionment (RMA) for the CFD are summarized below.

SPECIAL TAXES FOR CFD NO. 2007-01 IA NO. 2

Tax Zone	Property Status	Home Size	2013-2014 Assigned Special Tax (1)	Adjusted to 2018-2019 (escalated 2%/yr.)
Tax Zone 5 (Garden/4-Pack Cluster)	Developed - Building Permit Issued (1)	< 1,500 SF	\$950	\$1,049
		> 1,500 SF	\$1,350	\$1,491
	Undeveloped - No Building Permit Issued (1)		\$22,828/acre	\$25,204/acre
	Approximate Typical Lot Size for Zone 5: Inferred Undeveloped Tax/Typical Lot (2)		2,448 SF \$1,283	2,448 SF \$1,416
Tax Zone 6 (Alley)	Developed - Building Permit Issued (1)	< 1,950 SF	\$1,200	\$1,325
		> 1,950 SF	\$1,600	\$1,767
	Undeveloped - No Building Permit Issued (1)		\$23,885/acre	\$26,371/acre
	Approximate Typical Lot Size for Zone 6: Inferred Undeveloped Tax/Typical Lot (2)		2,831 SF \$1,552	2,831 SF \$1,714
Tax Zone 7 (Traditional)	Developed - Building Permit Issued (1)	< 2,300 SF	\$1,200	\$1,325
		> 2,300 SF	\$1,750	\$1,932
	Undeveloped - No Building Permit Issued (1)		\$16,548/acre	\$18,270/acre
	Approximate Typical Lot Size for Zone 7: Inferred Undeveloped Tax/Typical Lot (2)		4,590 SF \$1,744	4,590 SF \$1,925

(1) Source: Rate and Method of Apportionment

(2) 43,560 square feet per acre

The Rate and Method of Apportionment for the CFD indicates Undeveloped property (taxable property where no building permit issued) shall be taxed on a per acre basis. Using the typical lot size for each category, we convert to Undeveloped Special Tax per acre to a per lot basis. The estimated Undeveloped Special Tax per lot is very similar to the higher Developed Special Tax. Because many subject lots contain more square footage than the typical lot, and in light of the minor differences in Developed vs. Undeveloped Special Taxes, for simplicity we utilize the Developed Special Tax for Undeveloped property (finished lots without a building permit issued) in this report.

Further, we reviewed tax bills of nearby completed homes. Because certain direct levies were not applied on the assessment date (recently completed construction), we've applied minor adjustments to determine estimates of total direct levies upon home completion (these estimates do not include the Special Tax for CFD No. 2007-01 IA No. 2, which we allocate separately). As shown, direct levies will increase upon completion of home construction.

DIRECT ASSESSMENT DETAIL – COMPLETED HOMES (EXCLUDING CFD NO. 2007-01 IA NO. 2)

	Lot Type	Garden/4-Pack Cluster	Alley	Traditional
	Lot Condition	Finished	Finished	Finished
	Sample APN Analyzed	225-2860-006	225-2630-040*	225-2960-095
	Tax Rate Zone	Zone 5	Zone 6	Zone 7
Direct Levy	Home Size (SF)	1,860	2,008	2,862
Sacramento Add'l Library SRV Tax		\$1	\$34	\$2
Sacto Core Library Serv. Tax		-	\$13	\$1
Natomas Basin Local Asmt Dist		\$64	\$70	\$99
N. Natomas TMA CFD		\$28	\$28	\$28
N. Natomas Landscaping CFD 3		\$84	\$84	\$84
Sacramento Area Flood Contrl		\$4	\$7	\$10
Reclamation District No. 1000		\$25	\$25	\$25
SAFCA Consolidated Cap Asmt #2		\$170	\$184	\$263
Neighborhood Park Maint CFD		\$69	\$69	\$69
SMD 2014-04 #2 Natomas Meadows		\$129	\$129	\$129
Citywide L&L Assessment District		-	<u>\$84</u>	-
Subtotal:		\$575	\$728	\$710
Estimated Core Library Serv. Tax Adj.		\$13	-	\$12
Estimated L&L Assessment Adj.		<u>\$84</u>	-	<u>\$84</u>
Total Direct Levies (Excluding 2007-01)		\$672	\$728	\$806
Estimate for Valuation (approx.)		\$675	\$725	\$800

*No completed alley homes in Improvement Area No. 2. Sample APN from Improvement Area No. 1

RESIDENTIAL MARKET ANALYSIS

The condition of the single-family residential real estate market has a bearing on the economic viability of the subject property. The current condition of the single-family market in terms of inventory, demand and sales performance of residential properties is examined in the following section.

NATIONAL HOUSING MARKET COMMENTS

On November 7, 2018, John Burns Real Estate Consulting (JBREC) held its annual housing market outlook for 2019 in New York. The main takeaway from the event was that buyers and investors should proceed with caution but proceed nevertheless. Key points from that forecast are summarized below:

- While concerns over the housing market's strength are rising, the major tailwind is the demographic force. With U.S. millennials numbering 44 million, that generation's largest age bracket (4.7 million people) will turn 32 years old over the next couple of years, thus creating a huge wave of potential homebuyers.
- Online buyer behavior suggests that sales will remain solid in markets in the South (such as Charlotte, Houston, Raleigh, and Atlanta) but will decline in West Coast markets and some Northeastern markets, with California home sales expected to post a 2 percent to 7 percent decline over the next six months.
- Interest-rate hikes following strong price growth over the last year took a large bite out of affordability, making it the biggest concern for California housing markets.
- Affordability constraints are likely to drive builders to pivot down in price to smaller, higher-density, lower-specification homes in slightly less desirable locations. Also, builders are more likely to construct single-family rental properties.
- Average annual price growth in six California metropolitan areas is projected at 6 percent in 2019 and 3 percent in 2020 before declining by 0.3 percent in 2021.

As of late 2018, JBREC indicates the current cycle has experienced nine years of expansion, making it the 2nd longest expansion over the last 60 years (1991 experienced 10 years of expansion). The average cycle length over the last 60 years is 5.8 years. JBREC estimates 11.5 years of expansion for this cycle. Of the economists surveyed by JBREC, 59% forecast a recession in 2020.

The market continues to expand, yet permit levels are moderate relative to the levels of the past market cycle (which was fueled by creative financial practices and punctuated by a Great Recession). Even so, given the length of the cycle, prices, interest rates and other factors, many in the industry believe the cycle is approaching an inflection point after several years of price growth.

Moreover, mortgage rates are closely tied to the bond market, factoring in a premium. The 10-year Treasury note has increased sharply over the past year, and mortgage rates increased nearly 100 basis points to around 4.8% in late 2018. An increase of 100 basis points from 4% to 5% generally reflects a 25% increase in interest rates and in increase of 12.4% in monthly payments for fixed rate, 30-year loans.

As of late (the last 60 days), mortgage rates have declined amid speculation that the Fed may pull back on future rate increases as doubts about the strength of the broader economy increase.

While opinions vary about what the next housing “recession” will look like, virtually no one is predicting a decline like the past Great Recession. However, due to uncertainty, even the largest of participants is reluctant to provide concrete investor guidance. In its recent Fourth Quarter earnings report press release on January 9, 2019, Lennar executive chairman Stuart Miller’s initial comments said “We continue to experience slower sales due to higher home prices and rising mortgage rates, consistent with what we highlighted on our third quarter conference call. We continue to believe that the housing market is adjusting to a temporary disconnect between sales prices and buyer expectations and that the basic underlying fundamentals of low unemployment, higher wages and low inventory levels remain favorable.” However, he added “Due to continued softness and uncertainty at this seasonally slower time of year, we are deferring guidance for fiscal year 2019 until the markets further define themselves.”

REGIONAL HOUSING MARKET COMMENTS

Looking ahead to 2019—like Lennar for the nationwide housing market—the California Association of Realtors took a mercurial position with respect to 2019 and signaled market caution. In its year-end 2018 State of the Housing Market report, the California Association of Realtors said:

With the economy growing at a solid pace and new households continuing to form at the fastest pace in the last 10 years, home sales in 2018 were projected to increase from the prior year, despite an anticipation of interest rate hikes. The Tax Reform and Jobs Act passed at the end of last year was expected to have a negative impact on the supply and the demand of housing, but overall sales were still forecast to inch up from 2017. Up until April, the market performed in line with our prediction for the most part, and California was on track to have another year of gain in both sales and price. Then something happened in May. Housing demand began to shrink as buyers became more cautious with their buying decision. Sales dropped on a year-over-year basis for four consecutive months and at a pace that warrants many to be concerned. Home prices continued to increase but at a decelerated pace. Housing supply, which had been declining consecutively for almost three years, bounced back, registering double-digit growth. All signs seem to suggest that the market is losing momentum, and that California is experiencing a sustainable slowdown. A softening of the market is undeniably underway. The questions are how big of an impact the transition is going to have on the market and how long will it last.

Commenting specifically on 2019, the report said:

The outlook for the economy and the housing market is a mixed bag for the next 18 months. With the labor market operating at full employment and business optimism remaining near a cyclical peak, the U.S. economy will remain solid over the near term. On the other hand, high home prices and rising interest rates will lower housing affordability and create demand issues in the housing market that could put a drag on home sales going forward. In addition, there are other wildcards over the forecast period that could derail the economy and the housing market.

Specific factors cited as wildcards were international trade, GSE Reform and monetary policy.

Looking at the resale/existing home market, median single-family price information from the California Association of Realtors is summarized below, beginning with Statewide data. Across California, median prices were up 1.5% year-over-year and the number of total sales were down 13.4% year-over-year. The decline in total sales is mostly attributable to declining affordability.

November 2018		Median Sold Price of Existing Single-Family Homes				Sales		
State/Region/County	Nov-18	Oct-18	Nov-17		Price MTM% Chg	Price YTY% Chg	Sales MTM% Chg	Sales YTY% Chg
CA SFH (SAAR)	\$554,760	\$572,000	\$546,820		-3.0%	1.5%	-3.9%	-13.4%
CA Condo/Townhomes	\$465,770	\$476,440	\$451,250		-2.2%	3.2%	-19.1%	-17.4%
Los Angeles Metropolitan Area	\$512,000	\$516,000	\$500,500		-0.8%	2.3%	-14.0%	-10.1%
Central Coast	\$672,500	\$669,500	\$685,000		0.4%	-1.8%	-15.9%	-18.0%
Central Valley	\$320,000	\$320,000	\$310,000		0.0%	3.2%	-11.7%	-3.9%
Inland Empire	\$363,620	\$359,000	\$340,000		1.3%	6.9%	-12.2%	-6.7%
S.F. Bay Area	\$905,000	\$958,800	\$900,000	r	-5.6%	0.6%	-12.7%	-11.5%

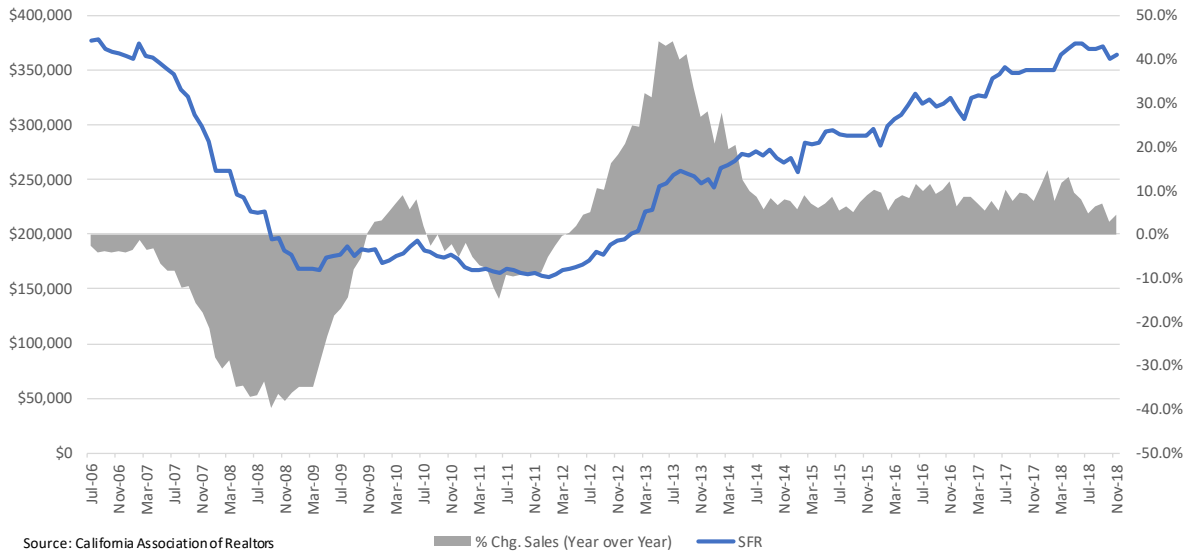
Source: California Association of Realtors

In Northern California specifically, demand for new homes softened in the 4th Quarter of 2018 in response to rising interest rates and declining affordability. The decline in sales has been more pronounced in the Bay Area, where homes are less affordable. In the Bay Area, the year-end average sales rate was down around 21% year-over-year. Some builders responded with price adjustments/declines and/or an increase in incentives. Due to elevated prices in the Bay Area, many buyers are migrating into the Sacramento area, which is relatively affordable. While the 2018 year-end average sales rate for the Sacramento region was down around 7% compared to 2017, home prices have not declined (albeit increases are diminishing). A minor price correction in the Bay Area is not expected to significantly reduce the number of buyers migrating into the Sacramento area.

Sacramento County is part of the Central Valley indicated above. The Central Valley region is comprised of several areas, summarized above. The subject is part of the Sacramento County, which is part of the Central Valley region indicated above.

Median resale prices in Sacramento County since July 2006 are charted on the following page. As shown, the median price has trended upward since 2011. Price increases accelerated in 2012 and 2013 as the market entered recovery. From 2015 to 2017 price increases were steady. The latest market data (2018) suggests price increases are lessening. As of November 2018, the median price for existing home sales (resales) in Sacramento County was \$365,000, which is up 4.3% year over year. However, like the Statewide trend, total sales are down year-over-year (down 7.1% in Sacramento County).

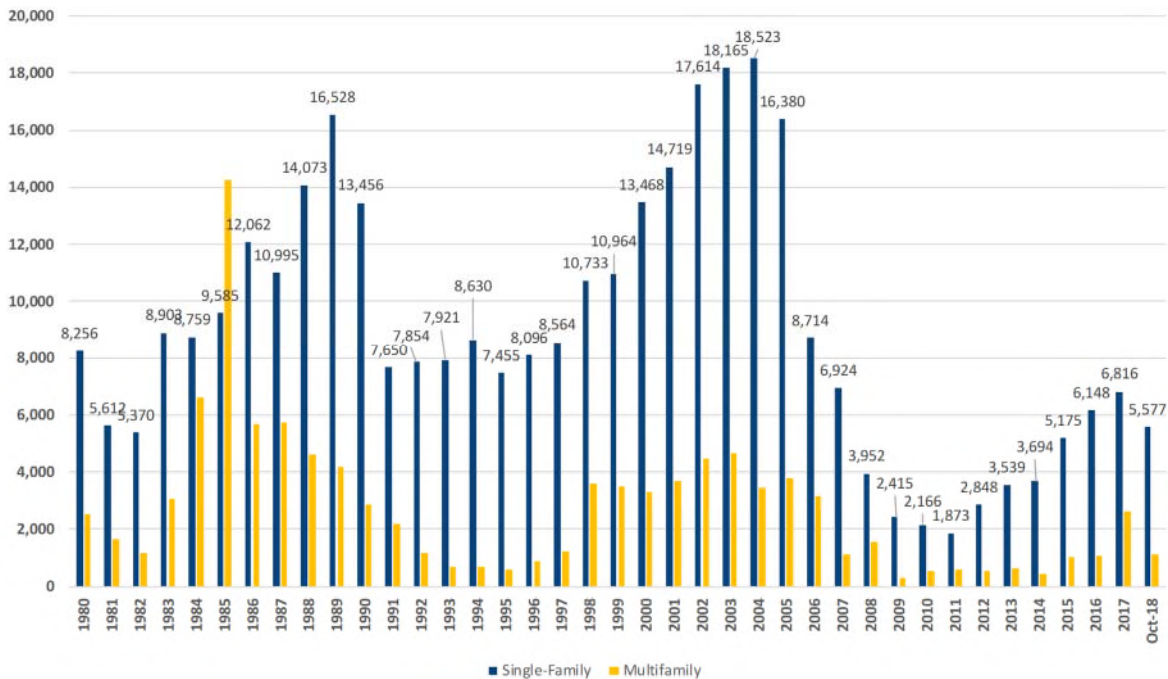
MEDIAN SFR HOME PRICES AND % CHANGE SALES – SACRAMENTO COUNTY



BUILDING PERMITS

In the Sacramento—Arden Arcade-Roseville CA Metropolitan Statistical Area, containing Sacramento, Placer, El Dorado and Yolo Counties and representing the primary Sacramento region, permit levels increased year-over-year in 2015, 2016 and 2017. While 2018 was expected by many to have total single-family permits at or above 2017 levels, year-to-date figures for 2018 (October 2018) suggest 2018 will fall short of the local forecasts. Like the regional and national trend, home sales are being downwardly affected by rising prices and interest rates.

BUILDING PERMITS – SACRAMENTO MSA



Source: SOCDs

The latest permit levels are well below the four-county Sacramento region historical benchmark of 9,000 units (based on 1980 through 2015). Most participants do not expect the regional total to eclipse the historical benchmark before the expansionary cycle ends.

Frequently, local participants cite a lack of supply as a primary constraint on building permit activity. However, in some submarkets, there is indeed a shortage. However, a counter-point would be that a supply constraint should be reflected in absorption rates. For the broader Sacramento region, absorption rates are averaging between 3 and 4 sales per month, which is at or slightly below builder benchmark sales rates for new projects, which suggests the region as a whole overall, is not under-supplied. Moreover, JBREC posited in its recent book “Big Shifts Ahead” that the market is not undersupplied due to 1) manufactured homes and 2) the increasing number of vacant homes caused by early Bay Boomers who are passing away or moving into senior living.

OUTLOOK AND CONCLUSIONS – REGIONAL

The near-term outlook is for continued growth in the regional area. Despite a competitive land market, profits will be available to those builders that distinguish themselves from their competitors. Due to the lack of finished lot inventory in the most desirable markets, site development will continue in expanding suburban areas as large national builders jockey for position and market share. Private builders will continue to trend toward niche move up projects with less direct competition. Infill sites (or limited supply markets) where there is less new home competition are better positioned to withstand short term market stalls over this expansionary cycle.

In general the consensus is 2019 will be a good year for homebuilding for most Northern California. The Bay Area is beginning to experience market moderation in response to declining affordability. Sacramento and the north Central Valley have also experienced a decline in sales rates due to declining affordability, but not as pronounced as the Bay Area. Many Bay Area buyers will continue to relocate into the Sacramento region in 2019 due to its relative affordability, despite softening in the Bay Area market.

Current forecasts expect the market to maintain its upward trajectory through 2019 before peaking. Thereafter, past residential cycles would suggest price declines, but due to continued supply constraints and elevated home rental costs, it is unclear at this time how prices will behave beyond 2019. The general consensus is—in light of market cycle length, rising interest rates and tax reform—price increases are lessening with 2020 representing a possible inflection point for whatever comes next.

MARKET DELINEATION / SUBMARKET ANALYSIS

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

QUALITY SEGMENT

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

The subject is a “first-time new/move up” project, which means buyers have household incomes near the median income level. This is the predominant market segment for new home projects, and is

sometimes called entry-level by market participants. Many of these buyers have owned a prior home, such as a starter resale home but are buying a new home for the first time. Base amenities typically include stucco exteriors with façade, tile roofs, kitchen granite countertops and tile floors in the kitchen and bathrooms. Ceiling heights are typically nine or ten feet.

BUYER PROFILE

The subject property features a range of lot and product types. The subject project will appeal to a wide range of buyers, including young singles and couples, young families, dual-income professionals and empty-nesters/retirees.

BUILDING PERMIT DATA

Below, we present single-family building permits in Sacramento County alongside detached new home sales in North Natomas (as reported by The Gregory Group). Based on total permits and sales, in 2003-2008 years leading up to the building moratorium, the Natomas submarket represented approximately 19.3% of all Sacramento County single-family permits. The primary growth areas for Sacramento County pre-moratorium remain the same today as before the moratorium (Natomas, Rancho Cordova and Elk Grove). Since the moratorium was lifted in June 2015, the Natomas submarket has returned to pre-moratorium capture levels. Note, however, until levee improvements are completed, single-family permit levels in North Natomas will be tempered by the 1,000 unit plus rollover unit permit cap for the Natomas submarket (as stated, due to rollover provisions for unused capacity in prior years, no permit restrictions are expected for the subject project).

COUNTY SINGLE-FAMILY BUILDING PERMITS AND NORTH NATOMAS NEW HOME SALES

Year	Sacramento County SFR	Natomas New SFR	Percent of County
	Building Permits	Sales	Total
2003	10,556	2,650	25.1%
2004	10,198	1,491	14.6%
2005	8,025	871	10.9%
2006	4,369	751	17.2%
2007	3,409	978	28.7%
2008	1,953	676	34.6%
2009	936	230	24.6%
2010	824	37	4.5%
2011	737	1	0.1%
2012	1,231	0	0.0%
2013	1,762	0	0.0%
2014	1,685	0	0.0%
2015	2,259	121	5.4%
2016	2,686	666	24.8%
2017	3,160	974	30.8%
Thru 3Q 2018	2,805	700	25.0%

Source: SOCDS and The Gregory Group

LOT SUPPLY

While the residential market in the Sacramento region rebounded strongly in 2013 post recession, North Natomas could not participate in the recovery until the moratorium was lifted in June 2015. At that time, North Natomas had a vast inventory of finished lots from projects that were suspended due to the

moratorium. Based on a lot inventory study completed by our firm in mid-2016, at that time North Natomas had approximately 2,700 finished or partially finished single-family lots. As of this appraisal, we estimate Natomas overall (north and south) has about 1,196 homes under construction/finished/partially finished lots, divided between 959 homes/lots in North Natomas and 237 lots in South Natomas (which are under development). With single-family permit levels approaching 1,000 units in North Natomas, the existing home/finished/partially finished lot inventory is expected to be mostly absorbed within the next year, and virtually entirely absorbed within the next two to three years (some lots will be kept in builder pipelines for two to three years as they build through existing project lines, rather than brought to market with homes immediately, or else the inventory would be absorbed sooner). Moreover, with lot inventory beginning to run low, unimproved lots in Natomas are currently being completed for near term home construction (Parkebridge in South Natomas). Beazer Homes is also expected to begin development of its River Oaks project in South Natomas within the next 12 months.

Notable projects in North Natomas are summarized below.

Westshore – Status: Approved with finished lots. The project is favorably located on the western fringe of North Natomas, next to permanent open space and existing suburban residential development. Approximately 2.0 miles west of the subject, this master planned is planned for around 2,000 homes in total and is approaching build-out. Pre-moratorium, 445 homes were built. Numerous projects opened in mid-2015. K. Hovnanian, Lennar and DR Horton have multiple product lines. The project also features an age-restricted component (projects by Lennar and K. Hovnanian). According to JBREC, the project was the top-selling (total net sale) project in Northern California in 2017, and the 2nd highest selling project in Northern California in 2018.

Westlake Village – Status: Approved with finished lots. Approximately 2.0 miles northwest of the subject, these 160 finished lots were owned by Landsource for several years and recently sold to DR Horton, which is now building homes. The project is approximately one third sold out. The lots are medium density and designed with an alley configuration, just west of Interstate 5.

Various Groups of Finished Lots – Status: Approved with finished and partially finished condition. Approximately 1 mile north of the subject, KB Home has three projects comprising a significant lot inventory. Three product lines (Montauk, Stoneybrook and Trevato) are currently available.

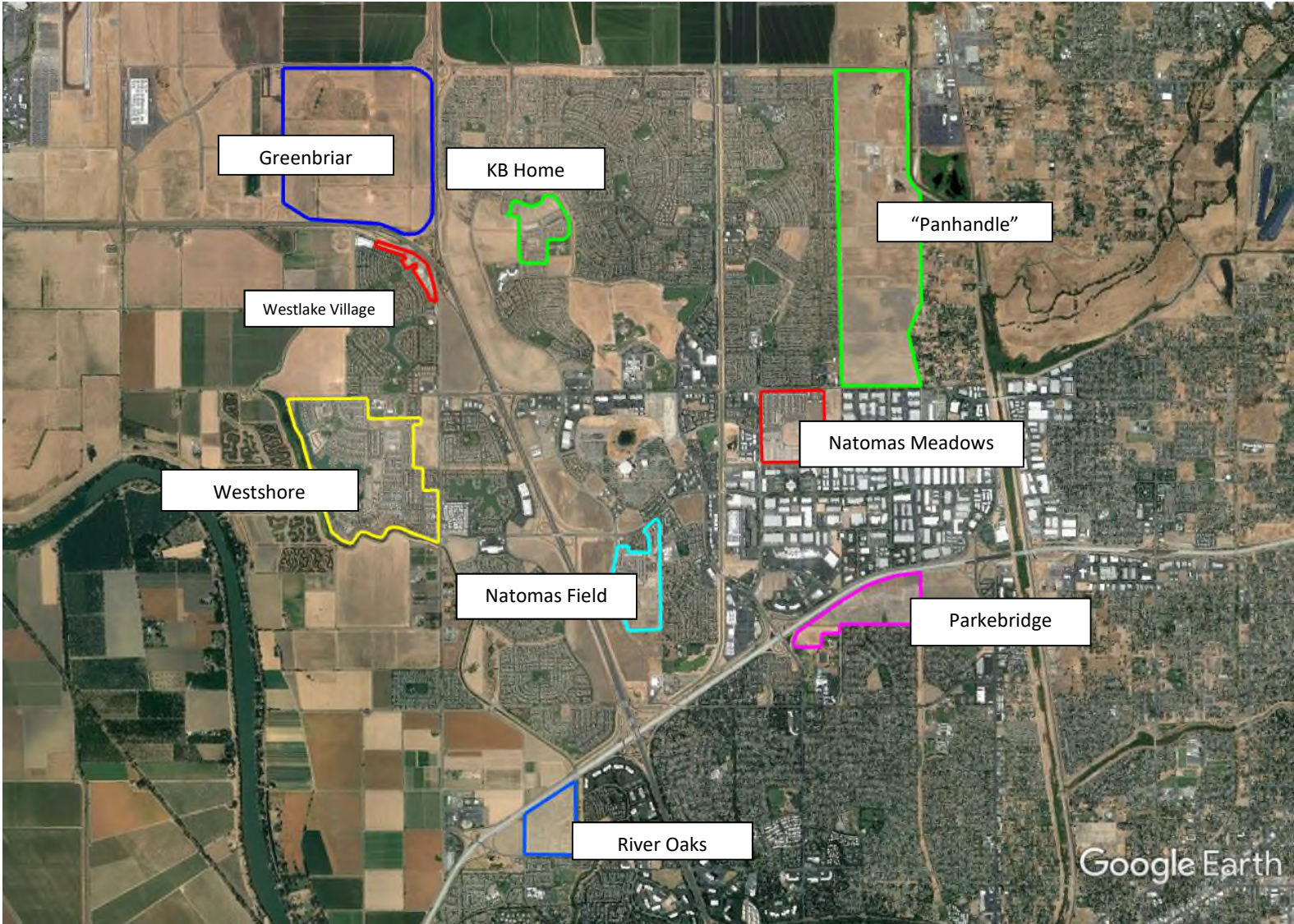
River Oaks – Status: Approved. This 80-acre site is located in South Natomas. The project is approved for 640 medium density residential units. Beazer Homes has owned these lots since 2005, when project entitlements were originally approved. The project is expected to break ground within 12 months.

Parkebridge – Status: Approved and lot development underway. This 113-acre site is located in South Natomas. The project is approved for 389 single-family units and 142 condominium units. Entitlements were obtained by Griffin Industries, which relinquished ownership via foreclosure during the recession. The property was purchased by a developer in 2018, which subsequently contracted to sell 237 finished lots to DR Horton.

Panhandle – Status: Proposed. The “Panhandle” refers to an annexation area located on the east fringe of North Natomas, just northeast of the subject. If annexed and approved, approximately 1,600 homes of various densities are planned. There are numerous owners and no homebuilders currently committed. The City is discussing annexation and is conducting entitlements such as the EIR. The EIR has been completed and annexation was approved in 2018. Revenue sharing agreements are currently being negotiated between the City and Counties. Development could begin in 24 to 36 months.

Greenbriar – Status: Approved. This project is located adjacent to Interstate 5 and Highway 99, near the Sacramento airport. A major planned business is located to the west. The 577-acre project was approved in 2008 and is envisioned as a pedestrian friendly, transit-oriented development. The current plan will provide 113 low density, 2,180 medium density and 667 high density residential units, as well as 339,000 SF of commercial space. The property is owned by a prominent land investment group (Integral Communities). The Developer is continuing to work on detail project planning. Development could begin in the next 12 months, with home construction in 24 months if sufficient time remains in the market cycle.

NOTABLE NEARBY PROJECTS



HOME AND LOT INVENTORY

Project	Master Plan	Owner	Type	Planned	Sold	Remaining Homes/Finished Lots/Partially Finished			2019	2020	2021	2022	2023
						Unimproved	Lines	36 sales/yr/proj. Year 1	36 sales/yr/proj. Year 2	36 sales/yr/proj. Year 3	36 sales/yr/proj. Year 4	36 sales/yr/proj. Year 5	
Retreat	Westshore	K. Hovnanian	MDR	211	161	50		1	36	14			
Village	Westshore	K. Hovnanian	MDR	162	161	1		1	1				
Parkside	Westshore	K. Hovnanian	LDR	131	92	39		1	39	0			
Four Seasons (active adult)	Westshore	K. Hovnanian	MDR	184	173	11		1	10				
Heritage (active adult)	Westshore	Lennar	MDR	217	194	23		2	23				
Catalina	Westshore	Lennar	MDR	101	52	49		1	36	13			
Edgewood	Natomas Meadows	Lennar	MDR	119	117	2		1	2				
Woodside at	Natomas Meadows	Woodside Homes	MDR	84	84	0		1	0				
<i>Willow (Subject Property)</i>	Natomas Meadows	Anthem United	MDR	49	32	17		1	17				
<i>Cypress Place (Subject Property)</i>	Natomas Meadows	Carson Homes	LDR	22	8	14		1	14				
<i>Woodside (Subject Property)</i>	Natomas Meadows	Woodside Homes	LDR	84	0	84		1	36	36	12		
<i>Lennar (Subject Property)</i>	Natomas Meadows	Lennar	MDR	48	0	48		1	36	12			
Village Greens	Westlake	DR Horton	MDR	153	69	84		1	36	36	12		
Brownstones	Natomas Field	Beazer	MDR	213	145	68		1	36	32	-		
Bungalows	Natomas Field	Beazer	MDR	95	59	36		1	36				
Cottages	Natomas Field	Beazer	MDR	179	103	76		1	36	36	4		
Villas	Natomas Field	Beazer	MDR	216	153	63		1	36	27			
Entrada	Natomas Field	Signature	MDR	134	47	87		1	36	36	15		
Montauk	Hamptons	KB Home	MDR	342	199	143		1	36	36	36	35	
Stonybrook	Hamptons	KB Home	MDR	80	65	15		1	15				
Trevato	-	KB Home	MDR	100	51	49		1	36	13			
3 Planned Product Lines	Parkebridge	DR Horton	MDR/LDR	237	0	237		3	108	108	21		
Future Development	Parkebridge	Jen California 7	LDR				151	3 approx.			87	64	
Future Development	River Oaks	Beazer	MDR				640	3 approx.	108	108	108	108	108
Future Development	Greenbriar	Integral	MDR/LDR				2,497	5 approx.			180	180	180
Future Development	Panhandle Annexation Area	Various	MDR/LDR				1,600	3 approx.			108	108	108
Total				3,161	1,965	1,196	4,888	Sales/Year:	769	507	583	495	396
						Homes UC/Finished or Partially Finished Lots	Raw Unimproved						

Source: Ryness Report and The Gregory Group



SUPPLY/DEMAND ANALYSIS

North Natomas near term home/lot inventory is very low (959 lots, net of 237 lots in the Parkebridge project of South Natomas) relative to current demand levels, and the primary competing projects are approaching sell out. With multiple subject builders and each subject builder owning a relatively small number of lots, based on current absorption rates, we expect the subject projects to be built or mostly sold out before a market peak occurs. The subject is well-positioned to come online in the term.

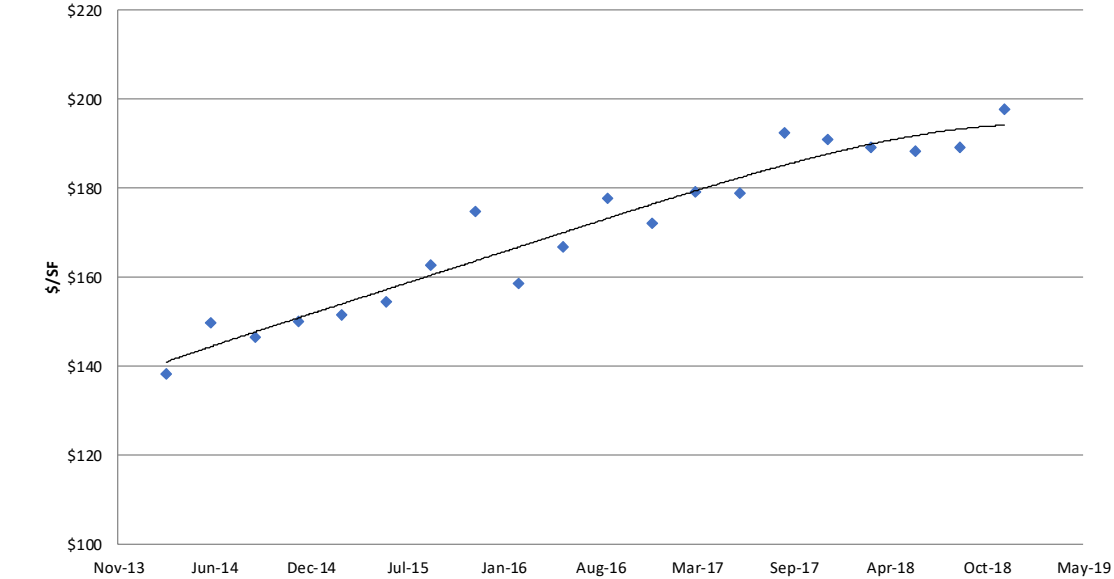
REALE INDICATORS

We analyzed resales within the 95834 neighborhood. Our analysis focuses on homes built since 2000 through 2016 (newer resale homes) and on lots of at least 4,500 SF (for analysis purposes). Below we plot the average sale price per average home size (\$/SF) for each quarter since the First Quarter of 2014 (indicated by the period ending March 2014).

RESALE MARKET TRENDS												
Period Ending	Total Sales	Size	Average					12-Month DOM Avg.	% Change (1)			
			List Price	\$/SF	Sale Price	\$/SF	DOM		Qtr to Qtr	YOY	12-Month Avg.	
Mar-14	15	2,276	\$314,206	\$138	\$314,883	\$138	20	22	-7.7%	32.8%	36.7%	
Jun-14	34	2,238	\$332,925	\$149	\$334,891	\$150	24	24	8.2%	13.8%	31.0%	
Sep-14	35	2,461	\$363,583	\$148	\$360,464	\$146	27	25	-2.1%	6.0%	23.6%	
Dec-14	25	2,281	\$343,528	\$151	\$342,340	\$150	49	30	2.5%	0.1%	13.2%	
Mar-15	32	2,242	\$339,894	\$152	\$339,872	\$152	36	33	1.0%	9.6%	7.4%	
Jun-15	34	2,293	\$355,653	\$155	\$353,922	\$154	39	37	1.8%	3.1%	4.7%	
Sep-15	36	2,098	\$343,653	\$164	\$341,383	\$163	40	40	5.4%	11.1%	6.0%	
Dec-15	27	2,561	\$462,622	\$181	\$447,585	\$175	41	39	7.4%	16.4%	10.1%	
Mar-16	28	2,485	\$398,735	\$160	\$394,042	\$159	47	42	-9.3%	4.6%	8.8%	
Jun-16	35	2,362	\$395,287	\$167	\$393,625	\$167	30	39	5.1%	8.0%	10.0%	
Sep-16	28	2,129	\$377,563	\$177	\$378,300	\$178	15	33	6.6%	9.2%	9.6%	
Dec-16	46	2,229	\$386,987	\$174	\$383,504	\$172	30	30	-3.2%	-1.6%	5.1%	
Mar-17	30	2,213	\$397,182	\$179	\$396,147	\$179	27	26	4.0%	12.9%	7.1%	
Jun-17	37	2,343	\$418,493	\$179	\$419,375	\$179	14	22	0.0%	7.4%	7.0%	
Sep-17	37	2,157	\$413,865	\$192	\$415,051	\$192	19	23	7.5%	8.3%	6.8%	
Dec-17	29	2,123	\$407,348	\$192	\$405,429	\$191	33	22	-0.8%	11.0%	9.9%	
Mar-18	38	2,221	\$421,184	\$190	\$420,300	\$189	36	25	-0.9%	5.7%	8.1%	
Jun-18	48	2,368	\$449,093	\$190	\$445,679	\$188	24	28	-0.5%	5.2%	7.5%	
Sep-18	32	2,364	\$450,803	\$191	\$447,247	\$189	32	31	0.5%	-1.7%	5.0%	
Dec-18	26	2,098	\$420,380	\$200	\$414,746	\$198	35	31	4.5%	3.5%	3.2%	

(1) Percent change in average sale price per SF

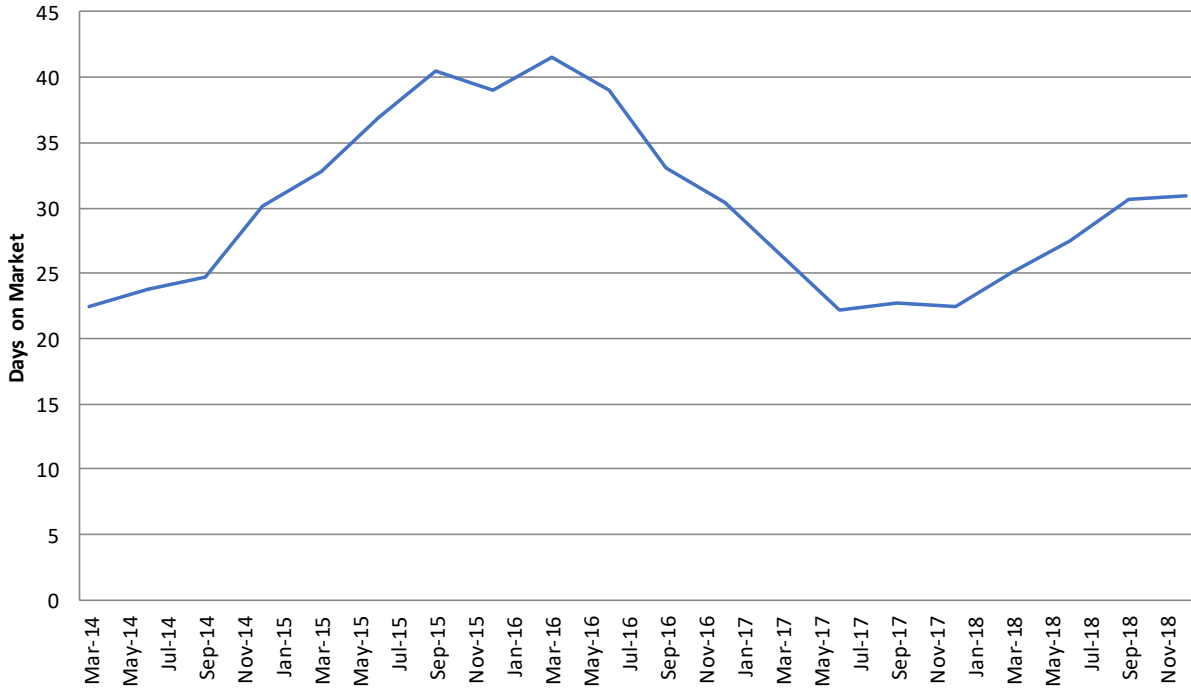
AVERAGE SALE PRICE/AVERAGE SF (\$/SF)



Source: MLS

The latest quarterly data shows prices are beginning to steady. Above, the average price/average home SF increased slightly in the 4th Quarter 2018; however, note for this period, the average home size was significantly smaller than the immediately prior periods (there is an inverse relationship between home size and price per square foot). Overall the data shows resale prices in 2018 were no longer increasing and were generally steady. Meanwhile, for resale homes that sold, in 2018 the average days on the market (12-month moving average) increased. In the 4th Quarter of 2018, the average marketing time for sold homes was 35 days (up from 31 days in the 4th Quarter 2017), and for year-end 2018, the 12-month moving average for marketing time was 31 days (up from 22 days for year-end 2017).

12-MONTH AVERAGE DAYS ON THE MARKET (DOM)



ACTIVE NEW HOME PROJECTS

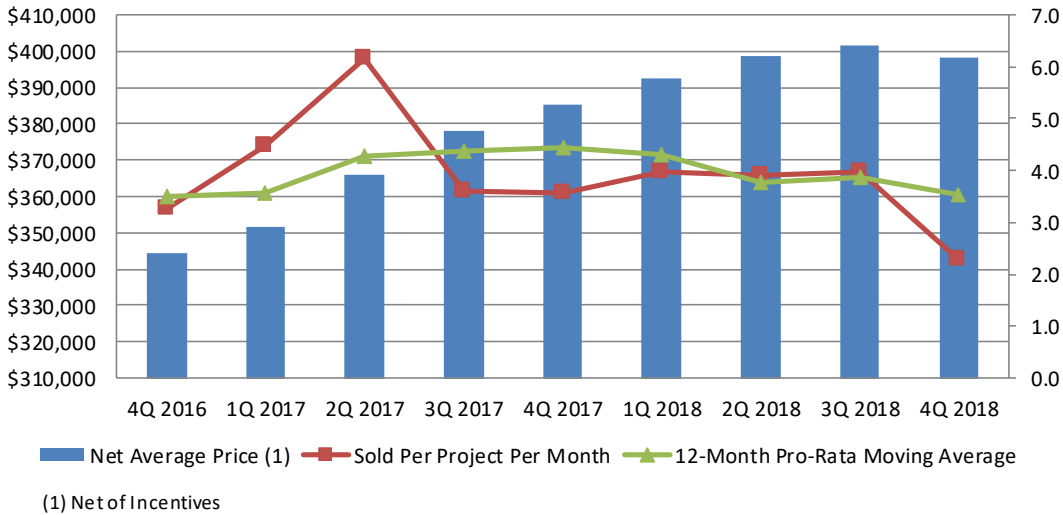
Looking at the new home market, historical new home project statistics in North Natomas are summarized below. The data represents detached projects only.

DETACHED NEW HOME PROJECTS IN NORTH NATOMAS

Quarter	Number of Projects	Average Home Size	Net Average Price (1)	Average Incentive	Net Avg./Avg SF	% Change Net Avg. Price/Avg. SF	% Change Average Price/Avg. SF - 12 Month Moving	Quarter Sold	Unsold Inventory (2)	Unoffered Inventory (3)	Sold Per Project Per Quarter	Sold Per Project Per Month	12-Month Pro-Rata Moving Average
3Q 2015	3	2,194	\$334,120	\$5,000	\$152	-	-	30	11	146	10.0	3.3	
4Q 2015	9	2,055	\$334,142	\$6,618	\$163	6.8%	-	92	65	596	10.2	3.4	
1Q 2016	9	2,055	\$342,605	\$4,559	\$167	2.5%	-	113	38	510	12.6	4.2	
2Q 2016	9	1,982	\$336,101	\$5,000	\$170	1.7%	-	89	40	526	9.9	3.3	3.6
3Q 2016	13	1,924	\$343,769	\$2,950	\$179	5.4%	4.1%	125	55	953	9.6	3.2	3.5
4Q 2016	14	1,944	\$344,165	\$4,836	\$177	-0.9%	2.2%	137	118	1,036	9.8	3.3	3.5
1Q 2017	15	1,966	\$351,454	\$5,000	\$179	1.0%	1.8%	202	82	1,022	13.5	4.5	3.6
2Q 2017	18	2,022	\$366,211	\$4,197	\$181	1.3%	1.7%	332	64	881	18.4	6.1	4.3
3Q 2017	21	2,047	\$378,168	\$3,401	\$185	2.0%	0.8%	226	174	713	10.8	3.6	4.4
4Q 2017	20	2,029	\$385,009	\$3,296	\$190	2.7%	1.8%	214	102	783	10.7	3.6	4.4
1Q 2018	21	2,014	\$392,369	\$3,406	\$195	2.7%	2.2%	251	92	832	12.0	4.0	4.3
2Q 2018	19	2,009	\$398,490	\$4,015	\$198	1.8%	2.3%	223	95	699	11.7	3.9	3.8
3Q 2018	19	1,983	\$401,688	\$3,809	\$203	2.1%	2.3%	226	97	556	11.9	4.0	3.9
4Q 2018	21	1,930	\$398,039	\$5,047	\$206	1.8%	2.1%	144	166	584	6.9	2.3	3.5

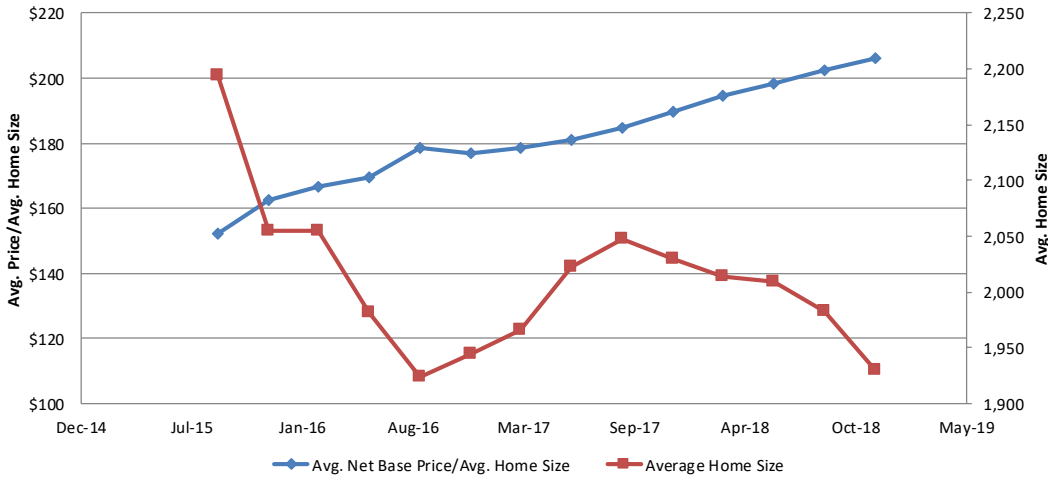
(1) Net of incentives
 (2) Unsold inventory for units offered for sale
 (3) Inventory for units planned but not yet offered at active projects
 Source: The Gregory Group

AVERAGE NET BASE PRICE VS. SALES RATE



Shown above, the 12-month moving average is around 3.5 units/month and has trended down slightly in response to declining affordability. The net average price declined slightly in the 4th Quarter 2018 as projects adjusted prices and incentives in response to slowing sales late in year. In the 4th Quarter, projects averaged 2.3 sales/month, which is down from 3.6 sales/month in the Fourth Quarter 2017. Note that within the last 60 days, mortgage rates have declined around 50 basis points and traffic and sales have increased.

AVERAGE NET BASE PRICE / AVERAGE HOME SIZE



Above, the net average price/average home size is plotted and is shown to be trending upward. Meanwhile, average home sizes by project are trending downward slightly, reflecting builders’ preference to build smaller homes in response to declining affordability. In the Fourth Quarter 2018, KB Home introduced a 1,198 SF plan at its Montauk project with a price of \$325,000, which compares to its previously smallest plan of 2,137 SF which had a base price of around \$405,000. Also, DR Horton is offering plans starting at 898 SF plan its Westlake Village project. New home projects in the area are summarized on the following page.

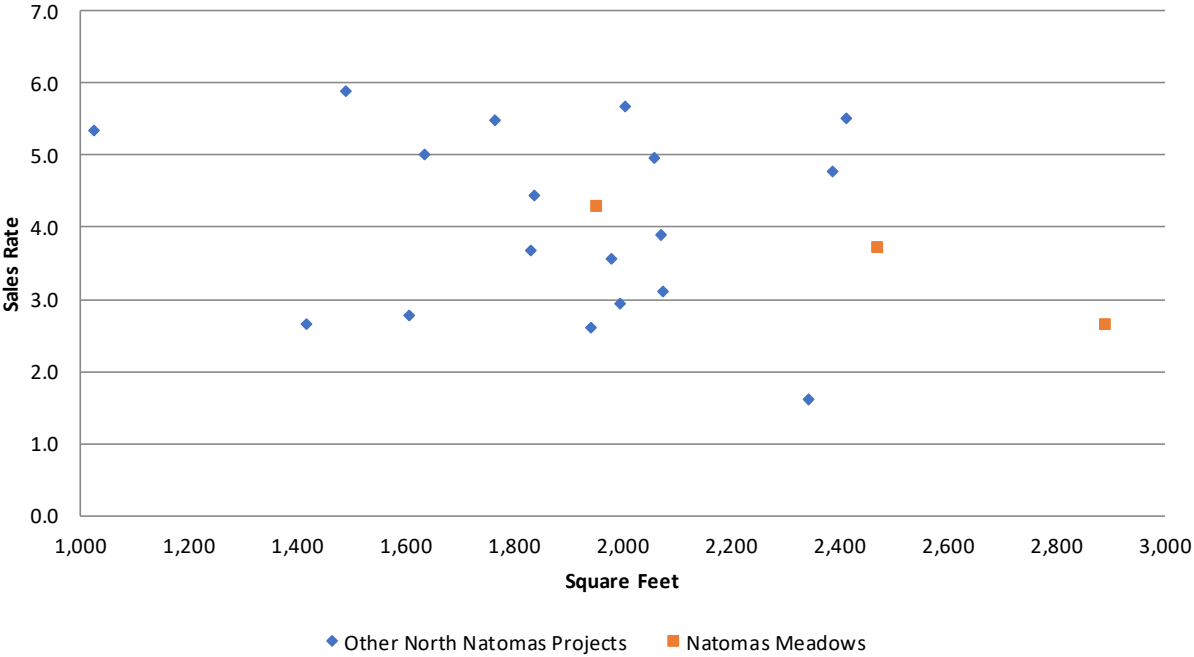
NEW HOME PROJECTS

Project	Builder	Master Plan	Open Date	Lot Size	Type	Plan Size	Base Price (Current or At Sell-Out)	Total Planned	Total Sold	Inventory	4Q 18 Sold	3Q 18 Sold	2Q 18 Sold	1Q 18 Sold	4Q 17 Sold	3Q 17 Sold	Total	Mnthly Avg.
Brownstones	Beazer Homes	Natomas Field	10/31/2015	1,904	Alley	1,490 - 1,713	\$361,990 - \$375,990	213	145	68	3	13	4	10	13	7	50	2.8
Bungalows	Beazer Homes	Natomas Field	5/15/2017	2,700	Alley	2,220 - 2,486	\$421,990 - \$437,990	95	59	36	0	7	7	4	8	3	29	1.6
Cottages	Beazer Homes	Natomas Field	4/1/2016	2,700	Traditional	1,826 - 2,113	\$392,990 - \$406,990	179	103	76	5	14	-5	16	13	10	53	2.9
Entrada	Signature Homes	Natomas Field	10/14/2017	2,300	Cluster	1,694 - 2,148	\$397,400 - \$435,400	134	47	87	3	9	11	14	10	0	47	2.6
Catalina	Lennar Homes	Westshore	3/15/2018	2,500	Cluster	1,451 - 2,018	\$367,990 - \$405,990	101	52	49	9	18	23	2	-	-	52	5.5
Four Seasons (AQ)	K. Hovnanian Homes	Westshore	11/14/2015	5,000	Traditional	1,298 - 1,769	\$331,990 - \$367,423	184	173	11	15	18	18	11	19	25	106	5.9
Heritage -- The Carmel Collection (AQ)	Lennar Homes	Westshore	10/1/2016	3,375	Traditional	1,295 - 1,531	\$340,990 - \$360,990	82	80	2	0	12	8	10	8	10	48	2.7
Heritage -- The Coronado Collection (AQ)	Lennar Homes	Westshore	10/1/2016	6,000	Traditional	1,743 - 2,206	\$463,990 - \$523,990	135	114	21	-2	13	10	17	17	9	64	3.6
Parkside	K Hovnanian Homes	Westshore	8/1/2017	5,775	Traditional	1,974 - 2,930	\$440,990 - \$504,990	131	92	39	7	19	18	12	11	19	86	4.8
Portola	D.R. Horton	Westshore	11/1/2017	3,100	Traditional	1,404 - 1,911	\$347,990 - \$387,990	70	70	0	3	2	30	21	14	-	70	5.0
Clementine at Westlake Village	D.R. Horton	Westlake	8/15/2018	4,500	Traditional	1,833 - 2,235	\$387,390 - \$421,990	49	14	35	11	3	-	-	-	-	14	3.1
Independence at Westlake Village	D.R. Horton	Westlake	8/15/2018	2,850	Alley/Motor	891 - 1,142	\$266,990 - \$291,990	38	24	14	8	16	-	-	-	-	24	5.3
Juniper at Westlake Village	D.R. Horton	Westlake	8/15/2018	2,850	Alley/Motor	1,600 - 2,002	\$327,990 - \$347,990	56	20	36	14	6	-	-	-	-	20	4.4
Retreat	K. Hovnanian Homes	Westshore	11/14/2015	2,200	Traditional	1,763 - 1,892	\$362,990 - \$368,990	211	161	50	6	4	0	20	20	16	66	3.7
Village	K. Hovnanian Homes	Westshore	12/5/2015	3,120	Traditional	2,047 - 2,100	\$420,990 - \$425,990	162	161	1	6	19	2	10	10	23	70	3.9
Edgewood	Lennar Homes	<i>Ntms. Mdws. (Imp. Area 1 & 2)</i>	10/1/2016	4,080	Traditional	2,110 - 2,786	\$456,990 - \$522,990	119	117	2	0	14	17	16	12	8	67	3.7
Willow	Anthem United	<i>Ntms. Mdws. (Imp. Area 1 & 2)</i>	5/12/2017	5,500	Traditional	2,535 - 3,272	\$479,490 - \$533,490	68	51	17	5	6	6	15	4	12	48	2.7
Woodside Homes at Natomas Meadows	Woodside Homes	<i>Ntms. Mdws. (Imp. Area 1 & 2)</i>	10/1/2016	2,812	Alley	1,697 - 2,264	\$349,990 - \$382,990	82	82	0	1	6	12	13	2	9	43	4.3
Montauk	KB Home	None	11/1/2015	3,150	Traditional	2,137 - 2,620	\$407,500 - \$458,500	342	199	143	12	20	30	4	20	13	99	5.5
Stonybrook	KB Home	None	12/1/2016	2,700	Traditional	1,721 - 2,204	\$360,000 - \$402,000	80	65	15	27	10	20	20	19	6	102	5.7
Trevato	KB Home	None	2/15/2018	3,100	Cluster	1,689 - 2,413	\$355,000 - \$400,500	100	51	49	11	6	24	11	-	-	52	5.0
751																		
Total Quarterly Sales											144	235	235	226	200	170	1210	
No. of Competing Projects											21	21	18	18	16	15	109	
Pro-Rata Qtrly Sales											6.9	11.2	13.1	12.6	12.5	11.3	11.1	
Pro-Rata Montly Sales											2.3	3.7	4.4	4.2	4.2	3.8	3.7	

Sources: The Gregory Group; Ryness; Anthem United (for sales at Willow project)

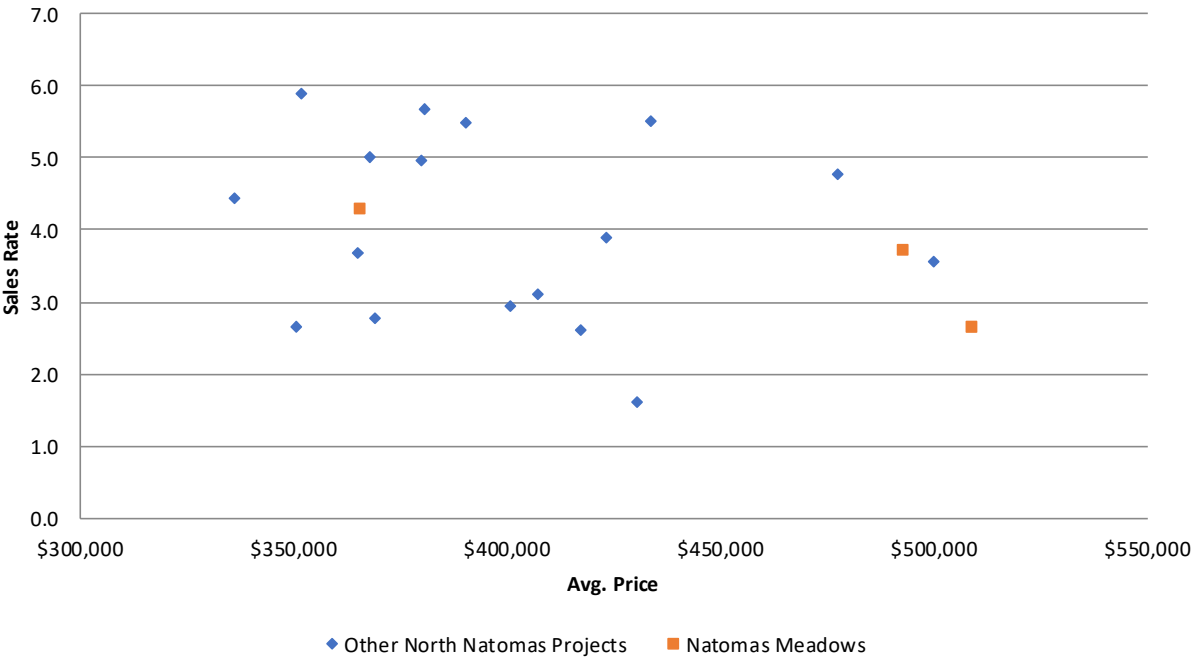
Below, we consider the average sales rate relative to the average project home size. The sales rates by project are based on project averages over the last 18 months.

MONTHLY SALES RATE VS. AVERAGE HOME SIZE



Similarly, below we consider the average sales rate relative to the average project price.

MONTHLY SALES RATE VS. AVERAGE PRICE



NEW HOME PRICE TRENDS

Based on the latest data, it appears pricing at new home projects in North Natomas is beginning to steady, with quarterly increases diminishing into the \$0 to \$5,000 range, generally. Moreover, there was a rise in standing inventory in the Fourth Quarter, with some builders offers elevated concessions on standing inventory with pre-selected upgrades. With sales rates slowing in the Fourth Quarter, the market is responding.

NEW HOME PRICE INCREASES – SELECT NORTH NATOMAS PROJECTS

Project	Builder	Avg. Plan Size & Lot Size (SF)	Survey Dates	Price	Quarterly Increase	Quarterly % Change	YOY % Change
Parkside at Westshore	K. Hovnanian	2,387 Avg. 5,775	9/30/2017	\$438,657	-	-	-
			12/31/2017	\$457,657	\$19,000	4.3%	-
			3/31/2018	\$460,657	\$3,000	0.7%	-
			6/30/2018	\$469,657	\$9,000	2.0%	-
			9/30/2018	\$477,657	\$8,000	1.7%	8.9%
			12/31/2018	\$477,657	\$0	0.0%	4.4%
Retreat at Westshore	K. Hovnanian	1,831 Avg. 2,200	6/30/2017	\$338,990	-	-	-
			9/30/2017	\$344,323	\$5,333	1.6%	-
			12/31/2017	\$354,323	\$10,000	2.9%	-
			3/31/2018	\$365,323	\$11,000	3.1%	-
			6/30/2018	\$365,323	\$0	0.0%	7.8%
			9/30/2018	\$365,323	\$0	0.0%	6.1%
Montauk	KB Home	2,138 Plan 3,150	6/30/2017	\$371,500	-	-	-
			9/30/2017	\$375,000	\$3,500	0.9%	-
			12/31/2017	\$383,500	\$8,500	2.3%	-
			3/31/2018	\$379,000	-\$4,500	-1.2%	-
			6/30/2018	\$387,500	\$8,500	2.2%	4.3%
			9/30/2018	\$407,500	\$20,000	5.2%	8.7%
Edgewood at Natomas Meadows	Lennar	2,469 Avg. 4,080	6/30/2017	\$437,990	-	-	-
			9/30/2017	\$445,490	\$7,500	1.7%	-
			12/31/2017	\$463,990	\$18,500	4.2%	-
			3/31/2018	\$476,490	\$12,500	2.7%	-
			6/30/2018	\$484,990	\$8,500	1.8%	10.7%
			9/30/2018	\$492,740	\$7,750	1.6%	10.6%
Willow at Natomas Meadows	Anthem United	2,889 Avg. 4,590	6/30/2017	\$475,323	-	-	-
			9/30/2017	\$490,323	\$15,000	3.2%	-
			12/31/2017	\$495,323	\$5,000	1.0%	-
			3/31/2018	\$503,823	\$8,500	1.7%	-
			6/30/2018	\$508,823	\$5,000	1.0%	7.0%
			9/30/2018	\$508,823	\$0	0.0%	3.8%
			12/31/2018	\$513,490	\$4,667	0.9%	3.7%

SUBJECT PROJECT SALES

The subject property has two active projects. Willow by Anthem United is a traditional configuration project and is a continuation of a project started within Improvement Area No. 1 of the subject project. Willow has averaged 3.2 sales/month over the last 18 months. In 2018, the project sold 32 homes, averaging 2.7 sales/month. While offering larger home sizes and higher prices, demand for this product line is buoyed by the extreme lack of supply for low density lots in North Natomas.

Detailed absorption data for this project is not available. Cypress Place by Carson Homes opened for sales on June 15, 2018 and has sold 8 homes to date (7 closings), equating to around one sale per month. It is likely that absorption at this project has been downwardly affected by the fact that the builder is relatively small private builder, which are typically motivated by maximizing total profit rather than balancing profit and a minimum target sales velocity (like national builders).

Outside of the subject property, in Improvement Area Number 1 of the subject project, Natomas Meadows by Woodside Homes has averaged 2.4 sales/month over its project life. This project features an alley loaded configuration. Sales were tempered the last two quarters by the fact the project was approaching sell-out and has fewer homes available.

Also, Edgewood by Lennar, which has a medium density traditional configuration (typical lot size of 4,080 SF) has averaged 3.8 sales/month.

Lennar and Woodside Homes recently have acquired lots within the subject property, but home construction and marketing has not yet commenced.

ABSORPTION PROJECTIONS

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

- According to The Gregory Group, detached projects in North Natomas have averaged around 3.7 units/month over the last 18 months, and 3.5 units/month over the last 12 months
- In the 4th Quarter of 2018, projects averaged 2.3 sales per month
- North Natomas is one of the most affordable new home areas in the region
- The subject has established project identity
- Mortgage rates have declined around 50 basis points over the last 60 days with speculation that the Fed may not pursue multiple rate increases in 2019. Sales agents are reporting a recent increase in traffic and sales.

For the next 12 to 18 months, we estimate each subject product line should average 3 to 4 sales per month (9 to 12 sales/quarter). The absorption estimate assumes model homes will be used to promote sales.

PROJECTED TRENDS, OUTLOOK AND CONCLUSIONS

While the market is approaching an inflection point, for the next 12 to 18 months, which is the time frame that subject lots are expected to be built and sold with lots, the subject is well positioned for development. North Natomas is relatively affordable compared to other first time new/move up submarkets in Sacramento, and while demand declined in the Fourth Quarter of 2018 like all of Northern California in response to a rise in mortgage rates, the sales rate decline in North Natomas was much less pronounced.

Market participants expect the current residential cycle should extend through 2019; after 2019, the forecast is unclear. The length of past market cycles would support price and sales declines after 2019; however, the current growth cycle has yielded building permit levels that represent a fraction of past cycles. Supply remains limited. Prices and sales could hold steady for a period beyond 2019. With each subject builder containing a relatively small number of lots, the subject product lines are expected to be sold out within 18 months, around the same time the market may be reaching an inflection point.

HIGHEST AND BEST USE

A determination of highest and best use is necessary prior to valuation of a property. In the sixth edition of *The Dictionary of Real Estate Appraisal*, the Appraisal Institute defines Highest and Best Use as: “The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

We conduct four tests to determine the highest and best use of the subject property:

- Legally permissible per the applicable zoning standards and other restrictions
- Physically possible
- Financially feasible
- Maximally productive

Typically, these tests are applied in the order listed above. The highest and best use of a property is the one that meets the first three criteria, and will produce the greatest future benefit to the owner. Analysis of the highest and best use of the land assumes that the subject site is vacant and available for development to the determined highest and best use. The analysis of Highest and Best Use As Improved determines whether continued use as is, alteration, or demolition and redevelopment constitutes the maximally productive use of the existing improvements.

AS IF VACANT

LEGALLY PERMISSIBLE

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

PHYSICALLY POSSIBLE

Besides the project’s location within Flood Zone A99, where 100-year flood protection is not currently provided, the physical characteristics of the site do not appear to impose any unusual restrictions on development. Surrounding land uses are similar or complementing. Primary offsites appear to be in place with utility connections available. The subject is not located in an adverse flood or earthquake zone. Nearby parcels have been developed with no apparent negative soil conditions. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for single-family development.

The subject consists of groups of finished lots. Development of these lots for a production home project (as opposed to individual retail sale) may be maximally productive, based on the number of lots, sizes, lot type and surrounding home quality.

FINANCIALLY FEASIBLE

Based on our analysis of the market, there is currently adequate demand for new single-family homes in the subject’s area. As shown in the land residual analysis presented in the valuation section of this report,

the value of the subject as completed homes, less construction costs, is positive. Moreover, numerous lots have sold to merchant builders over the last 36 months, providing evidence of builder demand. Therefore, single-family residential development is financially feasible.

MAXIMALLY PRODUCTIVE

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential development. Accordingly, it is our opinion that single-family residential development is the maximally productive use of the property. Based on the lot density and location, the subject is best suited for production homes. In light of the fact the subject properties consist of multiple lot size categories and ownerships, it would be prudent for existing owners to work together, allowing for product lines to complement one another and to ensure there is not too much competition/supply within the same project.

CONCLUSION – AND MOST PROBABLE BUYER

Single-family residential development is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant. Builder demand for lots across the region is strong; the probable buyer of the subject villages would most likely be a merchant home builder. Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP are affiliated companies and collectively retain ownership of lots in two different villages (one village with a Garden/4-Pack Cluster configuration that is under contract to Woodside Homes, and one village with a traditional configuration where it is building out its current product line). These lots likely would sell in two different bulk transactions, given the different configurations. Moreover, the lots owned by Lennar would sell in one bulk transaction to a single builder, and the lots owned by Woodside Homes would sell in one bulk transaction to a builder.

AS IMPROVED OR PROPOSED

Highest and best use of a property as improved pertains to the use that should be made considering its current (or proposed) improvements. The subject contains a number of completed and partially completed homes. The value of the subject as improved exceeds its value as vacant less demolition costs. The highest and best use of the subject improvements is for continued single-family residential use and/or completion of remaining construction for near term sale. The probable buyers of completed homes are individuals.

VALUATION PROCESS

In developing an opinion of value, appraisers usually consider the Cost Approach, Sales Comparison Approach and the Income Approach. In the subject valuation, we have utilized one additional approach, the extraction technique. These valuation methods are defined in the following table:

VALUATION METHOD	DEFINITION
Cost Approach	In this approach, the contributory value of the improvements (after deductions for accrued physical depreciation, functional obsolescence, and external obsolescence) is added to the value of the land as if it were vacant per our determination of highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts. ¹
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property, based upon a market-derived unit of comparison (i.e. price per square foot). We analyze physical, locational, and geographic differences between the subject and each comparable, and apply quantitative or qualitative adjustments to the comparables in order to arrive at an indication of value. The theoretical basis for this approach lies in the principle of substitution, whereby investors or owner-users are able to comparison-shop and set prices based on relative differences in properties. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace. ¹
Income Capitalization Approach	The income approach utilizes a market-oriented rate of return to convert a property's potential income into a value indication (capitalization). The approach explicitly considers rent, vacancy, expense, and capitalization/discount rate trends in the subject's market, and reflects the primary analysis employed by most investors in leased commercial real estate assets. The two most commonly used income approach methodologies are direct capitalization and discounted cash flow analysis. These are frequently employed separately or in concert, depending upon the economic characteristics of the property, and the anticipated process of the most probable purchaser. The theoretical basis for this approach comes from the principle of anticipation and substitution. The principle of anticipation applies because the value of a property is the present value of expected future cash flow. The principle of substitution is also applicable, because rental rates for the subject property must be in line with those of competitive space. Furthermore, the value estimated by the income capitalization approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risk. ¹
Extraction	A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land. ²

¹ Real Estate Education Company, "Income Property Appraisal", 1991.

² The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 73.

We have considered the physical and economic characteristics of the property, as well as the most probable purchaser concluded in the analysis of Highest and Best Use, to determine the appropriate valuation methodology.

The valuation begins with the proposed home construction, where the sales comparison approach is the most applicable approach and sufficient sales data is available. In the sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparables and subject. The adjusted values are reconciled into final conclusions of value. The cost approach for retail home valuation is not applicable since such an analysis would rely on a retail lot valuation, and there is not an active market of retail lot sales of lots designed and intended for production homes (such lots are primarily sold in bulk to merchant builders). While a separate cost approach is not utilized, note that we conduct a “top down” land value analysis that considers all anticipated construction costs relative to anticipated home prices. This method is effectively a reverse cost approach that may also be used to gauge financial feasibility. Moreover, the income capitalization approach is not applicable for the completed homes because, while single-family homes can produce income, the market is owner-user dominated with prices established based on sales.

In the valuation of the subject lots, we utilize the sales comparison and a lot extraction/residual analysis. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The lot extraction/residual analysis deducts anticipated costs from current home value estimates, leading to estimates of residual lot value. Discounted cash flow analysis for the determination of lot value was not necessary given the small number of lots owned by each builder and the short home absorption periods (generally 18 months or less).

A traditional cost approach for the subject lots is not applicable. However, in the finished lot valuation, we utilized numerous land sales, some of which were vacant land sales. We considered the cost of completing site improvements for each sale when determining an estimate of finished lot value; and from this value, we deducted the subject’s projected remaining site improvement costs (if any) to arrive at an estimate of as is value. The same value could have been resulted had the comparables been analyzed on an unimproved or partially finished basis, with adjustments made for projected site development cost differences. From this value, we could have added the subject’s projected remaining site development costs and arrived at an estimate of finished lot value. However, this method is not utilized by market participants, who prefer to analyze land deals on an “all in” land plus cost basis. The method applied in this report mirrors how market participants analyze like property. Moreover, in arriving at an estimate of finished lot value, costs associated with proposed home construction relative to current home pricing were considered in the subdivision development method.

For each component analyzed, we reconcile the value indications of each approach to value. The reliability of each approach, and resulting emphasis given in the final reconciliation, is determined based upon the quantity, quality, and overall reliability of its data

HOME VALUATION

BASIS OF PLAN ANALYSIS

For the 24 homes that have transferred to individuals between projects by Anthem United Homes and Carson Homes, our analysis is based on the smallest home floor plan size offered at each project. Moreover, our analysis assigns no value to upgrades and lot premiums for the 24 homes that have transferred to individuals. The estimated home value are therefore “not-less-than” estimates. The smallest floor plan and number of home closings are summarized below.

SMALLEST FLOOR PLAN BY PRODUCT LINE

Village ID	Lot Configuration	Typical Lot Size (SF)	Smallest Floor Plan (SF)	No. of Closed Homes in Product Line
Cypress Village by Carson Homes	Garden/4-Pack Cluster	2,448	1,505	7
Willow by Anthem United	Traditional	4,590	2,535	17

SALES COMPARISON APPROACH

In order to develop an opinion of the subject site as if vacant and available for development to its highest and best use, we employ the sales comparison approach. This is accomplished by compiling, verifying, and comparing recent and pending sales, as well as listings of sites similar in location, potential use, and physical attributes. The sales comparison approach is based upon the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

We have taken the following steps in utilizing the sales comparison approach:

- Research recent sales of comparable improved properties;
- Select the most comparable sales and present the pertinent data on these sales;
- Adjust the sales for differences in the various elements of comparison; and,
- Describe the analysis and conclude a value indication based upon the adjusted sale prices of the comparables.

A comprehensive search was conducted to locate sales of homes with floor plans similar to the subject. We researched new home prices (asking prices and closings) and resales.

The unit of comparison in the sales comparison approach is total sale price, which is the most common unit of comparison for the valuation of single-family residences.

COMPARABLE HOME SALES

On the following pages, we present a map and photos of the comparable home sales determined to be most relevant to the subject.

ADJUSTMENT FACTORS

The sales were compared to the subject and adjusted to account for material differences that affect value. We've considered property rights conveyed, financing terms, conditions of sale, market conditions, location and physical features. The adjustments applied are discussed in the sequence that follows. Except for where otherwise noted, if a characteristic is not discussed, no adjustment is applied. The adjustments and value conclusion(s) are then depicted in the appropriate grid(s).

COMPARABLE HOME SALES MAP





Cypress Village by Carson Homes (Subject Project)
Photo of model/representative construction



Westlake Village by DR Horton
Photo of model/representative construction



Woodside at Natomas Meadows by Woodside Homes
Photo of model/representative construction



Willow by Anthem United (Subject Project)
Photo of model/representative construction



Edgewood at Natomas Meadows by Lennar
Photo of model/representative construction

ANALYSIS AND ADJUSTMENT OF SALES

Concessions	Accounts for incentives or discounts not reflected in the closing price, such as closing costs. Usually applied directly to sale price on a lump sum basis.	Sales incentives were either deducted (e.g. closing costs or concession paid by seller) or already reflected (home upgrades) in the reported closing prices.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.	Adjustments for this factor do not apply.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	Comparables are adjusted upward based on 0.25% per month from the contract date (or estimated contract date) through the date of inspection. Recent sales (within the last 3 months) or current listings do not require adjustment.
Location	Market or submarket area influences on sale price; surrounding land use influences.	4 of 5 comparables analyzed are within the Natomas Meadows project and do not require location adjustments. One comparable has a superior location in the Westlake area of North Natomas; however, this superior regional location is offset by the fact that the project is located adjacent to a major freeway. No location adjustment is warranted.
	Varying bonds/special assessments that affect affordability and carrying costs (accounting for the proposed Bonds).	4 of 5 comparables analyzed are within the Natomas Meadows project with like effective tax rates (effective rates accounting for all direct levies, including Special Taxes). Moreover, the one comparable located outside of Natomas Meadows is located in the Westlake area of North Natomas, where the effective tax rate is similar. Adjustments for this factor do not apply.
Community Appeal	Neighborhood and project specific factors that influence pricing	Adjustments for this factor do not apply.
Lot Size	Accounts for variances in pricing relative to lot size, as larger lots can typically accommodate larger, more expensive homes.	Suburban lots typically generate size premiums in the range of \$3 to \$15/SF, depending on the size of the property (diminishing size premiums per square foot for larger lots). Adjustment factors are shown in the adjustment grids.
Site Influence	Accounts for lot positions that generate premiums not reflected by lot size adjustments (such as corner or cul-de-sac positions).	Adjustments are applied accordingly, if necessary.
Project Type	Accounts for differences between the type of project such as traditional, cluster or alley-loaded, duet or townhome.	The subject and comparables have traditional configurations. Adjustments for this factor do not apply.
Design/Appeal/ Features	Accounts for differences in base construction quality and/or design features.	Construction quality varies by project. The comparables are adjusted upward or downward, accordingly, relative to typical base construction quality for the area.
Age/Year Built	Accounts for physical depreciation since date of construction.	All comparables represent new construction. No adjustments for this factor apply.
Condition	Accounts for the premium achieved by new homes by virtue of the fact the homes have never been occupied (evidenced by lower prices achieved by homes that have resold within one year of construction).	All comparables sold or are being marketed in good condition like the subject homes, which represent new construction with effective ages less than one year. Adjustments for this factor do not apply.

Room Count	While room count may be buyer preference (with extra rooms resulting in more living area, adjusted separately), bathrooms are functional and require substantial costs, typically in the range of \$5,000 per half-bath to \$10,000 per full-bath for the subject's market segment.	Adjustments are applied accordingly to the comparables relative to the respective base plans.
Living Area	Accounts of differences in living area, with the adjustment factor derived by paired sales of similar homes offered at new home projects.	Market data generally reflects a range of \$75 to \$125 per square foot for the subject's market segment. Adjustment factors (selected by unit size) are shown in the adjustment grids.
Stories	All else being equal, one story homes are desired more strongly by the market than two story homes, and two story homes are more strongly desired than three story homes.	All subject homes and comparables are two stories. Adjustments for this factor do not apply.
Garage	Accounts for differences in total garage size, including full car garage and tandem spaces.	Based on sales agent interviews and paired sales, we have estimated a \$10,000 adjustment per full car space, \$5,000 per tandem space and \$2,500 to \$5,000 if garages feature storage areas. Adjustments are applied to the comparables accordingly.
Landscaping	Accounts for differences in the level of standard landscaping. Front yard landscaping is typical for most production home projects.	Resale comparables (if any) are adjusted based on our review of photos on the MLS.
Patios/Decks	Accounts for differences in covered porch areas and/or decking. Front porches are standard in this submarket.	Builders typically charge around \$15,000 to add a full covered rear porch, if not standard. Adjustments are applied, accordingly, if necessary.
Fireplaces	Accounts for differences in the total number of fireplaces in each unit (based on \$2,500 per fireplace).	Adjustments applied accordingly.
Upgrades/Options	Accounts for upgrades/options above the base amenity level.	Comparables receive adjustments, accordingly, based on our review of interior photos and agent descriptions (from MLS) and upgrades reported at new home projects. Adjustments are primarily based on specific amounts provided by sales agents. If specific upgrade amounts were not available, the adjustments are estimated by the appraiser. Note that upgrades within resales (if any) generally affect home prices on a less than dollar-for-dollar basis that the cost of installing the upgrades.
Solar	Accounts for solar units between the comparables and subject. Base plan does not include solar ownership.	One comparable sold with a solar plan that was pre-paid for 20 years. We estimate a \$15,000 downward adjustment.

ADJUSTMENT GRID – PLAN 1 – 1,505 SF (CYPRESS VILLAGE BY CARSON HOMES)

Item	Subject Property	Comparable No. 1a			Comparable No. 1b			Comparable No. 2			Comparable No. 3		
Project	Cypress Village	Cypress Village			Cypress Village			Juniper at Westlake Village			Woodside at Natomas Meadows		
Builder	Carson Homes	Carson Homes			Carson Homes			DR Horton			Woodside Homes		
Master Plan	Natomas Meadows	Natomas Meadows			Natomas Meadows			Westlake			Natomas Meadows		
New or Resale	New	New			New			New			New		
Address	Base Plan	1830 Yellowwood Avenue			1814 Yellowwood Avenue			Base Asking			Base Plan		
Location	Sacramento	Sacramento			Sacramento			Sacramento			Sacramento		
Proximity to Subject	N/A	Subject Project			Subject Project			< 2 miles NE			Subject Project		
Data Source	Builder	Public Records/MLS			MLS			Builder Website			The Gregory Group		
Asking Price	\$359,990	\$353,000			\$372,990			\$327,990			\$349,990		
Price/SF Living Area	\$239 psf	\$235 psf			\$227 psf			\$198 psf			\$206 psf		
Adjustments													
Concessions		Yes - CC (\$5,000)			Est. for CC (\$5,000)			Est. for CC (\$5,000)			Yes - CC (\$4,000)		
Effective Price		\$348,000			\$367,990			\$322,990			\$345,990		
Property Rights	Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms	Market	Similar			Similar			Similar			Similar		
Sale Conditions	Market	Similar			Similar			Similar			Similar		
Market Condition:	0.25% Current	10/31/18 COE 7/18 contract 1.75% \$6,090			1/19 Contract Pending			Current Asking			2Q 18 Asking 2.0% \$6,920		
Interim Adj. Value		\$354,090			\$367,990			\$322,990			\$352,910		
Project Location	Sacramento	Sacramento			Sacramento			Sacramento			Sacramento		
Effective Tax	Above Avg.	Similar			Similar			Similar			Similar		
HOA/month	Yes	Similar			Similar			Similar			Similar		
Community Appeal	Average	Similar			Similar			Similar			Similar		
Density, (if attached)	N/A	N/A			N/A			N/A			N/A		
Lot Size SF	2,448	2,448 \$15 psf			2,448 \$15 psf			2,850 \$15 psf (\$6,030)			2,812 \$15 psf (\$5,460)		
View	None	Similar			Similar			Similar			Similar		
Site Influence	Interior	Similar			Similar			Similar			Similar		
Type (Attached/Detached)	Cluster/Garden	Similar			Similar			Similar			Similar		
Design, Appeal & Features	Average	Similar			Similar			Similar			Similar		
Year Built	2018	2018			2018			2018			2018		
Effective Age	0.50% 0	0 0.0%			0 0.0%			0 0.0%			0 0.0%		
Condition	New/Good	New			New			New			New		
Room Count	\$0	Total Bdrm Bth			Total Bdrm Bth			Total Bdrm Bth			Total Bdrm Bth		
	\$10,000	-- 3 2.5			-- 3 2.5			-- 3 2.5			-- 3 2.5		
Living Area	1,505 SF	1,505 \$85 psf			1,644 \$85 psf (\$11,815)			1,660 \$85 psf (\$13,175)			1,697 \$85 psf (\$16,320)		
Stories	\$15,000 2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility	Average	Similar			Similar			Similar			Similar		
Heating	Central/Forced	Similar			Similar			Similar			Similar		
Garage	\$10,000 2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type	Attached	Similar			Similar			Similar			Similar		
Landscaping	Front Yard	Similar			Similar			Similar			Similar		
Pool/Spa	None	Similar			Similar			Similar			Similar		
Patios/Decks	Front	Front			Front			Front			Front		
Fencing	Yes	Similar			Similar			Similar			Similar		
Fireplace(s)	\$2,500 0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances	DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options	N/A	Estimated -2.5% (\$8,852)			Estimated -2.5% (\$9,200)			Similar			Similar		
Solar	None	Prepaid 20-Year (\$15,000)			Prepaid 20-Year (\$15,000)			None			None		
Other	N/A	Similar			Similar			Similar			Similar		
Net Adjustments		-6.4% (\$22,762)			-11.0% (\$41,015)			-7.4% (\$24,205)			-5.4% (\$18,860)		
Gross Adjustments		9.9% \$34,942			11.0% \$41,015			7.4% \$24,205			9.3% \$32,700		
Adjusted Base Value:		\$330,238			\$331,975			\$303,785			\$331,130		

Unadjusted Range: \$327,990 to \$372,990
 Adjusted Range: \$303,785 to \$331,975
Concluded Value: \$330,000

ADJUSTMENT GRID – PLAN 1 – 2,535 SF (WILLOW BY ANTHEM UNITED)

Item	Subject Property	Comparable No. 4a			Comparable No. 4b			Comparable No. 4c			Comparable No. 5		
Project	Willow	Willow			Willow			Willow			Edgewood		
Builder	Anthem United	Anthem United			Anthem United			Anthem United			Lennar		
Master Plan	Natomas Meadows	Natomas Meadows			Natomas Meadows			Natomas Meadows			Natomas Meadows		
New or Resale	New	New			New			New			New		
Address	Base Plan	1624 Fern Glen Ave			1592 Golden Cypress Way			1639 Golden Cypress Way			Base Asking		
Location	Sacramento	Sacramento			Sacramento			Sacramento			Sacramento		
Proximity to Subject	N/A	Subject Project			Subject Project			Subject Project			Subject Project		
Data Source	Builder	Public Records/Anthem United			Public Records/Anthem United			Public Records/Anthem United			Builder website		
Price	\$483,490	\$539,000			\$532,500			\$499,000			\$475,990		
Price/SF Living Area	\$191 psf	\$213 psf			\$210 psf			\$197 psf			\$201 psf		
Adjustments													
Concessions		Est. - CC (\$5,000)			Est. (\$5,000)			Est. for CC (\$5,000)			Yes - CC (\$1,500)		
Effective Price		\$534,000			\$527,500			\$494,000			\$474,490		
Property Rights	Fee Simple	Similar			Similar			Similar			Similar		
Financing Terms	Market	Similar			Similar			Similar			Similar		
Sale Conditions	Market	Similar			Similar			Below Market - Inventory \$15,000			Similar		
Market Condition	0.25% Current	12/18 COE 5/18 contract 2.25% \$12,015			11/18 COE 5/18 contract 2.25% \$11,869			Current Asking			Current Asking		
Interim Adj. Value		\$546,015			\$539,369			\$509,000			\$474,490		
Property Location	Sacramento	Sacramento			Sacramento			Sacramento			Sacramento		
Effective Tax	Above Avg.	Similar			Similar			Similar			Similar		
HOA/month	Yes	Similar			Similar			Similar			Similar		
Community Appeal	Average	Similar			Similar			Similar			Similar		
Density, (if attached)	N/A	N/A			N/A			N/A			N/A		
Lot Size SF	4,590	4,590 \$5 psf			5,734 (see Site Influence adj.)			4,590			4,080 \$5 psf \$2,550		
View	None	Similar			Similar			Similar			Similar		
Site Influence	Interior	Similar			As Reported (\$6,000)			As Reported (\$2,500)			Similar		
Type (Attached/Detached)	Traditional	Similar			Similar			Similar			Similar		
Design, Appeal & Features	Average	Similar			Similar			Similar			Similar		
Year Built	2018	2018			2018			2018			2018		
Effective Age	0.50% 0	0 0.0%			0 0.0%			0 0.0%			0 0.0%		
Condition	New/Good	New			New			New			New		
Room Count	\$0	Total Bdrm Bth			Total Bdrm Bth			Total Bdrm Bth			Total Bdrm Bth		
	\$10,000	-- 3 2.5			-- 3 2.5			-- 3 2.5			-- 4 3 (\$5,000)		
Living Area	2,535 SF	2,535 \$85 psf			2,535 \$85 psf			2,535 \$85 psf			2,365 \$85 psf \$14,450		
Stories	\$15,000 2 STY	2 STY			2 STY			2 STY			2 STY		
Functional Utility	Average	Similar			Similar			Similar			Similar		
Heating	Central/Forced	Similar			Similar			Similar			Similar		
Garage	\$10,000 2 Full	2 Full			2 Full			2 Full			2 Full		
Garage Type	Attached	Similar			Similar			Similar			Similar		
Landscaping	Front Yard	Similar			Similar			Similar			Similar		
Pool/Spa	None	Similar			Similar			Similar			Similar		
Patios/Decks	Front	Front			Front and back			Front			Front and back		
Fencing	Yes	Similar			Similar			Similar			Similar		
Fireplace(s)	\$2,500 0 Fireplace(s)	0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)			0 Fireplace(s)		
Appliances	DW, R/O, Disposal	Similar			Similar			Similar			Similar		
Upgrades/Options	N/A	As Reported (\$69,280)			As Reported (\$51,760)			As Reported (\$28,730)			Similar		
Solar	None	None			None			None			None		
Other	N/A	Similar			Similar			Similar			Similar		
Net Adjustments		-11.6% (\$62,265)			-9.6% (\$50,891)			-4.3% (\$21,230)			2.2% \$10,500		
Gross Adjustments		16.0% \$86,295			14.0% \$74,629			10.3% \$51,230			4.9% \$23,500		
Adjusted Base Value:		\$476,735			\$481,609			\$477,770			\$486,490		

Unadjusted Range: \$475,990 to \$539,000
 Adjusted Range: \$476,735 to \$486,490
Concluded Value: \$480,000

RETAIL VALUE CONCLUSIONS – BASE PLANS

The adjustment grid(s) shown on the preceding pages is for base production unit(s) on a typical (non-premium) subject lot, excluding upgrades and net of incentives. The concluded retail values reflect a current date of value. The estimated base value conclusions based on a current date of value are shown below.

Below we compare our estimated hypothetical home values with the Developer’s pro forma prices. The Developer is not yet marketing homes for sale.

BASE HOME VALUE CONCLUSIONS						
Product Line	Plan	Living Area (SF)	Estimated Current Retail Value	Base Asking Price (1)	\$ Difference	% Difference (Absolute)
Cypress Village by Carson Homes	Plan 1 (smallest)	1,505	\$330,000	\$359,990	-\$29,990	8.3%
Willow by Anthem United	Plan 1 (smallest)	2,535	\$480,000	\$483,490	-\$3,490	0.7%

(1) Does not reflect incentives

Both projects are offering a \$5,000 closing cost incentive for using a preferred lender. Cypress Village includes a pre-paid 20-year solar lease (the contributory value of which is not real estate and which is excluded from our value estimate). Willow includes around \$8,000 in upgrades at no cost to buyer (if upgrades are selected as an option; incentive cannot be applied to reduce base price). On whole, the difference between our value estimates and current asking prices are minor.

For the smallest floor plan at Willow by Anthem United, the base asking price of \$483,490, which adjusted for a \$5,000 preferred lender incentive, reflects a net price of \$478,490. Minor price differences of \$5,000 to \$10,000 for completed homes generally reflect typical variation in the market. Therefore, we conclude the current asking prices are generally representative of market.

For the smallest floor plan at Cypress Village by Carson Homes, the base asking price of \$359,990 is around \$30,000 higher than our estimated base market value of \$330,000. The asking price is higher because (1) it reflects pre-paid solar leasing costs for 20 years as a standard amenity (whereas the base valuation does not include pre-paid solar leases), (2) Carson Homes is a small local builder that is more focused on total profit as opposed to sales velocity, and (3) asking prices do not reflect closing cost incentives.

AGGREGATE RETAIL VALUE OF 24 COMPLETED PRODUCTION HOMES

Using the base plan values, below we estimate the retail value of the 24 production homes that have transferred to individuals. As stated, the values do not account for upgrades and lot premiums, and the base value for each product line is based on the smallest floor plan offered. Therefore, the values represent not-less-than estimates.

AGGREGATE VALUE – 24 PRODUCTION HOMES					
Plan	Plan	Living Area (SF)	# of Homes	Not-Less-Than Base Value	Total
Cypress Village by Carson Homes	Plan 1 (smallest)	1,505	7	\$330,000	\$2,310,000
Willow by Anthem United	Plan 1 (smallest)	2,535	17	\$480,000	\$8,160,000
			24		
				Aggregate Retail Value:	\$10,470,000

MODEL HOME VALUATION

There are four completed model homes within the subject project that are part of the Cypress Village product line. The models are owned by Carson Homes (models for Willow by Anthem United are located within Improvement Area No. 1 and are not part of the subject). As stated, the home values herein do not account for upgrades and lot premiums, and the base value for each product line is based on the smallest floor plan offered. Therefore, the values represent not-less-than estimates.

AGGREGATE RETAIL VALUE – 4 MODEL HOMES					
Plan	Plan	Living Area (SF)	# of Models	Not-Less-Than Base Value	Total
Cypress Village by Carson Homes	Plan 1 (smallest)	1,505	4	\$330,000	\$1,320,000
				Aggregate Retail Value:	\$1,320,000

LOT VALUATION

In the valuation of the subject lots, we utilize an extraction analysis (residual analysis) and the sales comparison approach. For each approach, we begin by estimating the subject's current value as finished lots with site development completed. From the estimated value as finished, we deduct remaining site development costs and profit, if any.

IDENTIFICATION OF BENCHMARK VILLAGES

The subject project contains various lot size categories and single-family types. We analyze three benchmark or base product lines for the subject, with adjustments applied later to determine values for all lot size categories. Specifically, we analyze

- (1) 57 lots with a Garden/Cluster configuration in Tax Zone 5. Note that Woodside Homes owns 57 Garden/Cluster lots in Tax Zone 5.
- (2) 48 lots with an alley-loaded configuration in Tax Zone 6. Note that Lennar Homes owns 48 alley-configuration lots within Tax Zone 6.
- (3) 32 lots with a traditional configuration within Tax Zone 7. Note that Anthem United owns 32 traditional configuration lots within Tax Zone 7 (divided between 23 vacant finished lots and 9 lots with partially completed homes)

EXTRACTION ANALYSIS

As stated, in light of the small number of lots owned by each subject builder (sell off periods of 18 months or less), for each benchmark village, we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

Note that while the current builder product lines are within market parameters, the intent of this analysis is to replicate the perspective of the probable buyers of the subject lots using general market assumptions, as opposed to the plans that are currently offered. For this reason, our analysis uses general market estimates for average home size and cost, which are more or less consistent with the currently floor plan averages.

REVENUE

Revenue is generated from the sale of completed homes, lot premiums and model home recapture (if any). Projected revenues are based on the typical product that meets the highest and best use criteria for the subject property relative to the market area.

HOME SALES

The current asking prices for the floorplans at Cypress Village are \$359,990 for Plan 1 (1,505 SF), \$375,990 for Plan 2 (1,644 SF), \$379,990 for Plan 3 (1,860 SF) and \$391,990 for Plan 4 (2,017 SF), which reflect an average price of \$376,990 and an average size of 1,757 SF. These prices include pre-paid 20-year solar

leases. As shown in the *Home Valuation* section, our estimate value (excluding solar lease and net of incentives) is around \$30,000 lower. Thus, if the lots were sold to another builder in a market sale, we estimate the buyer would plan for an average size of approximately \$330,000 (approximately \$30,000 less than the average) and an average home size of 1,750 SF. Carson Homes is building using an even unit mix (approximately).

The current asking prices for the floorplans at Willow are \$483,490 for Plan 1 (2,535 SF), \$518,490 for Plan 2 (2,862 SF) and \$538,490 for Plan 3 (3,272 SF), which reflect an average price of \$513,490 and an average size of 2,889 SF. In light of the facts that the builder's amenity and product reflect current demand preferences, and that its pricing is reflective of market (as demonstrated in the *Home Valuation* section), in the event this builder's lots were sold in a market sale, it is our assertion another builder would plan to build similarly-sized homes with similar pricing on the subject lots. Therefore, we utilize an average home value of \$510,000 (accounting for minor closing cost incentives) and an average product line size of 2,900 SF. Based on homes built to date, Anthem United is building using an even unit mix (approximately).

For the alley configuration lots in the subject, there are no completed homes. Thus, this appraisal has not previously considered alley home values. Within Improvement Area No. 1 of the subject project (not the subject property), Woodside Homes recently completed sales of an alley-loaded product that, as of the Second Quarter of 2018 when its last sales were occurring, had asking prices of \$349,990 for Plan 1 (1,697 SF), \$359,990 for Plan 2 (1,845 SF), \$368,990 for Plan 3 (2,008 SF) and \$382,990 for Plan 4 (2,264 SF), which reflect an average price of \$365,490 and an average size of 1,953 SF. The product specifications were reflective of current buyer demand preferences, and its pricing reflected market at the time of sale. Accounting for the fact that home prices have increased around 2% since its last sales occurred eight months ago, and then deducting a \$5,000 standard closing cost incentive, in the event of a market sale, we estimate a buyer of the subject's alley-loaded lots would plan for an average value of approximately and an average home size of approximately 1,950 SF. This home valuation conclusion is appropriately bracketed by the estimated average pricing for the subject's garden/cluster and traditional configuration lot categories.

PRICE CHANGES

As demonstrated in the *Detailed Residential Market Analysis*, generally steady prices are expected over the next 12 to 18 months (the sell-off period for the subject product lines). Therefore, revenue and expense trending is not warranted.

LOT PREMIUMS

In the *Subdivision Characteristics* section, we estimated lot premiums for traditional small lot product are expected to be around 1.5% of total base revenue, with premiums for positioning and/or lot sizing. Cluster and alley product types were estimated to achieve premiums comprising 0.5% of total base revenue. While lot premiums may change over a market cycle, builders do not typically increase or decrease lot premiums as home prices are adjusted. Often, builders utilize a fixed lot premium schedule determined at the project outset.

OPTION REVENUE

For the subject market segment in an affluent neighborhood, a builder in the current competitive environment would likely underwrite its purchase with a standard options allocation. Buyers for larger homes with more living area (particularly move-up product) tend to spend more on incentives than smaller,

entry-level product types. We estimate option allocations of 3% for the garden/cluster and alley-loaded products, and 5% for the traditional products. Option costs are estimated at 65% of option revenue.

OPTIONS SURVEY

Location	Year	Builder Type	Average Base Price	Options Allocation	Option Revenue		Options Cost at % of Option Revenue		Source/Comment
					as % of Base Revenue	Options Cost	Revenue	Revenue	
Lincoln	2018	Public	\$488,178	\$35,000	7%	\$21,875	63%	Pro Forma, pre-construction	
Sacramento	2018	Private	\$464,661	\$23,637	5%	\$16,546	70%	Pro Forma, pre-construction	
Sacramento	2018	Private	\$456,571	\$22,829	5%	\$15,980	70%	Pro Forma, pre-construction	
Folsom	2017	Private	\$572,857	\$40,000	7%	\$30,000	75%	Pro Forma, pre-construction	
Folsom	2017	Private	\$488,784	\$20,932	4%	\$14,652	70%	Pro Forma, pre-construction	
Folsom	2017	Private	\$682,388	\$40,000	6%	\$26,000	65%	Pro Forma, pre-construction	
Sacramento, CA (AQ)	2016	Public	\$446,990	\$29,054	6%	\$18,885	65%	Pro Forma, pre-construction	
Sacramento, CA	2016	Public	\$354,452	\$23,039	6%	\$14,975	65%	Pro Forma, pre-construction	
Sacramento, CA	2016	Public	\$364,109	\$23,667	6%	\$15,384	65%	Pro Forma, pre-construction	
Sacramento, CA	2016	Private	\$561,990	\$11,240	2%	\$8,430	75%	Pro Forma, pre-construction	

MODEL RECAPTURE

Considering the number of lots and target segments of the benchmark villages, we estimate each product line or group of lots would require three model homes. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$25,000 per model to over \$250,000 per model. For the garden/cluster and alley-loaded benchmark villages, we estimate each product line—based on the assumed construction quality—would have a model expense of approximately \$100,000/model (or \$300,000 in total). This estimate includes allocations of \$65,000/model in upgrades/model, \$20,000/model in personal property/furniture, \$5,000/model in landscaping, and \$10,000/model in sales office construction and conversion costs and other miscellaneous expenses. For the traditional configuration project, we estimate a model expense of \$130,000/model (or \$390,000 in total), which includes allocations of \$75,000/model in upgrades/model, \$20,000/model in personal property/furniture, \$25,000/model in landscaping, and \$10,000/model in sales office construction and conversion costs and other miscellaneous expenses.

When model homes are sold, the developer will recapture a portion of the expenses associated with the installation of premium upgrades in the model units. Model upgrades are based on all costs associated with model development – landscaping, upgrades, furnishing, fixtures and sales office set-up. Although not considered real estate, furniture is a real cost of tract development – to omit furniture would overstate land value. The model upgrade costs are a fixed expense and the number of models provided is based on the project size and market conditions.

Builders typically recapture around 30% to 50% of model expenses. The difference between model costs and recapture represents furniture costs (which are not real estate), upgrade depreciation and sale office conversion costs. We estimate model recapture at 40% of model costs for each product line.

EXPENSES (SELLING AND HOLDING COSTS)

The holding and selling costs typically associated with a development where home construction is complete are summarized as follows:

SALES COMMISSIONS, CLOSING COSTS AND WARRANTY

Sales commissions, closing costs and warranty expenses typically are non-financeable and are paid at home closing. Sales commissions include both internal commissions and broker co-op. We previously estimated sales commissions at 3.00% of gross revenue. Closing and warranty expenses were previously estimated at 0.25% and 1.00%, respectively.

HOME CONSTRUCTION COSTS

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

DIRECT CONSTRUCTION COSTS – APPRAISER ESTIMATE					
Product Line	Lot Size (SF)	Estimated Avg. Home Size (SF)	Product	Direct Cost (\$/SF)	Total
Tax Zone 5	2,448	1,750	Garden/4-Pack Cluster	\$80.00	\$140,000
Tax Zone 6	2,831	1,950	Alley	\$78.00	\$152,100
Tax Zone 7	4,590	2,900	Traditional	\$75.00	\$217,500

CHANGES IN EXPENSES (EXPENSE INCREASES OR DECREASES)

Expense trending is not warranted given the short (generally 12 to 18 months) coupled with steading direct costs reported by builders as of late.

BUILDING PERMITS AND FEES

Like previously discussed, permits and fees are estimated to average approximately \$45,000/lot for the garden/cluster product line, \$47,000/lot for the alley-loaded product line and \$59,000/lot for the traditional product line.

MODEL HOME COSTS

As previously discussed, model costs are estimated at \$300,000 for the garden/cluster and alley-loaded product lines and \$390,000 for the traditional product line.

GENERAL ADMINISTRATION & OVERHEAD COSTS

This category includes all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. We apply an estimate of 3.00%, like previously estimated. This expense is spread evenly over the sell-off period.

MARKETING

Like previously discussed, we estimate marketing expenses at 1.25% of gross sales.

OTHER INDIRECT COSTS

Other indirect items (not including indirect costs that have been considered separately) are the costs and fees incurred in developing the project and during the construction cycle, which may include architectural

and engineering, insurance/bonds, common costs, field overhead and project coordinator fees. As previously discussed, we estimate other indirect costs at 5.25% of the anticipated sale price.

REAL ESTATE TAXES

The subject's taxes are estimated based on the current tax rate of around 1.21% applied to the estimated market value via the extraction analysis. Taxes have been applied to the remaining unclosed lots each quarter based on the final value estimate. Taxes are appreciated 2% every four quarters.

As vacant finished lots, existing annual direct levies for the subject are estimated to total approximately \$215/lot. In addition, finished lots will be subject to the Special Taxes from the CFD. For the 2018/2019 Tax Year, we estimate Special Taxes of \$1,491/lot for Tax Zone 5 (Garden/4-Pack Cluster), which reflects that all homes are expected to be larger than 1,500 SF. For Tax Zone 6 (Alley), we estimate Special Taxes of \$1,546/lot, which is the midpoint of two tax rates in this zone (some larger and some smaller than 1,950 SF). For Tax Zone 7 (Traditional), we estimate Special Taxes at \$1,932/lot, which reflects that all homes are expected to be larger than 2,300 SF.

Based on the number of lots in each lot size category and expected sales rates, for the Garden/4-Pack Cluster and Alley benchmark villages we utilize an 18 month project life, and for the Traditional configuration benchmark village, we utilize a 12-month project life.

HOME OWNER ASSOCIATION

The HOA fee is estimated to total \$1,620/lot/year. A prudent developer would annex homes into a HOA in phases, after homes are built (typically upon issuance of certificate of occupancy). As a result, the developer typically pays limited HOA fees. Primary exceptions include when homes fall out of contact after certificates of occupancy have been issued, or market conditions stall and the developer is left paying fees for a large group of homes. Our analysis assumes the developer will pay one half of HOA fees due homes the home closings projected each period.

OPTION COSTS

Like previously discussed, there is strong demand for lots and the market is expanding. A builder in this competitive environment would likely underwrite its purchase with a standard options allocation. Based on the prior survey presented, we estimate options costs at 65% of option revenue.

ACCRUED DEPRECIATION

For new construction on the subject, an allocation for depreciation (physical, functional or economic) is not applicable.

DEVELOPER'S INCENTIVE

Developer's Incentive is the anticipated profit before a development, and profit being the actual earnings at the end of the development. Interviews with home builders provide support for a profit range from 7-15% of home price, as supported by the following profit survey. Profit is inversely correlated with sales velocity. Lower-priced, faster selling projects generally have profits closer to the low end of the range, while higher-priced, slower selling projects have profits closer to the high end of the range. Note that the profit survey about was based on respondents of suburban area projects. Urban projects typically require much higher profits, as capital outlays for construction are nearly double that of suburban projects.

DEVELOPER INCENTIVE SURVEY by BBG – Northern California

Pro Forma (based on market acquisition)	Area	Expectation
Private builder acquiring 70 +/- finished lots (2018)	Sacramento MSA	9.9% net profit from production homes averaging \$455K; 6.69% net profit after equity
Private builder acquiring 30 +/- finished lots (2018)	Sacramento MSA	11.3% net profit from production homes averaging \$465K; 8.34% net profit after equity
Private builder acquiring 35 +/- finished lots (2017)	Sacramento MSA	14.3% net profit from production homes averaging \$575K
Private builder acquiring 15 +/- finished lots (2017)	Sacramento MSA	11.4% net profit from production homes averaging \$680K
Private builder acquiring 15 +/- unimproved lots (2016)	Sacramento MSA	6.28% net profit from production homes averaging \$475K, including profit associated with completing site development
Private builder acquiring 40+ finished lots (2016)	Sacramento MSA	6.5% net profit before upgrades from production homes averaging \$465K, plus 1.6% after upgrades
Public builder acquiring 100+ finished lots (2016)	Sacramento MSA	9.34% net profit before upgrades from production homes averaging \$350K, plus 1.2% after upgrades

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

In addition to product segment and expected sales rate, numerous other factors affect profit expectations, such as entitlements, location, lot condition, prior project history, as well as broader market conditions such as recessionary risks.

We estimate a net profit of 8.0% for each subject village and product type, which is net of debt and equity. While the subject’s traditional product is priced higher than product on the garden/4-pack cluster and alley components, traditional configuration lots are undersupplied in North Natomas, allowing for strong sales velocity, mitigating risk. Net of debt financing only, profit could be expected to be 100-200 basis points higher, which is reasonable relative to the survey data.

COST OF FUNDS

Cost of funds is the overall cost, or blended cost of debt and equity, i.e. the time value of money. Debt financing is typically less costly and is offered by conventional lenders, while equity financing carries higher risk and higher costs.

Typical debt financing is summarized on the following page.

COST OF FUNDS SURVEY by BBG – Sacramento/San Francisco

Private Builder Pro Forma using Regional Bank (2018)	Sacramento MSA	5.50% plus one point for lender, 12.0% equity with 1.6X
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	4.2% plus 0.7 point
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	70% LTV or 80% LTC on completed homes at 5.25% interest, plus one point
Private Builder Pro Forma using Regional Bank (2016)	Manteca/Lathrop	65% LTV on finished lot acquisition, 75% LTC on vertical, at 5.0% interest, points not reported
Private Builder (anonymous) using National Bank (2016)	Secondary market in San Joaquin County	Prime plus 1%, development and construction in one loan based on the lesser of 75% Loan to Retail Value or 83% Loan to Total Cost. Plus 1.25 points.
Private Builder Pro Forma using Regional Bank (2016)	San Francisco Bay Area and Sacramento	3.94% plus 1.25 points, 75% LTC
Loan Executive (anonymous) - Regional Bank (2015)	San Francisco Bay Area and Sacramento	Prime plus 1.5% to 2.0%. Higher rates are typical for smaller builders and projects. A 1.5% spread would be typical for a 50-lot subdivision with an experienced developer. Given really good loan terms (sub 50% LTV), a strong guarantor, market competition, etc., would likely go as low as Prime plus 1.0%. Commitment fee is 1.0% to 2.0%.
Loan Executive (anonymous) - Regional Bank (2015)	Sacramento MSA	0.75% to 1% over 3.25 % base rate; 55% to 60% LTV for land development; 65% for spec construction; up to 75% presold. Plus one point.

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

Assuming typical loan costs, we estimate a discount rate (cost of funds) of 9.00% for the subject. The annual rate is applied to the calculated net income after profit figure for each product type, and then multiplied by 1.5 to equate it to 18 months (general sell-off period for the group of lots). For example, for Tax Zone 5, the estimated implied cost of funds is \$10,895 (9% x \$80,705 x 1.5). The estimated discount rate applied reflects some level of project risk (as does the selected profit) as it considers project sizes and general risk over the 18 month sell-off period translated into a single lump sum discount for the static extraction analysis.

CONCLUSION

The Extraction Analysis is provided below.

EXTRACTION ANALYSIS				
		Tax Zone 5	Tax Zone 6	Tax Zone 7
Avg. Home Size (SF)		1,750	1,950	2,900
Number of Lots		57	48	32
Revenue		Single Unit (Static)	Single Unit (Static)	Single Unit (Static)
Base Home Revenue		\$345,000	\$370,000	\$510,000
Appreciated Base Home Revenue				
Lot Premium Revenue		\$1,725	\$1,850	\$7,650
Option Revenue		\$10,350	\$11,100	\$25,500
Model Recapture	40%	<u>\$2,105</u>	<u>\$2,500</u>	<u>\$4,875</u>
Total Revenue (Gross Sale Proceeds)		\$359,180	\$385,450	\$548,025
Expenses				
Sales Commissions	3.00%	\$10,775	\$11,564	\$16,441
Closing, Title, Escrow	0.25%	\$898	\$964	\$1,370
Warranty	1.00%	\$3,592	\$3,855	\$5,480
Direct Construction Costs		\$140,000	\$152,100	\$217,500
Permits and Fees		\$45,000	\$47,000	\$59,000
Option Costs	65%	\$6,728	\$7,215	\$16,575
General and Administrative	3.00%	\$10,775	\$11,564	\$16,441
Marketing	1.25%	\$4,490	\$4,818	\$6,850
Other Indirects (Construction/Insurance/Contingency)	5.25%	\$18,857	\$20,236	\$28,771
Model Costs		\$5,263	\$6,250	\$12,188
Ad Valorem Taxes	1.21%	\$847	\$895	\$1,246
Direct Levies	\$215 /lot	\$215	\$215	\$215
Special Taxes	\$1,491 /lot	\$1,491	\$1,546	\$1,932
HOA (at 50%)	\$810 /lot	\$810	\$810	\$810
Remaining Site Development Costs		\$0	\$0	\$0
Profit Participation		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	Subtotal:	\$249,741	\$269,031	\$384,819
Net Income Before Profit		\$109,439	\$116,419	\$163,206
Implied Developer's Incentive	8.00%	<u>\$28,734</u>	<u>\$30,836</u>	<u>\$43,842</u>
Net Income After Profit		\$80,705	\$85,583	\$119,364
Implied Cost of Funds*	9.00%	<u>\$10,895</u>	<u>\$11,554</u>	<u>\$16,114</u>
Value Indication		\$69,810	\$74,029	\$103,250
	Rounded	\$70,000	\$74,000	\$103,000

* Estimated based on 18 months of project life for each the benchmark villages (Tax Zone 7 has fewer lots but expected lower absorption rate)
 Note: Numbers vary due to rounded

CONCLUSIONS OF LOT VALUE – EXTRACTION

The value conclusions for the benchmark villages from the Extraction Analysis are summarized below.

EXTRACTION ANALYSIS CONCLUSIONS

Description	No. Of Lots	Benchmark Finished Lot Value
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	57	\$70,000
Tax Zone 6 - 2,831 SF (Alley)	48	\$74,000
Tax Zone 7 - 4,590 SF (Traditional)	32	\$103,000



SALES COMPARISON APPROACH - LOTS

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

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply this approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

On the following page, we have arrayed comparable land sales that have occurred in the area. Comparables 1 through 6 pertain to the valuation of the benchmark villages for Tax Zones 5 (garden/4-pack cluster) and 6 (alley-loaded), and Comparables 7 through 11 pertain to the valuation of the benchmark village in Tax Zone 7 (traditional).

The basis of analysis is price per lot, which is the predominant unit of comparison in the subject's area.

SUMMARY OF COMPARABLE LAND SALES FOR TAX ZONES 5 AND 6 (PAGE 1 OF 2)

No.	Property/Confirmation	Grantor Grantee Confirmation	Sale Date Doc No. Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF); No. of Lots	Sale Price	Price/Lot
1	Westshore Village B/N/O SWC Hovnanian Dr. & Natomas Central Dr. Sacramento (N. Natomas), Sacramento APN: 225-2570-053 et al	Natomas Investors LLC K. Hovnanian at Westshore LLC <i>Confirmation: Secondary</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	6/2/2017 1706020063 Fee Simple Market/All cash to seller	Finished Alley 2,280 96	\$5,424,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$56,500 \$0 \$43,000
<i>Drive thru alley lots. Fees estimated from fee schedule on adjacent lots, assuming the seller did not have any fee credits.</i>						
2	Natomas Meadows (Cypress Place) SEQ of Gateway Park Blvd. & Del Paso Blvd. Sacramento (N. Natomas), Sacramento APN: 225-2860-012 et al	Granite Bay Natomas Meadows Kit Construction (Carson Homes) <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	6/14/2017 1706141207 Fee Simple Market/All cash to seller	Finished 4-pack cluster 2,448 22	\$1,243,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$56,500 \$0 \$45,000
<i>These 22 lots are part of a 163-lot project phase. The buyer has first right of refusal to acquire additional lots in the village. The buyer planned to build homes ranging from 1,505 to 2,017 SF. The property contracted in December 2016.</i>						
3	Natomas Meadows (Cypress Place) SEQ of Gateway Park Blvd. & Del Paso Blvd. Sacramento (N. Natomas), Sacramento APN: 225-2870-001	Granite Bay Natomas Meadows Woodside 05N, LP <i>Confirmation: Secondary</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	6/14/2018 1806140619 Fee Simple Market/All cash to seller	Finished Cluster 2,448 57	\$3,534,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$62,000 \$0 \$45,000
<i>The contract was signed in March 2018. This is a two-part takedown. Takedown 1 (above) contains 57 lots at \$62K/lot. Takedown 2 contains 84 lots and is scheduled to close in mid-2019 with a contracted price of \$67K/lot. The buyer must purchase fee credits from the seller at building permit. The fee credit portion is included in the total permits and fees noted above.</i>						
4	Village at Natomas 2938 Mabry Drive Sacramento (N. Natomas), Sacramento APN: 201-1210-061 et al	Trilogy Land Holdings/Legacy Land Partners KB Home <i>Confirmation: Prior Listing Broker</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	4/28/2017 1704280948 Fee Simple Market/All cash to seller	Finished Cluster 3,500 100	\$6,500,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$65,000 \$0 \$45,000
<i>The seller acquired these lots for investment in 2013 for \$2,520,000. At the time, a building moratorium was in place. The moratorium was lifted in 2015. The lots are designed about five pack clusters. Net of the shared drives, lots are typically 3,500 SF. Permits and fees are estimated. The lots are currently being privately marketed by the owner.</i>						

SUMMARY OF COMPARABLE LAND SALES FOR TAX ZONES 5 AND 6 (PAGE 2 of 2)

No.	Property/Confirmation	Grantor Grantee <i>Confirmation</i>	Sale Date Doc No. Property Rights <i>Sale Conditions/Financing</i>	Lot Status at Sale Configuration Lot Size (±SF); <i>No. of Lots</i>	Sale Price	Price/Lot
5	Natomas Meadows (Poppy Lane) SEQ of Gateway Park Blvd. & Del Paso Blvd. Sacramento (N. Natomas), Sacramento APN: 225-2960-001 et al	Granite Bay Natomas Meadows Lennar Homes of California, Inc <i>Confirmation: Secondary</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	6/15/2018 1806150742 Fee Simple Market/All cash to seller	Finished Alley 2,830 75	\$5,625,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$75,000 \$0 \$47,000
<i>The buyer must purchase fee credits from the seller at building permit. The fee credit portion is included in the total permits and fees noted above.</i>						
6	Parkebridge (Village 1, por. Phase 1A/2A) Northern terminus of Fong Ranch Rd. Sacramento (S. Natomas), Sacramento APN: 225-2460-1283 et al	Jen California 7 LLC DR Horton <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	10/30/2018 201810301358 Fee Simple Market/All cash to seller	Finished 6-Pack Cluster 2,500 43	\$3,830,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$89,070 \$0 \$21,000
<i>Total sale price was \$12,710,000. Price above is allocated for this village. The lot size above is gross and does not account for the shared driveway. Net of the shared driveway, the lot size is around 2,500 SF (around 3,150 SF gross with allocation). DR Horton initially contracted in January 2018, with the seller to complete site development and deliver finished lots. The price was amended in the middle of the contract term. Fees above are net of approximately \$17,000/lot in anticipated SCIP bonds (to be followed through by buyer).</i>						

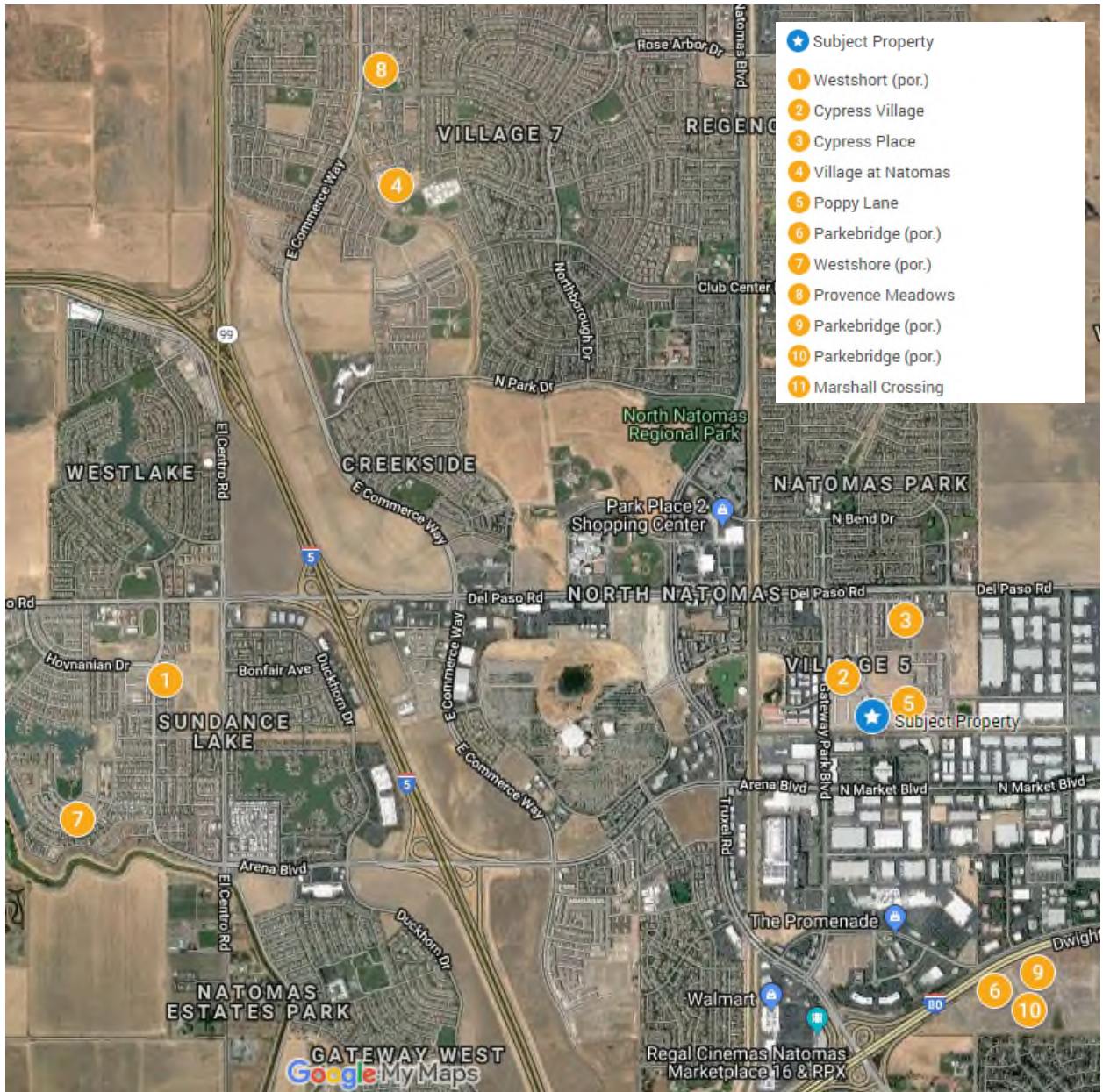
SUMMARY OF COMPARABLE LAND SALES FOR TAX ZONE 7 (PAGE 1 OF 2)

No.	Property/Confirmation	Grantor Grantee Confirmation	Sale Date Doc No. Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF); No. of Lots	Sale Price	Price/Lot
7	Westshore (Village E/J/P) Dnieper River Way at Bombill St. Sacramento (N. Natomas), Sacramento APN: 225-2540-068 et al	Shea K. Hovnanian <i>Confirmation: Secondary (Public Records)</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	10/10/2017 1710101232 Fee Simple Market/All cash to seller	Finished Traditional 5,775 65	\$4,615,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$71,000 \$0 \$50,000
<i>Fees estimated from fee schedule for adjacent lots. It is believed this is the 2nd leg of a two phase takedown of 177 total lots. The first takedown (112 lots of 6,300 SF, including 35 lake front lots, at \$81,143/lot avg.) occurred in November 2016. This is believed to be a below-market sale. Just prior to sale, another builder was under contract for the same property for approximately \$20,000/lot higher. When that potential buyer canceled its contract (for reasons believed to be unrelated to price), the property immediately contracted to sell for a significantly lower price. While we were unable to verify the specific details of the transaction with parties involved, the final price was ultimately significantly lower than the prices of like properties in the area.</i>						
8	Provence Meadows (Aspen) Van Eyck Way at Da Vinci Way North Natomas, Sacramento APN: 201-1200-052	JA Bray LLC Western Pacific Housing <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	8/30/2016 160830-1423 Fee Simple Market/All cash to seller	Finished Traditional 5,775 39	\$3,970,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$101,795 \$0 \$50,000
<i>Fees were budgeted \$50,000/lot gross, but the buyer transferred \$7,900/lot in credits to the property from another DR Horton property. The buyer was able to pay more than other builders and the price was above market as a result.</i>						
9	Parkebridge (Village 1, por. Phase 1A/2A) Northern terminus of Fong Ranch Rd. Sacramento (S. Natomas), Sacramento APN: 225-2460-1283 et al	Jen California 7 LLC DR Horton <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	10/30/2018 201810301358 Fee Simple Market/All cash to seller	Finished Traditional 3,600 32	\$3,360,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$105,000 \$0 \$23,000
<i>Total sale price was \$12,710,000. Price above is allocated for this village. DR Horton initially contracted in January 2018, with the seller to completed site development and delivered finished lots. The price was amended in the middle of the contract. Fees above are net of approximately \$17,000/lot in anticipated SCIP bonds (to be followed through by buyer).</i>						
10	Parkebridge (Village 1, por. Phase 1A/2A) Northern terminus of Fong Ranch Rd. Sacramento (S. Natomas), Sacramento APN: 225-2460-1283 et al	Jen California 7 LLC DR Horton <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	10/30/2018 201810301358 Fee Simple Market/All cash to seller	Finished Traditional 5,000 46	\$5,520,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$120,000 \$0 \$25,000
<i>Total sale price was \$12,710,000 (per public records, \$12,650,000 per developer). Price above is allocated for this village. DR Horton initially contracted in January 2018, with the seller to complet site development and deliver finished lots. The price was amended in the middle of the contract term. Fees above are net of approximately \$17,000/lot in anticipated SCIP bonds (to be followed through by buyer).</i>						

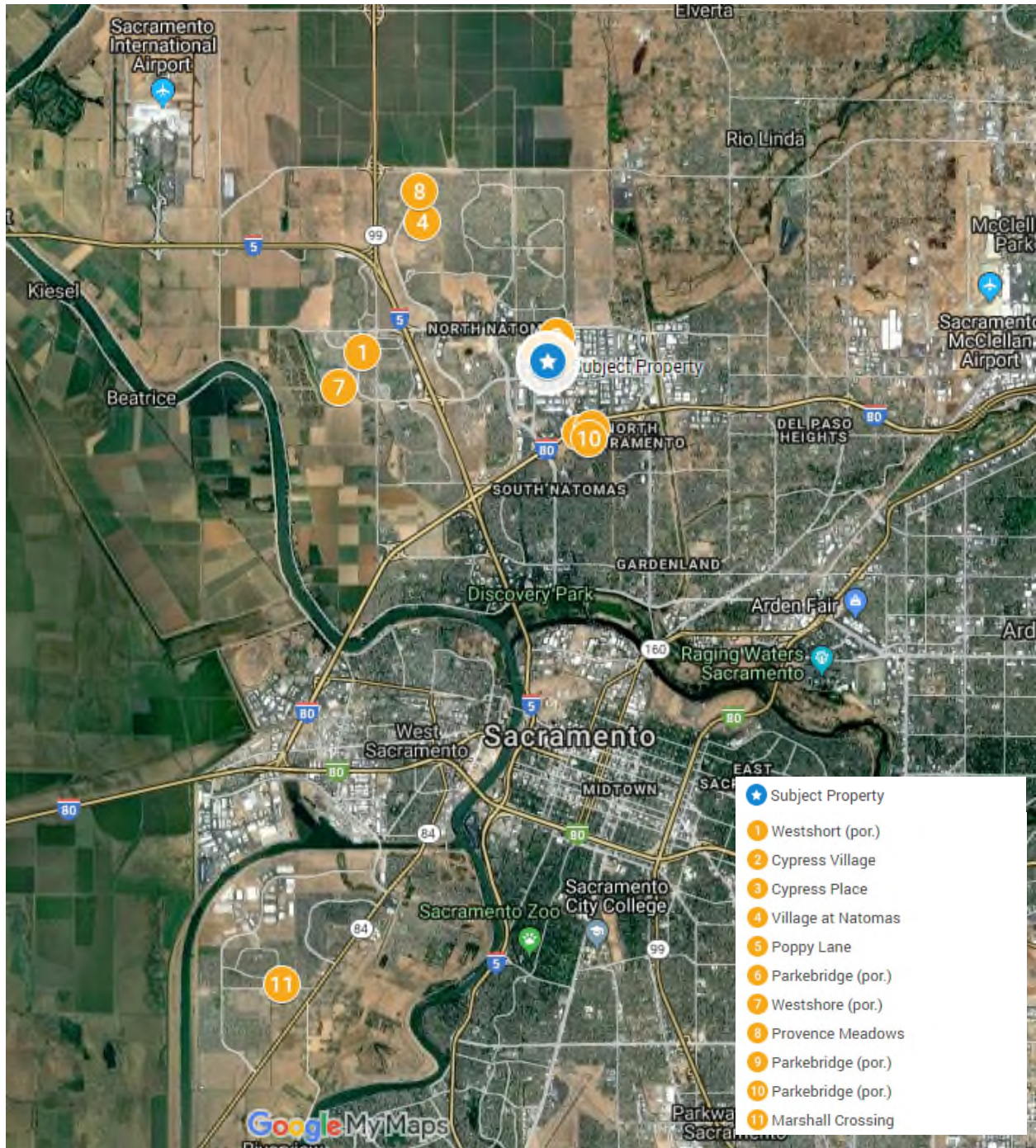
SUMMARY OF COMPARABLE LAND SALES FOR TAX ZONE 7 (PAGE 2 OF 2)

No.	Property/Confirmation	Grantor Grantee <i>Confirmation</i>	Sale Date Doc No. Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF); No. of Lots	Sale Price	Price/Lot
11	Marshall Crossing N. side of Marshall Road West Sacramento, Yolo APN: 045-861-005	Marshall Crossing LLC DRH Energy Inc <i>Confirmation: Buyer</i> <i>Confirmed by: Jarrod Hodgson</i> <i>Inspected by: Jarrod Hodgson</i>	6/30/2016 17474 Fee Simple Market/All cash to seller	Finished Traditional 5,225 38	\$4,750,000 Remaining Site Development Costs: Permits and Fees at Building Permit:	\$125,000 \$0 \$35,000
<i>Fees were budgeted at \$55,000 gross, of which \$20K/lot were reduced by a SCIP bond (around \$1,500/lot/year). DR Horton developed the site with its Express product line.</i>						

COMPARABLE BULK LOT SALES MAP (LOCAL)



COMPARABLE BULK LOT SALES MAP (REGIONAL)



ADJUSTMENT FACTORS

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is superior to the subject, its sale price is adjusted downward to reflect the subject's relative inferiority; if the comparable is inferior, its price is adjusted upward. The adjustable elements of comparison are:

EFFECTIVE SALE PRICE/EXPENDITURES AFTER SALE

For subdivision land, expenditures after sale typically include site development costs, permits and fees, and atypical holding costs such as Special Taxes or association fees. For subdivisions where site development is complete and final subdivision map has recorded, expenditures typically pertain to permits and fees due at building permit and holding costs.

Finished Lot Analysis - We apply adjustments for remaining site development costs (if any) on a dollar-for-dollar basis. That is, comparables will be analyzed on a finished lot-basis, where any remaining site development costs are added to the lot price to yield a price that reflects the total consideration. Added along with site development costs is a profit allocation estimated at 3.0% of site development costs.

Adjustments for Permits and Fees – Adjustments for permits and fees are applied on a dollar-for-dollar basis, since builder buyers typically consider these fees on this basis when making land purchasing decisions.

Adjustments for Direct Levies & Special Taxes – Adjustments for differences in holding costs to the builder over the project life are estimated based on the present value of the difference in direct levies between the comparables and subject (estimated at 4.5% over three years). In general, the variation and estimated adjustments are minor.

REAL PROPERTY RIGHTS CONVEYED

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties owned in fee simple and in leased fee. In this analysis, no adjustments are required.

FINANCING TERMS

This adjustment is generally applied to a property that transfers with atypical financing, such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price. Adjustments for financing do not apply.

CONDITIONS OF SALE

This adjustment category reflects extraordinary motivations of the buyer or seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value or a quick sale for cash. This adjustment category may also reflect a distress-related sale, or a corporation recording a non-market price. Comparable 7 is believed to have been a below market transaction. Just prior to sale, another builder was under contract for the same property for approximately \$20,000/lot higher. When that potential buyer canceled its contract (for reasons believed to be unrelated to price), the property immediately contracted to sell for a significantly lower price. While we were unable to verify the specific details of the transaction with parties involved, the final price was ultimately significantly lower than the

prices of like properties in the area. We have applied a 25% upward adjustment. Guarded reliance will be placed on this comparable. Comparable 8 sold slightly above market because the buyer had excess credits from another property and was able to offer more. A 5% downward adjustment is applied.

TIME - MARKET CONDITIONS

Real estate values normally change over time. The rate of change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any, that have occurred between the date of the sale and the effective date of the appraisal. We've considered the effect that home price changes have had on lot value. As shown in the *Detailed Residential Market Analysis*, new home projects in North Natomas have increased pricing significantly since 2016 and 2017 (when some of the more dated comparable sales occurred). We've considered the impact of annual home price changes on finished lot value over a two-year period (generally encapsulating the sale date range of the comparables), accounting for the fact that direct costs have also increased around \$5/SF of this period. For most of the comparables (which have sale dates ranging from 2017 to early 2018), we apply a market conditions adjustment factor of 1.5% for each month since the date of sale and the date of value. Comparables 3 and 5 sold more recently (June 2018) and have experienced lesser appreciation. These are adjusted at a rate of 0.75%/month. Comparables 3, 4 and 6 sold in October 2018 and are recent; these do not require adjustments.

LOCATION

Regional location adjustments are made in consideration of home price differences in each area, and the impact of those price differences on finished lot value. As previously stated, the subject is located in North Natomas. Most of the comparables are also located in North Natomas. The exceptions are Comparables 6, 9 and 10 (all located in South Natomas) and Comparable 11 (located in the Southport area of West Sacramento). Comparables 6, 9 and 10 receive 30% upward adjustments, and Comparable 11 receives a 15% downward adjustment.

In addition to regional location, we've considered other neighborhood location factors. The subject has average community appeal and is situated in a neighborhood with mixed uses. Comparables 1, 7 and 8 are located in the Westshore master-planned community of North Natomas, which benefits from its location west of Interstate 5 and community lakes and open space. These comparables receive 5% downward adjustments. The remaining comparables have average community appeal like the subject and do not require adjustments.

NUMBER OF LOTS/PROJECT SIZE

Generally, there is an indirect relationship between project size and price per lot. The subject benchmark villages range from 32 lots to 57 lots. Comparables 1 and 4 contain slightly more lots and receive 5% upward adjustments. The remaining comparables do not require adjustments.

BASE LOT SIZE

The subject benchmark villages have typical lot sizes of 2,448 SF (Tax Zone 5), 2,831 (Tax Zone 6) and 4,590 SF (Tax Zone 7). Comparables 1 through 6 are analyzed relative to Tax Zones 5 and 6, and Comparables 7 through 11 are analyzed relative to Tax Zone 7. We have considered paired sales to assist with the determination of a lot size adjustment factor, as well as market participant interviews. For each comparable, we estimate and apply a lot size adjustment factor (shown in grid) to the difference in lot area between the comparable and subject. The lot size adjustment factors applied as finished lots are slightly less than the factors applied previously for completed homes.

LOT PREMIUMS

Relative to Tax Zones 5 and 6, Comparables 1 through 6 have generally similar lot premiums and do not require adjustments. Moreover, relative to Tax Zone 7, Comparables 7 through 11 have generally similar lot premiums and do not require adjustments.

ZONING/ENTITLEMENTS

The subject and comparables have similar zoning and entitlements. Adjustments for this factor do not apply.

OTHER FACTORS – PRODUCT TYPE

Traditional lots are more desired than alley loaded or cluster lots, where homes are situated on lots that afford less site utility. Moreover, alley lots generally command a slight premium over cluster-lots. Tax Zone 5 has a garden/4-pack cluster configuration. Relative to this lot category, Comparables 1 and 5, which have alley configurations, receive 5% downward adjustments. Comparables 2, 3, 4 and 6 have cluster configurations and do not require adjustments. Relative to Tax Zone 6 (alley configuration), Comparables 2, 3, 4 and 6 receive 5% upward adjustments, and no adjustments are applied to Comparables 1 and 5.

Comparables 7 through 11 have traditional configurations like Tax Zone 7 and do not require adjustments.

ADJUSTMENT GRIDS

The following grids summarize the before-discussed adjustments.

ADJUSTMENT GRID – TAX ZONE 5 (GARDEN/4-PACK CLUSTER)

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name		Westshore	Natomas Meadows	Natomas Meadows	Village at Natomas	Natomas Meadows	Parkebridge
City		Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (S. Natomas)
Sale Date		Jun-17	Jun-17	Jun-18	Apr-17	Jun-18	Oct-18
No. Of Lots	57	96	22	57	100	75	43
Min. Lot Size	2,448	2,280	2,448	2,448	3,500	2,830	2,500
Applicable Lot Size Adj. Factor (\$/SF)		\$15	\$15	\$15	\$15	\$15	\$15
Lot Price		\$56,500	\$56,500	\$62,000	\$65,000	\$75,000	\$89,070
Remaining Site Dev. Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Profit on Completing Site Development	3.00%	\$0	\$0	\$0	\$0	\$0	\$0
Equivalent Finished Lot Price		\$56,500	\$56,500	\$62,000	\$65,000	\$75,000	\$89,070
Permits and Fees	\$45,000	\$43,000	\$45,000	\$45,000	\$45,000	\$47,000	\$21,000
\$ Adjustment		-\$2,000	\$0	\$0	\$0	\$2,000	-\$24,000
Direct Levies & Special Taxes	\$1,631	\$1,150	\$1,631	\$1,746	\$1,100	\$1,762	\$1,415
\$ Adjustment		-\$1,322	\$0	\$316	-\$1,460	\$360	-\$594
Interim Adjusted Finished Lot Price		\$53,178	\$56,500	\$62,316	\$63,540	\$77,360	\$64,476
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-	-
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		-	-	-	-	-	-
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		-	-	-	-	-	-
Market Conditions	Feb-19	Jun-17	Jun-17	Jun-18	Apr-17	Jun-18	Oct-18
Annual % Adjustment		31.50%	30.00%	6.00%	33.00%	6.00%	-
Cumulative Adjusted Price		\$69,929	\$73,450	\$66,055	\$84,509	\$82,002	\$64,476
Location - Regional		-	-	-	-	-	30%
Location - Specific		-5%	-	-	-	-	-
No. Of Lots		5%	-	-	5%	-	-
Min. Lot Size (rounded to 1%)		4%	-	-	-19%	-7%	-1%
Lot Premiums	Avg.	-	-	-	-	-	-
Entitlements	In Place	-	-	-	-	-	-
Other - Product Type	Garden/Cluster	-5%	-	-	-	-5%	-
Other		-	-	-	-	-	-
Net \$ Adjustment		-\$699	\$0	\$0	-\$11,831	-\$9,840	\$18,698
Net % Adjustment (rounded to 1%)		-1%	0%	0%	-14%	-12%	29%
Final Adjusted Price		\$69,229	\$73,450	\$66,055	\$72,677	\$72,162	\$83,174
Overall Adjustment (After Site Costs/Fees/Bonds)		30%	30%	6%	14%	-7%	29%
Unadjusted Range - Raw Data	\$56,500 to \$89,070						
Unadjusted - Finished Lot Basis	\$56,500 to \$89,070						
Adjusted - Finished Lot Basis	\$66,055 to \$83,174						
Average:	\$72,791						
Indicated Value	\$70,000						

ADJUSTMENT GRID – TAX ZONE 6 (ALLEY)

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name		Westshore	Natomas Meadows	Natomas Meadows	Village at Natomas	Natomas Meadows	Parkebridge
City		Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (N. Natomas)	Sacramento (S. Natomas)
Sale Date		Jun-17	Jun-17	Jun-18	Apr-17	Jun-18	Oct-18
No. Of Lots	48	96	22	57	100	75	43
Min. Lot Size	2,831	2,280	2,448	2,448	3,500	2,830	2,500
Applicable Lot Size Adj. Factor (\$/SF)		\$15	\$15	\$15	\$15	\$15	\$15
Lot Price		\$56,500	\$56,500	\$62,000	\$65,000	\$75,000	\$89,070
Remaining Site Dev. Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Profit on Completing Site Development	3.00%	\$0	\$0	\$0	\$0	\$0	\$0
Equivalent Finished Lot Price		\$56,500	\$56,500	\$62,000	\$65,000	\$75,000	\$89,070
Permits and Fees	\$47,000	\$43,000	\$45,000	\$45,000	\$45,000	\$47,000	\$21,000
\$ Adjustment		-\$4,000	-\$2,000	-\$2,000	-\$2,000	\$0	-\$26,000
Direct Levies & Special Taxes	\$1,762	\$1,150	\$1,631	\$1,746	\$1,100	\$1,762	\$1,415
\$ Adjustment		-\$1,682	-\$360	-\$44	-\$1,820	\$0	-\$954
Interim Adjusted Finished Lot Price		\$50,818	\$54,140	\$59,956	\$61,180	\$75,000	\$62,116
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-	-
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		-	-	-	-	-	-
Conditions of Sale	Market	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		-	-	-	-	-	-
Market Conditions	Feb-19	Jun-17	Jun-17	Jun-18	Apr-17	Jun-18	Oct-18
Annual % Adjustment		31.50%	30.00%	6.00%	33.00%	6.00%	-
Cumulative Adjusted Price		\$66,825	\$70,382	\$63,553	\$81,370	\$79,500	\$62,116
Location - Regional		-	-	-	-	-	30%
Location - Specific		-5%	-	-	-	-	-
No. Of Lots		5%	-	-	5%	-	-
Min. Lot Size (rounded to 1%)		12%	8%	9%	-12%	-	8%
Lot Premiums	Avg.	-	-	-	-	-	-
Entitlements	In Place	-	-	-	-	-	-
Other - Product Type	Alley	-	5%	5%	5%	-	10%
Other		-	-	-	-	-	-
Net \$ Adjustment		\$8,019	\$9,150	\$8,897	-\$1,627	\$0	\$29,816
Net % Adjustment (rounded to 1%)		12%	13%	14%	-2%	0%	48%
Final Adjusted Price		\$74,844	\$79,531	\$72,451	\$79,742	\$79,500	\$91,931
Overall Adjustment (After Site Costs/Fees/Bonds)		47%	47%	21%	30%	6%	48%

Unadjusted Range - Raw Data	\$56,500 to \$89,070
Unadjusted - Finished Lot Basis	\$56,500 to \$89,070
Adjusted - Finished Lot Basis	\$72,451 to \$91,931
Average:	\$79,667
Indicated Value	\$80,000

ADJUSTMENT GRID – TAX ZONE 7 (TRADITIONAL)

	Subject	Comparable 7	Comparable 8	Comparable 9	Comparable 10	Comparable 11
Name		Westshore	Provence Meadows	Parkebridge	Parkebridge	Marshall Crossing
City		Sacramento (N. Natomas)	North Natomas	Sacramento (S. Natomas)	Sacramento (S. Natomas)	West Sacramento
Sale Date		Oct-17	Aug-16	Oct-18	Oct-18	Jun-16
No. Of Lots	32	65	39	32	46	38
Min. Lot Size	4,590	5,775	5,775	3,600	5,000	5,225
Applicable Lot Size Adj. Factor (\$/SF)		\$8	\$8	\$10	\$10	\$8
Lot Price		\$71,000	\$101,795	\$105,000	\$120,000	\$125,000
Remaining Site Dev. Costs	\$0	\$0	\$0	\$0	\$0	\$0
Profit on Completing Site Development	3.00%	\$0	\$0	\$0	\$0	\$0
Equivalent Finished Lot Price		\$71,000	\$101,795	\$105,000	\$120,000	\$125,000
Permits and Fees	\$59,000	\$50,000	\$50,000	\$23,000	\$25,000	\$35,000
\$ Adjustment		-\$9,000	-\$9,000	-\$36,000	-\$34,000	-\$24,000
Direct Levies & Special Taxes	\$2,151	\$1,500	\$1,100	\$1,415	\$1,415	\$1,850
\$ Adjustment		-\$1,790	-\$2,889	-\$2,023	-\$2,023	-\$827
Interim Adjusted Finished Lot Price		\$60,210	\$89,906	\$66,977	\$83,977	\$100,173
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		-	-	-	-	-
Conditions of Sale	Market	Below Market	Above Market	Similar	Similar	Similar
% Adjustment		25%	-5%	-	-	-
Adjusted Total		\$75,263	\$85,410	\$66,977	\$83,977	\$100,173
Market Conditions	Feb-19	Oct-17	Aug-16	Oct-18	Oct-18	Jun-16
Annual % Adjustment		24.00%	45.00%	-	-	48.00%
Cumulative Adjusted Price		\$93,326	\$123,845	\$66,977	\$83,977	\$148,255
Location - Regional		-	-	30%	30%	-15%
Location - Specific		-5%	-5%	-	-	-
No. Of Lots		-	-	-	-	-
Min. Lot Size (rounded to 1%)		-10%	-8%	15%	-5%	-3%
Lot Premiums	Avg.	-	-	-	-	-
Entitlements	In Place	-	-	-	-	-
Other - Product Type	Traditional	-	-	-	-	-
Other		-	-	-	-	-
Net \$ Adjustment		-\$13,999	-\$16,100	\$30,140	\$20,994	-\$26,686
Net % Adjustment (rounded to 1%)		-15%	-13%	45%	25%	-18%
Final Adjusted Price		\$79,327	\$107,745	\$97,116	\$104,971	\$121,569
Overall Adjustment (After Site Costs/Fees/Bonds)		32%	20%	45%	25%	21%
Unadjusted Range - Raw Data		\$71,000 to \$125,000				
Unadjusted - Finished Lot Basis		\$71,000 to \$125,000				
Adjusted - Finished Lot Basis		\$79,327 to \$121,569				
	Average:	\$102,146				
Indicated Value		\$105,000				

CONCLUSIONS OF LOT VALUE – SALES COMPARISON APPROACH

ADJUSTMENTS SUMMARY

Tax Zone Category	Unadjusted Range (Finished Basis)	Adjusted Range (Finished Basis)	Concluded Finished Value For Benchmark
Tax Zone 5 (garden/4-pack cluster)	\$56,500 to \$89,070	\$66,055 to \$83,174	\$70,000
Tax Zone 6 (alley)	\$56,500 to \$89,070	\$72,451 to \$91,931	\$80,000
Tax Zone 7 (traditional)	\$71,000 to \$125,000	\$79,327 to \$121,569	\$105,000

In the analysis of the benchmark villages in Tax Zones 5 and 6, Comparable 6 was an outlier at the high end of the adjusted range. Excluding this indicator, the other comparables exhibited an adjusted range of \$66,055 to \$73,450 for Tax Zone 5 and \$72,451 to \$79,742 for Tax Zone 6. Comparables 2, 3 and 5 were 2018 sales from the Natomas Meadows project, with Comparable 3 being a June 2018 sale of a garden/4-pack cluster project, and Comparable 5 being a June 2018 of an alley project.

In the analysis of Tax Zone 5, Comparable 3 (a garden/4-pack cluster project) had an adjusted value of \$66,055 per finished lot, and in the analysis of Tax Zone 6, Comparable 5 (an alley project) had an adjusted value of \$79,515 per finished lot. While not reflected in the adjustment grid because of the static percentage adjustments applied across the comparables (i.e. same % adjustment/month), we believe the price difference between these two categories has narrowed as prices have risen since these properties entered into contract, with the actual value difference between the two categories being around \$10,000. This is attributable to the fact that as more affordable projects have achieved more total price appreciation than less affordable projects, as prices have increased (e.g. with garden/4-pack cluster projects being slightly more affordable than alley projects).

All things considered, we conclude a finished lot value of \$70,000 for Tax Zone 5 and \$80,000 for Tax Zone 6.

In the analysis of Tax Zone 7, Comparable 11 (which was not located in North Natomas) was an outlier at the high end of the range, and as stated in the Conditions of Sale adjustment factor, Comparable 7 is believed to have sold significantly below market and requires guarded reliance. The remaining indicators, Comparables 8, 9 and 10, had adjusted values ranging from \$97,116 to \$107,745 per finished lot and represented an average of \$103,277 per finished lot. We have concluded a finished lot value of \$105,000 for the benchmark village in Tax Zone 7.

SALES COMPARISON APPROACH CONCLUSIONS

Description	No. Of Lots	Benchmark Finished Lot Value
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	57	\$70,000
Tax Zone 6 - 2,831 SF (Alley)	48	\$80,000
Tax Zone 7 - 4,590 SF (Traditional)	32	\$105,000

RECONCILIATION AND CONCLUSIONS OF LOT VALUE

Two methods were used in the valuation of the subject. The results of these methods are summarized as follows.

QUALITY OF ANALYSIS BY APPROACH		
Extraction Analysis	Result	Comment
Reliability/Availability of Home Price Data	Avg. to Good	Subject project sales and nearby resales
Reliability/Availability of Absorption Data	Good	Estimate supported by regional data and local project sales
Reliability/Availability of Expense/Cost Data	Good	Cost comparables for direct/in direct costs available; total costs market supported.
Reasonableness of Discount Rate/Profit	Good	Supported by regional and national surveys
Overall Above Average Requires Consideration		
Sales Comparison Approach	Result	Comment
Availability of Recent Sales	Good	5 2018 sales
Proximity of Sales to Subject	Average	10 of 11 in North Natomas, with 3 in Natomas Meadows
Availability of Similar Projects	Good	Garden/cluster, alley and traditional comparables
Availability/Reliability of Comparable Cost/Fee Data	Good	Site costs and fees were provided by knowledgeable parties
Overall Above Average Requires Consideration		

The extraction analysis and sales comparison approach both require consideration, with no one approach better than the other. The quality of data for both approaches was generally good. The extraction analysis was primarily weakened by the fact that in determining the average home revenue for Tax Zone 6 (alley/cluster), a market conditions adjustment was applied to Woodsides Homes’ average project pricing at the time the project closed out (rather than utilizing an adjustment grid for home sales outside of the subject project, or resales). This fact may help explain the narrow lot value difference (\$4,000) indicated between Tax Zones 5 and 6 by the extraction analysis. Building on this fact, and being mindful of a reasonable lot value difference (around \$10,000) between the Tax Zone 5 and Tax Zone 6 categories, we estimate finished lot value of \$80,000 for Tax Zone 6. For Tax Zones 5 and 6, we reconcile to the midpoint of the two approaches, with the values indicated for Tax Zone 5 being the same.

SUMMARY OF LOT VALUE CONCLUSIONS				
Description	No. Of Lots	Extraction Analysis	Sales Comparison Approach	Final Conclusion of Village Value
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	57	\$70,000	\$70,000	\$70,000
Tax Zone 6 - 2,831 SF (Alley)	48	\$74,000	\$80,000	\$80,000
Tax Zone 7 - 4,590 SF (Traditional)	32	\$103,000	\$105,000	\$104,000

DETERMINATION OF BASE LOT VALUE FOR NON-BENCHMARK VILLAGES/GROUPS OF LOTS

Our analysis up until this point has focused on the valuation of three benchmark villages (or groups of lots) within the subject project. In this section, we consider other villages or groups of lots within the subject project and determine whether lot price adjustments are needed to arrive at value conclusions for these other villages. In total, the subject property contains 232 lots that are either vacant, have home construction underway or have completed but unsold/unclosed homes (as stated, except for the 4 completed models, this report assigns no contributory value to vertical construction (partial or completed) for unclosed homes.

It is our assertion that no lot value adjustments are warranted to arrive at value conclusions for the other groups of lots within the subject. The project sizes and other physical characteristics are generally similar to the benchmark villages. The concluded base finished lot values for the other groups of lots within the subject are shown below.

GROUPS OF LOTS WITHIN THE SUBJECT PROPERTY			
Benchmark Village	No. Of Lots	Owner	Base Finished Lot Value Conclusion
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	57	Woodside 05N, LP	\$70,000
Tax Zone 6 - 2,831 SF (Alley)	48	Lennar Homes of California, Inc	\$80,000
Tax Zone 7 - 4,590 SF (Traditional)	32	Anthem United Willow Homes	\$104,000
Subtotal:	137		
Other Groups of Lots	No. Of Lots	Owner	Base Finished Lot Value Conclusion
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	11	Kit Construction Co. Inc	\$70,000
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	84	Granite Bay-Natomas Meadows, LP	\$70,000
Subtotal:	95		
Overall Lot Total:	232		
No. of Completed/Transferred Homes	24	Individual Households	N/Ap
No. of Completed Model Homes	4	Kit Construction Co. Inc	N/Ap
Subtotal:	28		
Subject Property Total	260		

VALUES BY OWNERSHIP

In this section, we determine finished lot value by ownership. In doing so, we utilize the previously estimated base finished lot values, and then assign value for building permit fees paid for partially completed construction as well as any fee credits (either currently owned or to be generated from the CFD) when those credits have the same owner as the underlying real estate (e.g. the master developer or its affiliates). The land owned the master developer and/or its affiliates has a market value in bulk of **\$11,495,000**, which includes \$1,505,000 in fee credits to be generated from the CFD (\$1,140,000 + \$365,000).

PROPERTY OWNED BY THE MASTER DEVELOPER AND/OR ITS AFFILIATES

Granite Bay Natomas Meadows, LP			
Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	Per Unit	Total	Comment
Base Finished Lot Value	\$70,000		
No. of Lots	84		
Base Finished Lot Value in Bulk	\$5,880,000		
Less: Final Map Recordation Cost	(\$55,000)		Remaining expense due at final map recordation
		\$5,825,000	
Existing Public Facilities Fee Credits	\$2,760		
No. of Eligible Remaining Lots of this ownership	84		
	\$231,840	\$230,000	(rounded)
Anticipated Fee Credits from the CFD	\$13,560		
No. of Eligible Remaining Lots of this ownership	84		
	\$1,139,040	\$1,140,000	(rounded)
Overall Bulk Value of 84 Lots with Fee Credits:		\$7,195,000	
Anthem United Willow Homes, LP			
Tax Zone 7 - 4,590 SF (Traditional)	Per Unit	Total	Comment
Base Finished Lot Value	\$104,000		
No. of Lots*	32		
Base Finished Lot Value in Bulk	\$3,328,000	\$3,330,000	(rounded)
Avg. Gross Fees Paid for Tax Zone 7 (Approx.)	\$59,000		
No. Homes Under Construction	9		
Contributory of Fees Paid	\$531,000	\$530,000	(rounded)
Existing Public Facilities Fee Credits	\$3,301		
No. of Eligible Remaining Lots of this ownership	23		
	\$75,923	\$75,000	(rounded)
Anticipated Fee Credits from the CFD	\$15,766		
No. of Eligible Remaining Lots of this ownership	23		
	\$362,618	\$365,000	(rounded)
Overall Bulk Value of 32 Lots with Fees Paid and Fee Credits:		\$4,300,000	
Market Value in Bulk:		\$11,495,000	

*Includes 9 home under construction

Below, we estimate the market value in bulk for properties owned by Kit Construction Co. Inc. This subject ownership component consists of 11 finished lots w/vertical construction (10 under construction, 1 completed and unsold) and 4 model homes. There are 7 additional homes that have closed/transferred to individual households that are appraised (in aggregate) separately.

PROPERTY OWNED BY KIT CONSTRUCTION CO. INC

Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	Per Unit	Total	Comment
Base Finished Lot Value	\$70,000		
No. of Lots* x	11		
Base Finished Lot Value in Bulk		\$770,000	
Avg. Gross Fees Paid for Tax Zone 7 (Approx.)	\$45,000		
No. Homes Under Construction, or Built & Unsold x	11		
Contributory of Fees Paid		\$495,000	
Existing Public Facilities Fee Credits	\$0		Contributory value of fee credits reflected in gross fee amount already paid (\$45K/lot)
No. of Eligible Remaining Lots of this ownership x	0	\$0	
Anticipated Fee Credits from the CFD	\$0		Contributory value of fee credits reflected in gross fee amount already paid (\$45K/lot)
No. of Eligible Remaining Lots of this ownership x	0	\$0	
Base Model Value (Minimum, Smallest Plan)	\$330,000		Contributory value of fee credits reflected in estimated home value (comprised of land, costs, fees and profit)
No. of Models x	4		
Aggregate	\$1,320,000		
Bulk Discount 10%	-\$132,000		
Model Value in Bulk	\$1,188,000	\$1,190,000 (rounded)	
Market Value in Bulk:		\$2,455,000	

*Includes 10 home under construction and 1 completed and closed home

For the disposition of a large number of homes, participants typically rely on a discounted cash flow analysis to determine the bulk value of completed homes. However, with just four model homes, a static bulk valuation is more appropriate. The probable buyer of four model homes in bulk is the builder that would acquire the adjacent finished lots, with the builder intending to sell the model homes to individuals and keep the lots for new home construction. Because a builder would require a minor profit on the homes to be sold, the aggregate value of the homes is discounted at 10% (which includes approximately 6% for sales cost and 4% for profit). The aggregate value of the model homes is \$1,320,000. Discounted by 10%, we estimate the market value of the four models in bulk at \$1,190,000, and the market value in bulk of all property owned by Kit Construction Co. Inc. to be **\$2,455,000**.

As stated, Lennar Homes of California Inc. and Woodside 05N, LP have purchased and acquired fee title to certain villages in the subject property; however, because the fee credits were not available at the time of sale and the CFD bond sale had not occurred, these builders are contractually obligated to purchase the fee credits from the master developer when the fee credits become available and the builder submits for building permits. The acquisition of the fee credits will be a separate financial transaction.

PROPERTY OWNED BY THE WOODSIDE 05N, LP

Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)	Per Unit	Total	Comment
Base Finished Lot Value	\$70,000		
No. of Lots* x	57		
Base Finished Lot Value in Bulk		\$3,990,000	
Avg. Gross Fees Paid for Tax Zone 7 (Approx.)	\$0		
No. Homes Under Construction x	0		
Contributory of Fees Paid		\$0	
Existing Public Facilities Fee Credits	\$0		Must be purchased separately from the master
No. of Eligible Remaining Lots of this ownership x	57	\$0	
Anticipated Fee Credits from the CFD	\$0		Must be purchased separately from the master
No. of Eligible Remaining Lots of this ownership x	57	\$0	
Market Value In Bulk:		\$3,990,000	

PROPERTY OWNED BY THE LENNAR HOMES OF CALIFORNIA, INC.

Tax Zone 6 - 2,831 SF (Alley)	Per Unit	Total	Comment
Base Finished Lot Value	\$80,000		
No. of Lots* x	48		
Base Finished Lot Value in Bulk		\$3,840,000	
Avg. Gross Fees Paid for Tax Zone 7 (Approx.)	\$0		
No. Homes Under Construction x	0		
Contributory of Fees Paid		\$0	
Existing Public Facilities Fee Credits	\$0		Must be purchased separately from the master
No. of Eligible Remaining Lots of this ownership x	48	\$0	
Anticipated Fee Credits from the CFD	\$0		Must be purchased separately from the master
No. of Eligible Remaining Lots of this ownership x	48	\$0	
Market Value In Bulk:		\$3,840,000	

Previously we estimated the aggregate value of 24 homes that have transferred/closed to individual households. The before-estimated values are restated below for your reference. As stated, the values do not account for upgrades and lot premiums, and the base value for each product line is based on the smallest floor plan offered. Therefore, the values represent not-less-than estimates.

AGGREGATE VALUE – 24 PRODUCTION HOMES

Plan	Plan	Living Area (SF)	# of Homes	Not-Less-Than Base Value	Total
Cypress Village by Carson Homes	Plan 1 (smallest)	1,505	7	\$330,000	\$2,310,000
Willow by Anthem United	Plan 1 (smallest)	2,535	17	\$480,000	\$8,160,000
			24		
				Aggregate Retail Value:	\$10,470,000

FINAL OPINIONS OF VALUE – ALL SCENARIOS

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinions follow:

MARKET VALUATION - LOTS			
Ownership	Description	Value by Ownership (1)	
Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP (2)	9 partially completed homes, 23 vacant finished lots and 84 near-finished lots	\$11,495,000	(not-less than market value in bulk)
Kit Construction Co. Inc (dba Carson Homes)	4 Models, 10 partially completed homes, 1 completed and unclosed home	\$2,455,000	(not-less than market value in bulk)
Woodside 05N, LP (dba Woodside Homes)	57 vacant finished lots	\$3,990,000	(market value in bulk)
Lennar Homes of California, Inc	48 vacant finished lots	\$3,840,000	(market value in bulk)
Individual Home Owners	24 completed homes	<u>\$10,470,000</u>	(not-less than aggregate value)
		\$32,250,000	(not-less than aggregate value)

(1) Based on hypothetical conditions that Bonds had just sold and bond proceeds generate fee credits to the master developer, as described

(2) While separate legal entities, the parties to these companies are affiliated

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the Client and Intended Users may use or rely on the information, opinions and conclusions contained in the report.

EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current economic conditions. Demand remains high for bulk purchase of lots. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time is 6 months for the subject lots, based on the concluded value(s) and as of the date of value.

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. We foresee no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6 months, based on the concluded value(s) and as of the date of value.

CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. We have previously appraised portions of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
9. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as applicable state laws and regulations.
10. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Appraisal Practice of the Appraisal Institute.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Jarrod Hodgson, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.
13. Jarrod Hodgson, MAI, conducted an on-site inspection of the property of the subject on February 7, 2019.
14. No one provided significant real property appraisal assistance to the person signing this certification.



Jarrod Hodgson, MAI
Certified General Real Estate Appraiser
CA Certificate # AG040480

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The value conclusions are subject to the following extraordinary assumptions and hypothetical conditions that may affect the assignment results.

EXTRAORDINARY ASSUMPTIONS

1. Based on our inspection, except for the cost associated with recording a final subdivision map for 84 lots (an indirect cost), physical site development appears to be complete, and the Developer indicates site development is complete. Often, project approvals and agreements will stipulate the completion of certain offsite improvements not immediately connected to the property, of which—without being explicitly expressed—we would not be aware. It is an extraordinary assumption that all physical site improvements are completed, as described.
2. The appraisers relied on fees provided by the Developer. The budgeted fees appear reasonable relative to fees at other projects in the area. It is an extraordinary assumption that the said fees were reasonably true and correct. Any substantial changes in the cost and fee estimates could have an effect on the value conclusions and the feasibility of development. We assume that the fee information provided for our review and relied upon herein is correct.

HYPOTHETICAL CONDITIONS

1. As of the date of value, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.
2. A portion of the bond proceeds from the Bonds will be used to finance certain development impact fees, i.e. generate fee credits for the master developer. In the market place, master developers typically handle fee credits in one of two ways. Sometimes master developers pass through said fee credits to builder-buyers at the time the real estate is sold, with no separate consideration paid for fee credits. In these instances, the real estate price paid by builder-buyers is higher because the fee credits are included in the purchase. Sometimes master developers do not pass through said fee credits to builder-buyers when the real estate is sold. In these instances, builder-buyers pay less for the real estate, but are contractually obligated to purchase the fee credits from the master developer when the builder applies for a building permit. In either instance, the total consideration paid by the builder-buyer is approximately the same (not accounting for the minor impact of the time value of money). The master developer of the subject property has already sold lots within the subject property to builders in advance of the sale of the Bonds. Thus, for those 105 lots that have already transferred to other builders in the project where home construction has not commenced (57 lots owned by Woodside Homes and 48 lots owned by Lennar), the sale of the real estate cannot include the fee credits because the credits will be owned by the master developer (GBD Communities) and the credits have not yet been purchased. Because a prudent developer in such a case would opt to utilize a separate revenue stream for fee credits (to reimburse for the costs that generated the said fee credits), it is an extraordinary assumption of this report that the master developer would keep the fee credits and not automatically assign the credits to Woodside Homes and Lennar for no consideration. Thus, for purposes of determining the value of real estate collateral, the values estimated for the real estate owned by Woodside Homes and Lennar do not reflect the potential value-added by the fee credits. These builders have not yet purchased the fee credits for the lots that they own. In contrast, the master developer still owns 107 lots (23 vacant finished lots within its own product line, and 84 near-finished lots under contract to sell to Woodside Homes). For these lots, it is still possible for the master developer to pass through

the fee credits at the time of real estate sale (for higher real estate prices). Thus, for purposes of determining the value of real estate collateral, the values estimated for real estate owned by the master developer do reflect the value-added by the fee credits. Note that in addition to the lots owned by affiliates of Woodside Homes, Lennar and the master developer, within the subject individual households own 24 completed homes, Kit Construction Co. Inc (Carson Homes) owns 4 models, 10 partially completed homes and 1 completed and unclosed home, and Anthem United Willow Homes, LP (an affiliate of the master developer) owns 9 partially completed homes. For the completed/partially completed construction, all building permit fees are paid and the contributory value of the fees paid is reflected in our value estimates.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in leased fee unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

12. Responsible ownership and competent property management are assumed.
13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report.
15. Any division of the and improvement values opined herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimates of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof. BBG, Inc. authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is

assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this opinion of market value is based.
34. If provided, the opinion of insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

ADDENDA

APPRAISER QUALIFICATIONS



Jarrod Hodgson, MAI
Director
Work: 916.949.7362
jhodgson@bbgres.com

PROFILE

Jarrod Hodgson is the Director of Subdivision Practice for California at BBG. Mr. Hodgson specializes in the valuation of land, transitional land, residential subdivisions and master planned communities. In this role, he is the Lead appraiser for most subdivision assignments in Northern California, while assisting with quality control and client management of subdivision assignments in Southern California. He also appraises subdivisions in Southern California by special request. He also appraises retail, office and industrial properties. In addition to lender and owner appraisals, many assignments pertain to Assessment or Community Facilities Districts, where local governments sell bonds to assist with the financing of infrastructure. Other clients have included municipal agencies for right-of-way valuation. Associated with Seevers Jordan Ziegenmeyer from 2003 - mid 2014.

Mr. Hodgson currently serves as the Treasurer-Secretary for the Sacramento Sierra Chapter of the Appraisal Institute.

While a graduate student at UC Davis, Mr. Hodgson was a teaching assistant for real estate economics and linear regression analysis. He also was employed by the Institute of Governmental Affairs, where he developed linear regression models to quantify the impact of Mexican government subsidies on migrant-worker remittances in the United States.

Mr. Hodgson was named "Outstanding Senior" while finishing his undergraduate degree, which is awarded to the individual with the strongest potential to contribute to his or her field of study (Agricultural Economics).

PROFESSIONAL AFFILIATIONS & LICENCES

Appraisal Institute, Member (MAI)

Certified General Appraiser:

State of California (License # AG040480)

EDUCATION

Masters of Science, Agricultural & Resource Economics, University of California – Davis

Bachelor of Science, Managerial Economics, University of California – Davis

DEFINITIONS

Definitions

The source of the following definitions is *The Dictionary of Real Estate Appraisal, Fifth Edition*, Appraisal Institute, Chicago, Illinois, 2010, unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time specified by the client.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date of Appraisal

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply.

Entitlement

In the context of ownership, use, or development of real property, the right to receive governmental approvals for annexation, zoning, utility extensions, construction permits, and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights, and may represent an enhancement to a property's value.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her

contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

Lease

A contract in which rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

Leasehold Interest

The tenant's possessory interest created by a lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars, or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

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

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

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

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



Update Appraisal Report

Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2)

Residential Subdivision

SEQ of Gateway Park Dr. and Terracina Dr.
Sacramento, CA 95834

BBG File #119000060

Prepared For:

Mr. John Colville
City Treasurer
City of Sacramento
915 "I" Street, HCH – 3rd Floor
Sacramento, CA 95814

Date of Value:

April 17, 2019

Prepared By:

BBG, Inc., Northern California



April 17, 2019

Mr. John Colville
City Treasurer
City of Sacramento
915 "I" Street, HCH – 3rd Floor
Sacramento, CA 95814

RE: Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area 2)
SEQ of Gateway Park Dr. and Terracina Dr.
Sacramento, CA 95834

Dear Mr. Colville:

BBG, Inc. – Sacramento is pleased to submit an update to our appraisal of Community Facilities District No. 2007-01 (Improvement Area 2) of the City of Sacramento, or "CFD No. 2007-01 IA No. 2," commonly referred to in this report as "the CFD." On April 11, 2019, we submitted an Appraisal Report (the "original appraisal report") that conformed 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. Our original appraisal had an effective date of value of February 7, 2019. **This update appraisal report may only be used in conjunction with our original appraisal report** and must remain attached to the original appraisal report.

As an update report, this document does not present complete discussion of the data, reasoning and analysis, which are contained in the original appraisal report. Rather, the purpose of this update report is to affirm that the appraised value is the same or greater than estimated in the original appraisal report.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The CFD No. 2007-01 IA No. 2 bonds (the "Bonds") will finance the acquisition of completed public facilities and finance eligible development impact fees.

The subject property for this update report is the same as our original appraisal report. The property is identified as a portion of the Natomas Meadows residential project, which, as of the effective date of the original appraisal report, consisted of 4 completed model homes, 24 completed homes that had sold and transferred to individual homeowners, 19 partially completed homes, 1 completed and unclosed (escrow) home, 128 vacant finished lots and 84 near-finished lots. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land.

Since the original appraisal report, Anthem United Willow Homes LP, Kit Construction Co. Inc, Woodside 05N LP and Lennar Homes of California Inc. have continued build and sell homes, and have since added significant value to the property.

The values estimated in the original appraisal report, and affirmed herein, are based on hypothetical conditions. USPAP defines a hypothetical condition at "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." As of the date of value, the Bonds had not been sold. The market values are based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the property was

encumbered by Special Taxes as described herein. The market values account for the impact of the lien of the Special Tax securing the Bonds.

In the original appraisal report, we provided market value by ownership, as well as the aggregate value of the subject property. The Dictionary of Real Estate Appraisal defines aggregate value as the “total of multiple of market value conclusions.” The aggregate value is not equal to the market value of the subject property in bulk.

As a result of our analysis, it is our opinion the aggregate value of the subject property as of April 17, 2019, and subject to the definitions, assumptions, hypothetical conditions and limiting conditions expressed in the report, is not-less-than the previously concluded values shown below. The ownership division below reflects the subject property as of the date of the original appraisal report.

VALUATION			
Ownership	Description	Value by Ownership (1)	
Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP (2)	9 partially completed homes, 23 vacant finished lots and 84 near-finished lots	\$11,495,000	(not-less than market value in bulk)
Kit Construction Co. Inc (dba Carson Homes)	4 Models, 10 partially completed homes, 1 completed and unclosed home	\$2,455,000	(not-less than market value in bulk)
Woodside 05N, LP (dba Woodside Homes)	57 vacant finished lots	\$3,990,000	(market value in bulk)
Lennar Homes of California, Inc	48 vacant finished lots	\$3,840,000	(market value in bulk)
Individual Home Owners	24 completed homes	<u>\$10,470,000</u>	(not-less than aggregate value)
		\$32,250,000	(not-less than aggregate value)

(1) Based on hypothetical conditions that Bonds had just sold and bond proceeds generate fee credits to the master developer, as described
 (2) While separate legal entities, the parties to these companies are affiliated

In the original appraisal report, completed/transferred homes and models were valued according to the smallest floor of each respective product line, with no value assigned to upgrades and lot premiums. Moreover, except for fees paid at building permit, no value was assigned to partially completed construction of completed homes that had not sold and closed to individual buyers. For these reasons, certain market values by ownership and the aggregate value are not-less-than estimates.

The estimated values are subject to the following Extraordinary Assumptions and Hypothetical Conditions that may have affected assignment results:

EXTRAORDINARY ASSUMPTIONS (CONTINUED ON FOLLOWING PAGE)

1. Based on our inspection as part of the original appraisal report, except for the cost associated with recording a final subdivision map for 84 lots (an indirect cost), physical site development appears to be complete, and the Developer indicates site development is complete. Often, project approvals and agreements will stipulate the completion of certain offsite improvements not immediately connected to the property, of which—without being explicitly expressed—we would not be aware. It is an extraordinary assumption that all physical site improvements are completed, as described.

EXTRAORDINARY ASSUMPTIONS (CONTINUED)

2. The appraisers relied on fees provided by the Developer. The budgeted fees appear reasonable relative to fees at other projects in the area. It is an extraordinary assumption that the said fees were reasonably true and correct. Any substantial changes in the cost and fee estimates could have an effect on the value conclusions and the feasibility of development. We assume that the fee information provided for our review and relied upon herein is correct.
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HYPOTHETICAL CONDITIONS

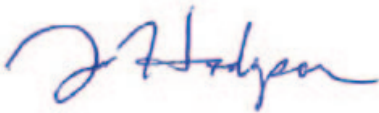
1. As of the date of value, the Bonds had not been sold. The values estimated herein are based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.
 2. A portion of the bond proceeds from the Bonds will be used to finance certain development impact fees, i.e. generate fee credits for the master developer. In the market place, master developers typically handle fee credits in one of two ways. Sometimes master developers pass through said fee credits to builder-buyers at the time the real estate is sold, with no separate consideration paid for fee credits. In these instances, the real estate price paid by builder-buyers is higher because the fee credits are included in the purchase. Sometimes master developers do not pass through said fee credits to builder-buyers when the real estate is sold. In these instances, builder-buyers pay less for the real estate, but are contractually obligated to purchase the fee credits from the master developer when the builder applies for a building permit. In either instance, the total consideration paid by the builder-buyer is approximately the same (not accounting for the minor impact of the time value of money). The master developer of the subject property has already sold lots within the subject property to builders in advance of the sale of the Bonds. Thus, for those 105 lots that have already transferred to other builders in the project where home construction has not commenced (57 lots owned by Woodside Homes and 48 lots owned by Lennar), the sale of the real estate cannot include the fee credits because the credits will be owned by the master developer (GBD Communities) and the credits have not yet been purchased. Because a prudent developer in such a case would opt to utilize a separate revenue stream for fee credits (to reimburse for the costs that generated the said fee credits), it is an extraordinary assumption of this report that the master developer would keep the fee credits and not automatically assign the credits to Woodside Homes and Lennar for no consideration. Thus, for purposes of determining the value of real estate collateral, the values estimated for the real estate owned by Woodside Homes and Lennar do not reflect the potential value-added by the fee credits. These builders have not yet purchased the fee credits for the lots that they own. In contrast, the master developer still owns 107 lots (23 vacant finished lots within its own product line, and 84 near-finished lots under contract to sell to Woodside Homes). For these lots, it is still possible for the master developer to pass through the fee credits at the time of real estate sale (for higher real estate prices). Thus, for purposes of determining the value of real estate collateral, the values estimated for real estate owned by the master developer do reflect the value-added by the fee credits. Note that in addition to the lots owned by affiliates of Woodside Homes, Lennar and the master developer, within the subject individual households own 24 completed homes, Kit Construction Co. Inc (Carson Homes) owns 4 models, 10 partially completed homes and 1 completed and unclosed home, and Anthem United Willow Homes, LP (an affiliate of the master developer) owns 9 partially completed homes. For the completed/partially completed construction, all building permit fees are paid and the contributory value of the fees paid is reflected in our value estimates.
-

Mr. John Colville
April 17, 2019
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

BBG, INC. - SACRAMENTO



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

GENERAL INFORMATION

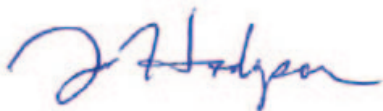
Property	<p>The subject property is identified as the residential lots and homes within Community Facilities District No. 2007-01 (Improvement Area 2) of the City of Sacramento, or “CFD No. 2007-01 IA No. 2,” commonly referred to in this report as “the CFD.” The subject property for this update report is the same as our original appraisal report. As of the effective date of the original appraisal report, the subject property consisted of 4 completed model homes, 24 completed homes that had sold and transferred to individual homeowners, 19 partially completed homes, 1 completed and unclosed (escrow) home, 128 vacant finished lots and 84 near-finished lots. The subject property excludes properties within the CFD not subject to the Special Tax, such as public/quasi-public or miscellaneous land.</p> <p>Since the original appraisal report, Anthem United Willow Homes LP, Kit Construction Co. Inc, Woodside 05N LP and Lennar Homes of California Inc. have continued build and sell homes, and have since added significant value to the property.</p>
Location	<p>The subject project is located at the southeast quadrant of Gateway Park Drive and Terracina Drive, within the city of Sacramento, Sacramento County, California 95834.</p>
Ownership	<p>As of the effective date of value of the original appraisal report, 24 completed homes had transferred to individual buyers, which included 7 homes built by Carson Homes and 17 homes built by Anthem United Homes. Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP are affiliated companies and collectively retained ownership of 9 partially completed homes and 23 vacant finished lots and 84 near-finished lots (near-finished because final subdivision map has not recorded). Kit Construction Co. Inc. (dba Carson Homes) owned 4 model homes, 10 partially completed homes and 1 completed and unclosed home. Woodside 05N, LP dba Woodside Homes owned 57 vacant finished lots. Lennar Homes of California, Inc. owned 48 vacant finished lots. Note that Woodside 05N, LP was under contract to acquire 84 vacant finished lots from Granite Bay-Natomas Meadows, LP.</p>
Zoning	<p>PUD – Planned Unit Development</p>
Entitlements	<p>Final subdivision maps have recorded.</p>
Flood Zone	<p>A99 – Within the 100-year floodplain. Zone A99 is defined by FEMA as a Special flood hazard area subject to inundation by 100-year flood which will be protected by a federal flood protection system when construction has reached specified statutory progress toward completion. Mandatory flood insurance purchase requirements apply.</p>
Highest and Best Use	<p>Single-family residential development, as currently approved.</p>

Type and Definition of Value	The purpose of this update appraisal is to estimate the not-less-than market value of the subject property.
Client and Intended Use	The client and intended user of this appraisal report is the City of Sacramento, legal counsel and underwriter. This report is intended to assist with bond financing.
Scope of Work	In preparing this update appraisal, we analyzed market data presented in our original appraisal report dated April 11, 2019. In addition, we analyzed current market conditions in the market area of the subject properties, through an analysis of recent market sales and market surveys. This update appraisal report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file.
Date of Inspection	The subject was not re-inspected. The subject property was last inspected on February 7, 2019.
Date of Value	April 17, 2019
Property Rights Appraised	Fee Simple Estates
Exposure Time / Marketing Time	6 months / 6 months
Prior Services	USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report within the three-year period immediately preceding acceptance of this (update report) assignment.

CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. The original appraisal report was completed on April 11, 2019. Also within the last three years, portions of the subject were appraised for various clients/parties.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Jarrod Hodgson, MAI did not inspect the subject property for this update appraisal report. However, Mr. Hodgson did inspect the subject property on February 7, 2019, as part of the original appraisal report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Jarrod Hodgson, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.



Jarrod Hodgson, MAI
Certified General Real Estate Appraiser
CA Certificate # AG040480

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is

addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report. BBG, Inc. authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. BBG, Inc. – Sacramento is not a building or environmental inspector. BBG, Inc. Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against BBG, Inc. – Sacramento, BBG, Inc., or their respective officers, owners, managers, directors, agents, subcontractors or employees (the “BBG, Inc. Parties”), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the BBG, Inc. Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence.
25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. BBG, Inc., Inc. and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
26. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issue]

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Natomas Meadows Community Facilities District No. 2007-01
(Improvement Area No. 2) Special Tax Bonds, Series 2019
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with issuance of \$6,855,000 aggregate principal amount of City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019 (the “Bonds”). The Bonds are being issued pursuant to a Master Indenture, dated as of May 1, 2019 (the “Master Indenture”), as supplemented by a First Supplemental Indenture, dated as of May 1, 2019 (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 alternative minimum tax. 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 County or the State or any of its political subdivisions, and the County, and the State and its political subdivisions are not liable therefor. The Bonds are special limited obligations of the City payable solely from the Special Tax (as defined in the Official Statement) and other amounts as set forth in the Indenture.

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

<i>Calendar Year</i>	<i>City of Sacramento</i>	<i>County of Sacramento</i>	<i>State of California</i>
2014	480,463	1,465,964	38,568,628
2015	484,397	1,481,969	39,912,464
2016	487,758	1,495,611	39,179,627
2017	494,266	1,513,415	39,500,973
2018	501,344	1,529,478	39,809,693

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 4.6% in 2017, down from the 2016 estimate of 5.3%. This compares with an unadjusted unemployment rate of 4.8% for California and 4.4% for the nation during the same period. The unemployment rate was 4.4% in El Dorado County, 3.8% in Placer County, 4.6% in Sacramento County and 5.0% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2013 through 2017.

SACRAMENTO MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2013 through 2017 Annual Averages

	2013	2014	2015	2016	2017
Civilian Labor Force ⁽¹⁾	1,046,500	1,047,200	1,055,900	1,070,900	1,080,900
Employment	955,800	972,600	994,100	1,014,300	1,031,700
Unemployment	90,700	74,600	61,800	56,600	49,200
Unemployment Rate	8.7%	7.1%	5.9%	5.3%	4.6%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	8,900	9,200	9,400	9,700	9,200
Natural Resources and Mining	400	400	400	400	500
Construction	43,300	45,500	50,200	54,900	58,600
Manufacturing	34,100	35,400	36,400	36,200	35,500
Wholesale Trade	25,000	24,500	24,700	25,700	26,600
Retail Trade	93,800	95,300	98,000	100,400	101,800
Transportation, Warehousing and Utilities	22,900	23,600	24,600	26,000	26,000
Information	14,800	13,900	14,100	13,800	12,500
Finance and Insurance	36,300	35,500	37,000	37,200	37,100
Real Estate and Rental and Leasing	13,100	13,400	13,800	14,500	15,100
Professional and Business Services	114,600	118,200	120,200	128,000	130,500
Educational and Health Services	130,700	134,300	140,100	145,600	152,200
Leisure and Hospitality	88,700	91,800	95,400	99,800	103,400
Other Services	29,000	30,200	30,900	31,700	32,300
Federal Government	13,500	13,600	13,700	14,100	14,200
State Government	109,900	113,400	115,300	116,600	118,600
Local Government	<u>99,200</u>	<u>100,800</u>	<u>102,900</u>	<u>104,000</u>	<u>103,900</u>
Total, All Industries	878,200	898,800	927,200	958,700	977,700

⁽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 following table shows the largest employers located in the County as of fiscal year 2018.

COUNTY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2018

<i>Rank</i>	<i>Name of Company</i>	<i>Number of Employees</i>	<i>Percentage of Total City Employment</i>
1.	Kaiser Permanente	10,517	1.57%
2.	UC Davis Health System	10,467	1.56
3.	Sutter/California Health Services	9,911	1.48
4.	Dignity/Mercy Healthcare	8,039	1.20
5.	Intel Corporation	6,000	0.90
6.	Apple Inc.	5,000	0.75
7.	Raley's Inc./Bel Air	3,147	0.47
8.	Health Net of California Inc.	3,000	0.45
9.	VSP Global	2,927	0.44
10.	Wells Fargo & Co.	1,804	0.27

Source: County of Sacramento Comprehensive Annual Financial Report for the year ending June 30, 2018.

The following table shows the largest employers located in the City as of fiscal year 2018.

CITY OF SACRAMENTO PRINCIPAL EMPLOYERS As of June 30, 2018

<i>Rank</i>	<i>Name of Company</i>	<i>Number of Employees</i>	<i>Percentage of Total City Employment</i>
1.	State of California	75,801	11.28%
2.	UC Davis Health System	12,840	1.91
3.	Sacramento County	12,280	1.82
4.	Kaiser Permanente	11,005	1.64
5.	U.S. Government	10,325	1.54
6.	Sutter Health	8,177	1.22
7.	Dignity Health	7,000	1.04
8.	Elk Grove Unified School District	6,210	0.92
9.	Intel Corporation	6,000	0.89
10.	Apple, Inc.	5,000	0.74
11.	City of Sacramento	4,556	0.68

Source: City of Sacramento Comprehensive Annual Financial Report for the year ending June 30, 2018.

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 2013 through 2017.

**COUNTY OF SACRAMENTO
Personal Income
2013 through 2017**

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2013	\$62,592,345	\$1,885,672,400	\$14,175,503,000
2014	66,707,690	2,021,640,000	14,983,140,000
2015	71,532,171	2,173,299,700	15,711,634,000
2016	73,922,295	2,259,413,900	16,115,630,000
2017	76,832,120	2,364,129,400	16,820,250,000

Note: Dollars in Thousands.

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 2013-2017. 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
2013 Through 2017**

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2013	\$42,887	\$49,173	\$44,826
2014	45,148	52,237	47,025
2015	47,811	55,679	48,940
2016	48,850	57,497	49,831
2017	50,197	59,796	51,640

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

Commercial Activity

A summary of historic taxable sales within the City for 2012-2017 is shown in the following table.

**CITY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
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
2016	9,334	4,446,756	14,068	6,445,465
2017	9,422	4,638,796	14,258	6,751,021

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2012-2017 is shown in the following table.

**COUNTY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
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
2016	24,383	16,016,856	36,915	23,184,499
2017	24,501	16,729,885	37,317	24,405,149

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 2013 through 2017.

CITY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$ 49,592.1	\$ 58,116.6	\$ 106,772.4	\$ 288,236.6	\$ 432,659.8
New Multi-family	2,586.5	21,874.1	108,079.3	181,997.4	158,324.1
Res. Alterations/Additions	<u>111,697.7</u>	<u>89,488.5</u>	<u>92,380.4</u>	<u>99,166.2</u>	<u>113,843.3</u>
Total Residential	\$ 163,876.3	\$ 169,479.2	\$ 307,232.1	\$ 569,400.2	\$ 704,827.2
New Commercial	\$ 35,643.2	\$ 30,460.2	\$ 26,629.2	\$ 125,112.7	\$ 143,368.7
New Industrial	379.9	2,178.5	0.0	150.0	0.0
New Other	13,868.4	29,484.9	39,614.62	34,081.1	76,890.9
Com. Alterations/Additions	<u>137,883.3</u>	<u>153,927.1</u>	<u>222,068.0</u>	<u>238,524.2</u>	<u>120,410.0</u>
Total Nonresidential	\$ 187,774.8	\$ 216,050.7	\$ 288,311.82	\$ 397,868.0	\$ 340,669.6
<u>New Dwelling Units</u>					
Single Family	251	257	435	995	1,723
Multiple Family	<u>31</u>	<u>160</u>	<u>813</u>	<u>601</u>	<u>1,076</u>
TOTAL	282	417	1,248	1,596	2,799

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$ 388,935.7	\$ 361,339.3	\$ 547,340.7	\$ 611,073.6	\$ 744,006.3
New Multi-family	13,637.4	30,113.7	108,510.6	83,282.9	242,222.8
Res. Alterations/Additions	<u>201,418.7</u>	<u>179,206.9</u>	<u>241,507.7</u>	<u>255,821.8</u>	<u>214,028.1</u>
Total Residential	\$ 603,991.8	\$ 570,659.9	\$ 897,359.0	\$ 950,178.3	\$ 1,200,257.2
New Commercial	\$ 94,629.4	\$ 114,813.2	\$ 155,624.2	\$ 482,772.0	\$ 270,736.7
New Industrial	1,360.6	2,178.5	0.0	150.0	3,026.0
New Other	48,822.1	145,465.8	101,500.5	418,862.1	265,276.7
Com. Alterations/Additions	<u>279,323.9</u>	<u>261,776.1</u>	<u>394,304.5</u>	<u>85,354.4</u>	<u>140,367.2</u>
Total Nonresidential	\$ 424,136.0	\$ 524,233.6	\$ 651,429.2	\$ 987,138.5	\$ 679,406.6
<u>New Dwelling Units</u>					
Single Family	1,764	1,547	2,358	2,676	3,174
Multiple Family	<u>145</u>	<u>226</u>	<u>815</u>	<u>609</u>	<u>1,761</u>
TOTAL	1,909	1,773	3,173	3,285	4,935

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. 2), 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. 2), 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. 2), 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. 2) 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. 2), 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” means, with respect to any Series, all costs and expenses payable by or reimbursable to the City that are related to the authorization, sale, execution, authentication and initial delivery of such Series, including, but not limited to, costs of preparation and reproduction of documents, rating agency fees, fees and charges of the Trustee (including fees and expenses of its counsel), legal fees and charges and fees and charges of other consultants and professionals, together with all costs for the preparation of the Bonds of such Series, and any other cost or expense in connection with the authorization, sale, execution, authentication and initial delivery of such Series.

“Costs of Issuance Fund” means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

“Event of Default” means an event described as such in the Master Indenture.

“Expense Fund” means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2), 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. 2” means Improvement Area No. 2 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.

“Master Indenture” means the Master Indenture, dated as of May 1, 2019, between the City and the Trustee entered into under and pursuant to the Act.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of all Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

“Rebate Fund” means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2), 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 2019 Bonds” means the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019.

“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. 2 under and pursuant to the Act at the special election held in Improvement Area No. 2 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. 2 on December 9, 2013.

“Special Tax Fund” means the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

“Tax Certificate” means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Taxable Land” means all land within Improvement Area No. 2 taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

“Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

“Treasurer” means the City Treasurer of the City.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in San Francisco, California which may at any time be substituted in its place as provided in the Master Indenture.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the proceeds of the Special Tax as provided in the Master Indenture on a parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2019 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, which purpose, in the case of any Series other than the Series 2019 Bonds, shall be limited to the refunding of any Bonds then Outstanding, making any required deposits to the Bond Reserve Fund in connection with the issuance of such Series, and paying Costs of Issuance of such Series;

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

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

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

(c) After the issuance and delivery of such Series of Bonds either (i) none of the Bonds theretofore issued under the Master Indenture 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. 2), City of Sacramento, County of Sacramento, State of California Special Tax Bonds Special Tax Fund,” which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the proceeds of the Special Tax received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the “Remaining Facilities Amount” (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the “Administrative Fees and Expenses” (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) Bond Redemption Fund. On or before the first (1st) 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 (1st) 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 (1st) 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. 2), City of Sacramento, County of Sacramento, State of California Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

Covenants of the City

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the

Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Master Indenture as described in 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 the Master Indenture described in 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. 2), 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. 2 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 the provisions of the Master Indenture described in 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. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing in the Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the proceeds of the Special Tax and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant to the Master Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the immediately preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee in the case of a deposit pursuant to the Master Indenture as described in 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 the provisions of the Master Indenture described in 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 May 1, 2019 (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. 2) Special Tax Bonds, Series 2019 (the “**Bonds**”). The Bonds are being issued under Resolution No. 2019-0132 adopted by the Sacramento City Council on April 23, 2019, and a Master Indenture, dated as of May 1, 2019, as supplemented by a First Supplemental Indenture dated as of May 1, 2019 (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.
 - “**Fiscal Year**” means the Issuer’s fiscal year, which begins on July 1 and ends the following June 30.
 - “**Listed Events**” means any of the events listed in section 5(a) below.
 - “**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. 2 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. 2 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) Beginning with the Fiscal Year ending June 30, 2019, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than March 31 after the end of the Fiscal Year, 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 the Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in the prior sentence for providing the Annual Report to EMMA. 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. The Issuer shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in section 3(a) for providing the Annual Report to EMMA. 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, then 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 most recent Fiscal Year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
 - (b) *Financial and Operating Data.* The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:
 - (1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:
 - (A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).
 - (B) The Bond Reserve Fund.
 - (2) The aggregate land assessed valuation and the aggregate improvement assessed valuation of the Taxable Parcels within Improvement Area No. 2.
 - (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 and delinquencies for Improvement Area No. 2 for the prior Fiscal Year.
 - (5) An update of the information in Table 5 of the Official Statement based on the assessed valuation of the Taxable Parcels within Improvement Area No. 2 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 6 of the Official Statement based on the assessed valuation of the Taxable Parcels within Improvement Area No. 2 and the Special Tax levy 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.
 - (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
- (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) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
 - (2) 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.

- (3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
 - (4) Nonpayment related defaults.
 - (5) Modifications to the rights of Bondholders.
 - (6) Bond calls.
 - (7) Release, substitution, or sale of property securing repayment of the Bonds.
 - (8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bondholders.
 - (c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), “financial obligation” means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). “Financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.
 - (d) 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.
 - (e) 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 effect 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 effect of the change in the accounting principles on the presentation of the financial information.
- 9. **Additional Information.** This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.
- 10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.
- 11. **Duties, Immunities, and Liabilities of Dissemination Agent.**
 - (a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.
 - (b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon

schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.

- (c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.
- 12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.
- 13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.
- 14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By: _____
John P. Colville Jr., City Treasurer

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATES OF THE DEVELOPERS

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE (GRANITE BAY)

This Developer Continuing Disclosure Certificate (this “Disclosure Certificate”), dated May 1, 2019, 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”) of the special tax bonds captioned above (the “Bonds”). The Bonds are being issued under a Master Indenture dated as of May 1, 2019, as supplemented by a First Supplemental Indenture dated as of May 1, 2019 (collectively, the “Indenture”), each between the City 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**” means, 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, 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 means 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. 2 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; and (iv) Kit Construction, Inc. dba Carson Homes.

“**Beneficial Owner**” means 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**” means 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 MSRB.

“**Equity Securities**” of the Landowner means (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” means 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. 2” means Improvement Area No. 2 of the District.

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the final Official Statement dated May 16, 2019, relating to the Bonds.

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

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

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

SECTION 3. Provision of Semiannual Reports.

(a) Until 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 June 15 and December 15 of each year, commencing December 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, June 15 or 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 15 calendar days prior to the dates specified in subsection (a) for providing the Semiannual Report to the Repository, the Landowner (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report 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 a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a 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 Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report file a report with the Landowner and the City certifying that the Semiannual Report 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 Semiannual Report.

(a) The Landowner's 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 Semiannual Report 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 with respect to property owned by the Landowner or any Affiliate within Improvement Area No. 2.

3. To the extent not updated by Section 4(a)(1) above, a description of any sale of property within Improvement Area No. 2 by the Landowner to a merchant builder.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Landowner shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

1. Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 2 on property 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 within Improvement Area No. 2 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. 2 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. 2) 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. 2, 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. 2.

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. 2, 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. 2.

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. 2, 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. 2.

(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 and the Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent, the City and the Underwriter.

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 fewer than 49 parcels in Improvement Area No. 2, or otherwise own property that is responsible for less than 20% of the special tax levy in Improvement Area No. 2.

If such termination occurs before 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) 30 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 all of 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, the Underwriter and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds.

(c) The Landowner, or the Dissemination Agent, shall deliver copies of the amendment and any opinions delivered under (b) above to the City, the Underwriter 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 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 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 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 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 Semiannual Report provided to it by the Landowner as constituting the Semiannual Report required of the Landowner in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any 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 or the Underwriter.

SECTION 13. Notices. Notices should be sent in writing by electronic, regular, or overnight mail 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
Email: bleonard@AnthemUnited.com

City: City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814
Attn: City Treasurer
Email: CTO_Debt@cityofsacramento.org
Email: bwong@cityofsacramento.org

Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Municipal Research
Email: jcervantes@stifel.com

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.

LANDOWNER:

Granite Bay-Natomas Meadows, LP,
a Washington limited partnership

By: Granite Bay Development II, LLC,
a Washington limited liability company,
its General Partner

By: _____
Signature

By: _____
Print Name

By: _____
Title

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE (WOODSIDE)

This Developer Continuing Disclosure Certificate (this “Disclosure Certificate”), dated May 1, 2019, is executed and delivered by Woodside 05N, LP, a California limited partnership (the “Landowner”), in connection with the issuance by the City of Sacramento (the “City”) of the special tax bonds captioned above (the “Bonds”). The Bonds are being issued under a Master Indenture dated as of May 1, 2019, as supplemented by a First Supplemental Indenture dated as of May 1, 2019 (collectively, the “Indenture”), each between the City 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**” means, 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, 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 means 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. 2 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) Granite Bay-Natomas Meadows, LP, a Washington limited partnership; and (iv) Kit Construction, Inc. dba Carson Homes.

“**Beneficial Owner**” means 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**” means 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 MSRB.

“**Equity Securities**” of the Landowner means (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**” means 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. 2**” means Improvement Area No. 2 of the District.

“Land Acquisition Transaction” means a transaction in which the Landowner or an Affiliate agrees to acquire, or maintains an option to acquire land within Improvement Area No. 2 in one or more series of take-downs or acquisitions over time pursuant to a purchase agreement, an option or other similar agreement.

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

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the final Official Statement dated May 16, 2019, relating to the Bonds.

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

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

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

SECTION 3. Provision of Semiannual Reports.

(a) Until 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 June 15 and December 15 of each year, commencing December 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, June 15 or 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 15 calendar days prior to the dates specified in subsection (a) for providing the Semiannual Report to the Repository, the Landowner (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report 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 a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a 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 Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Semiannual Report file a report with the Landowner and the City certifying that the Semiannual Report 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 Semiannual Report.

(a) The Landowner's 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 Semiannual Report relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the caption in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT-Woodside."

2. Any significant amendments to land use entitlements with respect to property owned by the Landowner or any Affiliate within Improvement Area No. 2.

3. To the extent not updated by Section 4(a)(1) above, a description of any sale of property within Improvement Area No. 2 by the Landowner to a merchant builder.

4. To the extent not updated by Section 4(a)(1) above, (i) a description of the status of any Land Acquisition Transaction by the Landowner, including without limitation, the planned acquisition of 84 lots within Improvement Area No. 2 from Granite Bay-Natomas Meadows, LP (the "Granite Bay Lots"), and (ii) if any Land Acquisition Transaction is terminated prior to completion, including if the Landowner determines not to acquire the Granite Bay Lots, a statement to that effect.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Landowner shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

1. Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 2 on property 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 within Improvement Area No. 2 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. 2 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. 2) 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. 2, 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. 2.

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. 2, 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. 2.

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. 2, 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. 2.

(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 and the Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent, the City and the Underwriter.

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 fewer than 49 residential lots in Improvement Area No. 2 are, in the aggregate, owned by the Landowner and its Affiliates and/or subject to a Land Acquisition Transaction with the Landowner or any of its Affiliates.

If such termination occurs before 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) 30 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 all of 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, the Underwriter and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds.
- (c) The Landowner, or the Dissemination Agent, shall deliver copies of the amendment and any opinions delivered under (b) above to the City, the Underwriter 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 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 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 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 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 Semiannual Report provided to it by the Landowner as constituting the Semiannual Report required of the Landowner in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. Where the Dissemination Agent is other than the Landowner, the Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repository. 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 or the Underwriter.

SECTION 13. Notices. Notices should be sent in writing by electronic, regular, or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner: Woodside 05N, LP
c/o Woodside Homes
111 Woodmere Road, Suite 190
Folsom, CA 95630
Attn: Brian Cutting,
Vice President-Land Acquisition Northern California
Email: brian@woodsidehomes.com
Phone: (916) 608-9600

With a copy to: Woodside Group, LLC
460 West 50 North, Suite 200
Salt Lake City, UT 84101
Attn: Legal Department
Email: legalnotices@woodsidehomes.com
Phone: (801) 869-3950

City: City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814
Attn: City Treasurer
Email: CTO_Debt@cityofsacramento.org
Email: bwong@cityofsacramento.org

Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Municipal Research
Email: jcervantes@stifel.com

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.

LANDOWNER:

Woodside 05N, LP,
a California limited partnership

By: WDS GP, Inc.,
a California corporation

Its: General Partner

By: _____
Scott Hoisington,
Vice President

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.

