File ID: 2019-00487  April 23, 2019  Consent Item 37

Title: Authorize the Issuance of the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2), Special Tax Bonds, Series 2019

Location: District 1

Recommendation: Adopt a Resolution authorizing: 1) the issuance of the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019; 2) the execution and delivery of a Master Indenture, a First Supplemental Indenture, a Bond Purchase Contract, an Official Statement, and a Continuing Disclosure Certificate; and 3) certain other related actions.

Contact: Brian Wong, Debt Manager (916) 808-5811; Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

Presenter: Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

Attachments:
01-Description/Analysis
02-Resolution
03-Master Indenture
04-First Supplemental Indenture
05-Bond Purchase Contract
06-Preliminary Official Statement
07-Continuing Disclosure Certificate
08-Appraisal completed by BBG, Inc.
09-Appraisal Review completed by Smith and Associates
10-Not-Less-Than Letter prepared by BBG, Inc.
Description/Analysis

Issue Detail: The adoption of the recommended resolution will authorize 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) and the execution and delivery of related financing documents to finance the acquisition of certain public facilities and the payment or reimbursement of certain governmental development fees for public facilities.

On September 4, 2007, the City Council formed the Natomas Meadows Community Facilities District No. 2007-01 (the CFD). On September 28, 2007, the qualified electors within the CFD authorized the issuance of special-tax bonds in the total principal amount of $27.5 million and the levy and collection of a special tax.

On August 21, 2008, the City entered into an Acquisition-and-Shortfall Agreement with Pardee Homes, the master developer of the Natomas Meadows project when the CFD was formed. Pardee Homes subsequently sold its interest in Natomas Meadows to 2008 Granite Bay Lands Fund, L.P., now known as Granite Bay – Natomas Meadows, L.P. (the Developer), which has also assumed Pardee Homes’ rights and obligations under the Acquisition-and-Shortfall Agreement.

On September 10, 2013, the City Council amended the CFD’s original boundary map by dividing the CFD into two improvement areas designated as “Improvement Area No. 1” and “Improvement Area No. 2.” The City Council also called a special election asking the CFD’s qualified electors to—

• approve a separate Rate and Method of Apportionment of Special Taxes (RMA) for each improvement area (the separate RMAs to replace the original CFD-wide RMA); and

• reduce the debt limit for the CFD from $27.5 million to $22 million and allocate the debt reduced limit to the improvement areas, so that Improvement Area No. 1 has a debt limit of $14 million and Improvement Area No. 2 has a debt limit of $8 million (Resolution 2013-0301) (collectively, the Proposed Changes).

On December 9, 2013, the qualified electors in each improvement area approved the Proposed Changes, and, on March 11, 2014, the City Council confirmed the Proposed Changes (Resolution 2014-0060).

The Bonds will be issued as a public offering through a negotiated sale and will be secured under an Indenture by a pledge of special taxes levied on parcels within the CFD and by a lien upon those parcels.
Policy Considerations: The Bonds are being issued in accordance with the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 through 53368.3), the approving vote of the qualified electors within the CFD, and the Indenture for the Bonds. The issuance of these Bonds is also consistent with the City’s Debt Policy.

Economic Impacts: Not applicable.

Environmental Considerations: Approval of the recommendation is not a “project” subject to CEQA because it (a) has no potential to cause a significant effect on the environment and (b) concerns government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs. §§ 15061(b)(3) and 15378(b)(4)). In addition, a portion of the proceeds of the Bonds will pay for work within the Natomas Meadows project, which was subject to CEQA review in 2006. On July 18, 2006, the City Council adopted a resolution approving the Mitigated Negative Declaration and approving the Mitigation Monitoring Plan for the project.

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Approval of the attached resolution authorizes the City Treasurer or his designee to take the actions necessary for the issuance of the Bonds and the execution of the related documents. Issuing the Bonds will allow for the acquisition of authorized facilities, the reimbursement to the Developer for development-related impact fees paid, and the pre-payment of a portion of future development-related impact fees on development with the CFD, thereby assisting the growth and development of the City generally and specifically within the CFD.

Financial Considerations: Although the City will issue the Bonds, the City’s General Fund will have no obligation to pay or ensure the full and timely payment of debt service related to the Bonds. Debt service payments on the Bonds is secured by special taxes on real property within the CFD and is solely the responsibility of the property owners within the CFD.

Interest on the Bonds will be exempt from taxation. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the Bonds will not exceed 120% of the remaining useful life of the project funded by the Bonds.
The Bonds will be issued at an amount not to exceed $8 million to finance the acquisition of authorized facilities and to pay the development-impact fees (or to reimburse the Developer for development-impact fees paid) associated with the project. The true interest cost for the Bonds may not exceed 6% and is anticipated to be less than 4.38% (based on current market rates plus 0.25% interest-rate buffer), and the underwriter’s compensation may not exceed 2% of the principal amount of the Bonds. Additionally, the value-to-lien ratio for the CFD (inclusive of the Bonds) is 4.33:1, exceeding the minimum 3:1 ratio required by the California Debt and Investment Advisory Commission for the issuance of land-secured bonds. See the attached appraisal documents from the appraiser (BBG, Inc.) and the appraisal reviewer (Smith and Associates), including the “not less than” letter provided on April 17, 2019.

**Local Business Enterprise (LBE):** Not applicable.
RESOLUTION NO. 2019-______

Adopted by the Sacramento City Council

April 23, 2019

AUTHORIZING (1) THE ISSUANCE OF THE CITY OF SACRAMENTO NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01 (IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019; (2) THE EXECUTION AND DELIVERY OF A MASTER INDENTURE, A FIRST SUPPLEMENTAL INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE BONDS; AND (3) CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS

BACKGROUND:

A. Through a special, mailed-ballot election held on September 28, 2007, in the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “CFD”), the qualified electors in the CFD duly authorized the issuance of $27,500,000 principal amount of special-tax bonds under the Mello-Roos Community Facilities Act of 1982 as amended (Government Code sections 53311 through 53368.3; the “Act”) for the purposes of financing the acquisition and construction of certain public facilities and financing certain governmental development fees for public facilities (collectively, the “Facilities and Fees”).

B. At the election, the qualified electors in the CFD also authorized the levy and collection of a special tax under the Act to be used to pay the interest on, principal of, and redemption premiums (if any) on, the bonds.

C. On July 30, 2013, the Sacramento City Council (the “City Council”) adopted Resolution No. 2013-0256, thereby declaring its intention, subject to approval by the CFD’s qualified electors, to (1) amend the CFD’s original boundary map by dividing the CFD into two improvement areas designated as “Improvement Area No. 1” and “Improvement Area No. 2”; (2) amend the original rate and method of apportionment of special taxes so that each improvement area has its own rate and method of apportionment; (3) change the debt limit for the CFD by reducing it from $27,500,000 to $22,000,000 and by allocating it so that Improvement Area No. 1 has a debt limit of $14,000,000 and Improvement Area No. 2 has a debt limit of $8,000,000; and (4) change the appropriations limit for the CFD by reallocating it so that Improvement Area No. 1 has an appropriations limit of $1,300,000 for fiscal year 2013-2014 and Improvement Area No. 2 has an appropriations limit of $700,000 for fiscal year 2013-2014 (collectively, the “Proposed Changes”).
D. Through a special, mailed-ballot election held on December 9, 2013, in Improvement Area No. 1 and Improvement Area No. 2, the qualified electors in each improvement area within the CFD duly authorized the Proposed Changes.

E. The City Council has determined to authorize 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 “Series 2019 Bonds”) under the Act to finance certain of the Facilities and Fees.

F. The City of Sacramento (the “City”) desires to sell the Series 2019 Bonds to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), and the City Council has determined that a private (i.e., negotiated) sale of the Series 2019 Bonds to the Underwriter under the Act will result in a lower overall cost to the City.

G. In furtherance of the City’s issuance of the Series 2019 Bonds, forms of the following documents have been filed with the Sacramento City Clerk (the “Clerk”) for the City Council’s consideration and approval:

- A Master Indenture between the City and U.S. Bank National Association, as trustee (the “Trustee”), providing for the issuance of special-tax bonds for Improvement Area No. 2 of the CFD in series and specifying the general terms of, and the security for, the bonds (the “Master Indenture”).

- A First Supplemental Indenture between the City and the Trustee, which supplements the Master Indenture and specifies the terms on which the Series 2019 Bonds are to be issued and secured (the “First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”).

- A Bond Purchase Contract, under the terms of which, among other things, the City agrees to sell the Series 2019 Bonds to the Underwriter and the Underwriter agrees to purchase the Series 2019 Bonds (the “Bond Purchase Contract”).


- A Continuing Disclosure Certificate obligating the City to provide certain ongoing disclosure with respect to the Series 2019 Bonds (the “Continuing Disclosure Certificate”).

H. All acts, conditions, and things required by California law to exist, to have happened, and to have been performed before and in connection with the consummation of the financing authorized by this resolution do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized and empowered, under each requirement of law, to authorize the execution and delivery of certain
documents in order to further implement the financing in the manner and upon the terms provided in this resolution.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The statements in paragraphs A through H of the Background are true.

Section 2. The City Council hereby authorizes and approves the issuance of the Series 2019 Bonds in accordance with the Indenture in an aggregate principal amount not to exceed $8,000,000.

Section 3. The City Council hereby determines that the value of the real property within Improvement Area No. 2 of the CFD that will be subject to the levy of a special tax under the Act to pay debt service on the Series 2019 Bonds (based upon a combination of the full cash value of certain real property in Improvement Area No. 2 of the CFD as shown on the ad valorem assessment roll and an appraisal of certain real property in Improvement Area No. 2 of the CFD made in a manner consistent with the Act and the City's policies concerning the use of the Act) is at least three times the sum of the following: the principal amount of the Series 2019 Bonds, plus the principal amount of all other bonds outstanding that are secured by a special tax levied under the Act on property within Improvement Area No. 2 of the CFD, plus the principal amount of all other bonds outstanding that are secured by special assessments levied on property within Improvement Area No. 2 of the CFD. Accordingly, the limitations of section 53345.8(a) of the Act have been duly satisfied.

Section 4. The City Council hereby approves the Master Indenture and authorizes and directs the Sacramento City Treasurer or his designee (the “Treasurer”) to execute and deliver it to the Trustee on the City’s behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the Sacramento City Attorney or her designee (the “City Attorney”), and with approval to be conclusively evidenced by the execution and delivery of the Master Indenture.

Section 5. The City Council hereby approves the First Supplemental Indenture and its terms and conditions. The date, maturity date or dates, fixed interest rates, interest-payment dates, forms, registration privileges, place or places of payment, terms of redemption and number of Series 2019 Bonds, and other terms of the Series 2019 Bonds are to be as provided in the First Supplemental Indenture as finally executed and delivered.

(a) The Treasurer is hereby authorized and directed to execute and deliver to the Trustee, on the City’s behalf, the First Supplemental Indenture in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the First Supplemental Indenture.
(b) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Trustee, on the City’s behalf, written instructions providing for the delivery of the Series 2019 Bonds to the Underwriter in accordance with the Bond Purchase Contract upon payment by the Underwriter of the purchase price of the Series 2019 Bonds (the “Instructions”).

(c) The Series 2019 Bonds are to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the Clerk, and each of the Series 2019 Bonds must be in the form set forth in, and otherwise be in accordance with, the Indenture. When the Series 2019 Bonds are so executed, the Treasurer shall deliver them to the Trustee for authentication. The Trustee is then to deliver the Series 2019 Bonds to the Underwriter in accordance with the Instructions.

Section 6. The City Council hereby approves the Bond Purchase Contract and authorizes the Treasurer to execute and deliver it to the Underwriter on the City’s behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract, all subject to the following: the true interest cost for the Series 2019 Bonds may not exceed 6.0%, and the Underwriter’s compensation may not exceed 2.0% of the principal amount of the Series 2019 Bonds.

Section 7. The City Council hereby approves the Preliminary Official Statement and authorizes the Underwriter to distribute it.

(a) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Underwriter on the City’s behalf a certificate deeming the Preliminary Official Statement, in substantially the form on file with the Clerk and with any changes the Treasurer approves in the interest of the City with the concurrence of the City Attorney, to be final within the meaning of Securities Exchange Commission Rule 15c2-12.

(b) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Underwriter, on the City’s behalf, a final form of the Official Statement describing the Series 2019 Bonds (the “Final Official Statement”) in substantially the form of the Preliminary Official Statement, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Final Official Statement.

(c) The City Council hereby authorizes the Underwriter to distribute the Final Official Statement.

Section 8. The City Council hereby approves the Continuing Disclosure Certificate and authorizes and directs the Treasurer to execute and deliver it to the Underwriter on the City’s behalf in substantially the form on file with the Clerk, with any changes the
Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.

Section 9. The officers of the City, each acting alone, are hereby authorized and directed to do any and all things (including but not limited to the creation of funds required for the proper accounting and management of tax and bond proceeds) and to execute and deliver any and all documents and agreements they consider necessary or advisable to carry out, give effect to, and comply with, the terms and intent of this resolution, the Indenture, the Bond Purchase Contract, the Preliminary Official Statement, the Final Official Statement, the Continuing Disclosure Certificate, and the Series 2019 Bonds. All actions previously taken by those officers with respect to the Series 2019 Bonds are hereby ratified, confirmed, and approved.

Section 10. This resolution takes effect when adopted.
MASTER INDENTURE

between the

CITY OF SACRAMENTO

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to the

CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS

Dated as of May 1, 2019
MASTER INDENTURE

This Master Indenture (the “Master Indenture”), dated as of May 1, 2019, between the City of Sacramento, a California municipal corporation (the “City”), and 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 herein set forth, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, at an election held in the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “Community Facilities District”) on September 28, 2007, the qualified electors therein duly authorized the issuance of twenty-seven million five hundred thousand dollars ($27,500,000) principal amount of special tax bonds under the Mello-Roos Community Facilities Act of 1982, as amended (being Section 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (collectively, the “Act”), for the purpose of financing the acquisition and construction of certain public facilities and financing certain governmental development fees; and

WHEREAS, at such election the qualified electors in the Community Facilities District additionally authorized the levy and collection of a special tax under the Act to be used for the purpose of paying the interest on and principal of and redemption premiums, if any, on such bonds; and

WHEREAS, on July 30, 2013, the City Council of the City (the “City Council”) adopted Resolution No. 2013-0256, thereby declaring its intention, subject to approval by the Community Facilities District’s qualified electors, to (i) amend the Community Facilities District’s original boundary map by dividing the Community Facilities District into two improvement areas designated as “Improvement Area No. 1” and “Improvement Area No. 2”; (ii) amend the original rate and method of apportionment of special taxes so that each improvement area has its own rate and method of apportionment; (iii) change the debt limit for the Community Facilities District by reducing it from twenty-seven million five hundred thousand dollars ($27,500,000) to twenty-two million dollars ($22,000,000) and by allocating it so that Improvement Area No. 1 has a debt limit of fourteen million dollars ($14,000,000) and Improvement Area No. 2 has a debt limit of eight million dollars ($8,000,000); and (iv) change the appropriations limit for the Community Facilities District by reallocating it so that Improvement Area No. 1 has an appropriations limit of one million three hundred thousand dollars ($1,300,000) for fiscal year 2013-2014 and Improvement Area No. 2 has an appropriations limit of seven hundred thousand dollars ($700,000) for fiscal year 2013-2014 (collectively, the “Proposed Changes”); and

WHEREAS, through a special, mailed-ballot election held on December 9, 2013, in Improvement Area No. 1 and Improvement Area No. 2, the qualified electors in each improvement area within the Community Facilities District duly authorized the Proposed Changes; and
WHEREAS, the City Council has determined to authorize the issuance of City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds (the “Bonds”) in series pursuant hereto and pursuant to one or more Supplemental Indentures and to secure the Bonds in the manner provided herein; and

WHEREAS, the City has determined that all things necessary to cause the Bonds, when duly executed by the City and authenticated by the Trustee and delivered as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute the Master Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THE MASTER INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, all terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant’s Report

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Acquisition and Construction Fund

“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 Section 2.04 (to be maintained by the Treasurer).
Act

“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

“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 Section 5.02 (to be maintained by the Trustee).

Bond Reserve Fund

“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 Section 5.02 (to be maintained by the Trustee).

Bond Year

“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 hereunder.

Bonds, Serial Bonds, Term Bonds

“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 hereunder that are executed, authenticated and delivered in accordance with the provisions hereof. “Serial Bonds” means Bonds for which no Sinking Fund Account Payments are established. “Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

Business Day

“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

“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

“City” means the City of Sacramento, a California municipal corporation.

City Council

“City Council” means the City Council of the City.

City Clerk

“City Clerk” means the City Clerk of the City.

City Manager

“City Manager” means the City Manager of the City.

Code

“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

“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

“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 Section 5.02 (to be maintained by the Treasurer).

Costs of Issuance

“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

“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 Section 2.05 (to be maintained by the Trustee).

Debt Service

“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

“Event of Default” means an event described as such in Section 9.01.

Expense Fund

“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 Section 5.02 (to be maintained by the Treasurer).

Expenses

“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

“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

“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

“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

“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

“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

“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

“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 Section 3.03.

Improvement Area No. 2

“Improvement Area No. 2” means Improvement Area No. 2 of the Community Facilities District.

Indenture

“Indenture” means the Master Indenture and all Supplemental Indentures.

Independent Certified Public Accountant

“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

“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.

Legal Investments

“Legal Investments” means any securities in which funds of the City may be legally invested in accordance with the applicable law in effect at the time of such investment.
and in accordance with the then current investment policy of the City (as established by the City Council).

**Master Indenture**

“Master Indenture” means this 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**

“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.

**Mayor**

“Mayor” means the Mayor of the City.

**Moody’s**

“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.

**Opinion of Counsel**

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, counsel for the City) retained by the City.

**Outstanding**

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.02) 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 Section 10.01; 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 Section 3.04.
Principal Corporate Trust Office

“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

“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 Section 6.03 (to be maintained by the Treasurer).

Required Bond Reserve

“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 hereunder 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

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.
Series

“Series” means any series of the Bonds authorized, executed and authenticated pursuant hereto and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to Section 2.02, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to Section 3.04.

Series 2019 Bonds


Sinking Fund Account

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to Section 5.02.

Sinking Fund Account Payments

“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

“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

“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

“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 Section 5.01 (to be maintained by the Treasurer).

Supplemental Indenture

“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
hereto; but only to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate

“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

“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.

Treasurer

“Treasurer” means the City Treasurer of the City.

Trustee

“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 herein set forth, 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 Section 7.01.

Written Request of the City

“Written Request 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.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Master Indenture shall be deemed to be and shall constitute a contract between the City and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.
ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds.

(a) The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and the City is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the Bonds in one or more Series as from time to time shall be authorized and established by the City pursuant to the Act and pursuant hereto and pursuant to one or more Supplemental Indentures, which Series shall be entitled to the benefit, protection and security hereof. The Bonds shall be designated the “City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds,” together with such further appropriate particular designation added to or incorporated in the title of the Bonds of each Series as the City may determine or as shall be required by the Act, and each Bond shall bear upon its face the designation so determined for the Series to which it belongs. Additionally, the Bonds may contain or have endorsed thereon such other descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City prior to the delivery thereof.

(b) The purpose for which the Bonds are to be issued is to provide funds to finance the acquisition and construction of the Facilities, finance the Fees, refund any Outstanding Bonds, make deposits to the Bond Reserve Fund or otherwise provide for the satisfaction of the Required Bond Reserve, pay the Costs of Issuance, fund interest on the Bonds, pay Expenses, and pay other incidental expenses relating to any of the foregoing, as further provided herein or in any Supplemental Indenture.

(c) From and after the issuance of any Series, the findings and determinations of the City Council respecting such Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of any Bonds of such Series is at issue, and no bona fide purchaser of any Bonds of such Series shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such Series. The validity of the issuance of any Series shall not be dependent on or affected in any way by any proceedings taken by the City for the acquisition and construction of any Facilities or the financing of any Fees, or any contracts made by the City in connection therewith, or the failure to complete the acquisition and construction of any Facilities or the financing of any Fees. The recital contained in the Bonds that the Bonds are issued pursuant to the Act and pursuant hereto and pursuant to one or more Supplemental Indentures shall be conclusive evidence of their validity and of the regularity of their initial issuance, and all Bonds shall be incontestable from and after their initial issuance, which shall be the date the definitive
Bonds (or any temporary Bond exchangeable therefor) shall have been delivered to the purchaser thereof and the purchase price thereof shall have been received.

SECTION 2.02. **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 herein on a parity with all other Series theretofore issued hereunder, but only subject to the following conditions, which are hereby 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 hereto and shall have been provided for by a Supplemental Indenture which shall specify the following:

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

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

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

SECTION 2.03. Procedure for the Issuance of Bonds. At any time after the sale of any Series in accordance with the Act, such Series shall be executed by the City and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following documents or money:

(a) An executed copy of the Supplemental Indenture authorizing the issuance of such Series;

(b) A Written Request of the City as to the delivery of such Series;

(c) An Opinion of Counsel to the effect that (i) the Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City; and (ii) the Bonds of such Series constitute the valid and binding special tax obligations of the City;

(d) A Certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of Section 2.02;

(e) The proceeds of sale of such Series; and

(f) Such further documents or money as are required by the provisions of the Supplemental Indenture authorizing the issuance of such Series.

SECTION 2.04. Acquisition and Construction Fund. There is hereby 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 Acquisition and Construction Fund,” into which fund shall be deposited (in a separate account to be maintained therein) the amount required to be deposited therein by the provisions of each Supplemental Indenture providing for the issuance of a Series. All money in the Acquisition and Construction Fund shall be applied by the Treasurer in the manner provided by the Act for payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction; for the payment or reimbursement of Fees; or for the repayment of funds advanced
to or for the Community Facilities District; provided, that any money remaining in the separate account in the Acquisition and Construction Fund created in connection with the issuance of such Series (after the completion of the payment of the costs of the acquisition and construction of the Facilities and the payment or reimbursement of Fees for which such Series was issued) shall be withdrawn by the Treasurer from the Acquisition and Construction Fund and deposited by the Treasurer in the Special Tax Fund.

SECTION 2.05. Costs of Issuance Fund. There is hereby established with the Trustee 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 Costs of Issuance Fund,” into which fund shall be deposited (in a separate account to be maintained therein) the amount required to be deposited therein by the provision of each Supplemental Indenture providing for the issuance of a Series. All money in the Costs of Issuance Fund shall be applied by the Trustee as directed in writing by the City in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the separate account in the Costs of Issuance Fund created in connection with the issuance of such Series (after the completion of the payment of the Costs of Issuance relating to such Series as specified in writing by the City to the Trustee) shall be withdrawn by the Trustee from the Costs of Issuance Fund and deposited in the Bond Redemption Fund and the separate account in the Costs of Issuance Fund created in connection with the issuance of such Series will be closed.

ARTICLE III

TERMS AND PROVISIONS OF BONDS

SECTION 3.01. Terms of Bonds.

(a) The interest on and principal of and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee.

(b) The Bonds of each Series shall be issued as fully registered Bonds in such denominations as may be authorized in the Supplemental Indenture authorizing the issuance of such Series (but not to exceed the principal amount of Bonds of such Series maturing on any one date) and shall be dated as provided in the Supplemental Indenture authorizing the issuance of such Series and shall be numbered as determined by the City.

(c) Each Bond shall bear interest from the interest payment date next preceding the date of authentication thereof, unless it is authenticated on a day during the period from the sixteenth (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 fifteenth (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 Section 3.03 as the registered owner thereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check 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 one million dollars ($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 fifteen (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 Section 3.03 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.

(d) The Bonds shall recite in substance that they are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and the other funds provided herein for such payment, and that the City is not obligated to pay the Bonds except from the proceeds of the Special Tax and such other funds; that the General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and that no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds; that the Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property of the City or any of its income or receipts except the money in the Special Tax Fund and such other funds; and that neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City.

SECTION 3.02. Execution of Bonds. The Bonds shall be signed on behalf of the City by the manual or a facsimile signature of the Mayor and countersigned by the manual or a facsimile signature of the City Clerk. In case any officer of the City who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the City as though the officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the City by any officer of the City who on the actual date of the execution of such Bond shall be the proper officer of the City, although on the nominal date of such Bond such person shall not have been such officer of the City. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed and delivered hereunder and are entitled to the benefits hereof.
SECTION 3.03. Transfer and Exchange of Bonds. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the City or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same Series and maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (i) to transfer or exchange any Bonds of any Series during the fifteen-day period prior to the selection of any Bonds of such Series for redemption under Article IV, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article IV.

The City and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on such Bond shall be made only to the registered owner thereof at the close of business as the fifteenth (15th) day of the month next preceding each interest payment date and payment of the principal of and redemption premium, if any, on such Bond shall be made only to the registered owner thereof, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

SECTION 3.04. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Trustee to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the City and the Trustee in the premises, the City shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same Series and maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.
Any replacement Bonds issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the City and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same.

SECTION 3.05. Temporary Bonds. Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, shall be issued in fully registered form, shall contain such reference to any of the provisions hereof as may be appropriate and shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series and maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 3.06. Use of Depository for Bonds.

(a) Unless otherwise provided in the Supplemental Indenture delivered in connection with the issuance of a Series of Bonds, The Depository Trust Company, New York, New York is appointed as depository for the Bonds, and the Bonds of each Series shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, and shall be initially issued as one Bond for each of the maturities bearing interest at a particular rate of interest per annum in the principal amounts set forth in the Supplemental Indenture providing for their issuance, and registered ownership of the Bonds of such Series, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a “substitute depository”); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository designated by the City, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the City to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or
(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the City to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of all the Bonds of any Series by the Trustee, together with a Written Request of the City to the Trustee, a new Bond for each maturity of such Series bearing a particular rate of interest per annum shall be executed by the City and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds of such Series, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of all the Bonds of any Series by the Trustee, together with a Written Request of the City to the Trustee, a new Bond or Bonds for each maturity of such Series bearing a particular rate of interest per annum shall be executed by the City and authenticated and delivered by the Trustee in such denominations and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 3.03, and thereafter, the Bonds of such Series shall be transferred pursuant to Section 3.03; provided, that the Trustee shall not be required to deliver such new Bonds on a date prior to sixty (60) days after receipt of such Written Request of the City.

(c) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall be entitled to treat the person in whose name any Bond of any Series is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Trustee; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds of such Series, and neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or substitute depository or its successor), except to The Depository Trust Company or its successor (or substitute depository or its successor) as a Holder of the Bonds of such Series.

(d) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and principal of and redemption premiums, if any, on such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Privilege of Redemption of Bonds. Any Series subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable, upon notice being given as provided in this article, at such times, upon payment of such redemption
premiums, if any, and upon such terms (in addition to and consistent with the terms contained in this article) as may be prescribed in the Supplemental Indenture authorizing the issuance of such Series.

SECTION 4.02. **Selection of Bonds for Redemption.** If less than all the Bonds of any Series are to be redeemed at the option of the City at any one time, the City shall select the maturity date or dates of the Bonds of such Series to be redeemed, and if less than all the Bonds of any Series of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds of such Series or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars ($5,000) in any manner that it deems appropriate. The City shall notify the Trustee in writing at least fifteen (15) days prior to the date fixed for the selection of any Bonds for redemption, and after such selection the Trustee shall promptly notify the City in writing of the numbers of the Bonds selected for redemption in whole or in part.

SECTION 4.03. **Notice of Redemption.** The Trustee shall mail a notice of redemption pursuant to Section 11.09 to the respective Holders of all Bonds selected for redemption in whole or in part and to all securities information services selected by the City and designated to the Trustee in writing to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City in its sole discretion and to the original underwriter or first purchaser of the Bonds selected for redemption. Such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place 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, and shall give notice that further interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date, and shall require that such Bonds be surrendered at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of optional redemption or extraordinary redemption from prepayments of the Special Tax, unless, upon the giving of notice, the Bonds to be redeemed have been deemed to have been paid within the meaning of Article X of this Master Indenture, the notice must state that the redemption will be conditional upon the receipt by the Trustee on or before the date fixed for redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Bonds to be redeemed, and that if those amounts have not been so received the notice will be of no force and effect and the City will not be required to redeem the Bonds. If 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 shall within a reasonable time thereafter give notice to the effect that the amounts were not so received and the redemption was not made, the notice to be given by the Trustee in the same manner, and to the same parties,
as the notice of redemption was given. The failure to redeem Bonds subject to a conditional redemption notice will not constitute an Event of Default.

Any notice of optional redemption or extraordinary redemption from prepayments of the Special Tax may be rescinded by written notice given to the Trustee by the City no later than five Business Days before the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as the notice of redemption was given.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner thereof at the expense of the City a new Bond or Bonds of the same Series and maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption of Bonds. If notice of redemption has been duly given as aforesaid and money for the payment of the principal of and redemption premiums, if any, on, together with 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 designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall 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.

ARTICLE V

PAYMENT OF BONDS

SECTION 5.01. 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 hereunder, 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 hereby established in the treasury of the City and which fund the City hereby agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding hereunder, 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 hereinafter set forth in this article. Subject only to the provisions of this Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby 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 this 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. This pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.
Notwithstanding anything to the contrary in this 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.

SECTION 5.02. 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 hereunder) 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 hereinafter authorized in this section, namely:

1. 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 (maintained by the Trustee). 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 herein provided.

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) 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 (maintained by the Trustee). 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 hereunder, 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
first paragraph of this Section 5.02(2) 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) 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 (maintained by the Treasurer). 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 herein provided, or to reimburse the City for the payment of
unbudgeted Expenses as herein provided, 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 Sections 5.02(1), (2) and (3), 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 hereby agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding hereunder, 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 hereunder.

ARTICLE VI

COVENANTS OF THE CITY

SECTION 6.01. 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 hereunder in strict conformity with the terms of the Act and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

SECTION 6.02. Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided herein, 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 herein; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein (as provided in Section 5.02) 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 herein.

SECTION 6.03. Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section
149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer hereunder 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 hereby 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 herein and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in this Section 6.03 to such Series of Bonds.

SECTION 6.04. 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.

SECTION 6.05. Accounting Records and Other Reports.

(a) The City will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during normal business hours with reasonable prior notice be subject to the inspection of any Holder (or his representative authorized in writing).

(b) The City will prepare annually not later than October 30 of each year (commencing in the year 2019) and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, or any other method approved by the California Debt and Investment Advisory Commission all information required to be filed pursuant to Section
53359.5(b) of the Act. Additionally, the City will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, or any other method approved by the California Debt and Investment Advisory Commission, within ten (10) days if the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date or if funds are withdrawn from the Bond Reserve Fund to pay any interest on or principal of the Bonds.

SECTION 6.06. **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.

SECTION 6.07. **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 herein, 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 hereof. 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 Section 6.08 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.

SECTION 6.08. **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."
SECTION 6.09. **Continuing Disclosure.** The City will comply with and carry out all of the provisions of each continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with any continuing disclosure certificate or continuing disclosure agreement shall not be considered an Event of Default hereunder; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 6.10. **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 hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, 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 herein to the fullest extent possible under applicable law of the State of California.

**ARTICLE VII**

**THE TRUSTEE**

SECTION 7.01. **The Trustee.** U.S. Bank National Association, at its Principal Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all money which the City is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The City agrees that it will at all times maintain a Trustee having a Principal Corporate Trust Office in San Francisco or Los Angeles, California.

The City may remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in San Francisco or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars ($100,000,000) and subject to supervision or examination by a federal or state banking authority, and if such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City and by giving notice of such resignation by mail pursuant to Section 11.09 to the Holders, and upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the City and shall...
have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

Notwithstanding anything to the contrary contained herein, any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

The Trustee is hereby authorized to pay interest on the Bonds due on or before the maturity or prior redemption thereof to the Holders as their names appear at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date on the registration books required to be kept by it pursuant to Section 3.03 as the registered owners thereof, such interest to be paid by check mailed by first class mail to the Holders at their addresses appearing on such books (except that in the case of a Holder of one million dollars ($1,000,000) or more in principal amount of Outstanding Bonds, payment shall be made at such Holder’s option by wire transfer of immediately available funds 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 according to written instructions provided by such Holder to the Trustee at least fifteen (15) days before such interest payment date) and to pay to the Holders the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Trustee at maturity or on redemption prior to maturity. The Trustee shall cancel and destroy all Bonds paid by it at maturity or on redemption prior to maturity and all Bonds surrendered to it by the City, and shall (if requested by the City) deliver to the City a certificate of such destruction, and the Trustee shall keep accurate records of all Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Trustee for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, whether at maturity or upon prior redemption, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders or the City any interest on, or be liable to the City, the Holders or any other person for any interest earned on, any money so held.

The City shall from time to time, subject to any agreement between the City and the Trustee then in force, pay the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Trustee harmless against loss, expenses, costs, claims and liabilities (including without limitation those of its attorneys and agents) not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder, which obligation shall survive the resignation or removal of any Trustee or the defeasance of the Bonds.

SECTION 7.02. **Liability of the Trustee.** The recitals of facts, agreements and covenants contained herein and in the Bonds shall be taken as statements, agreements and covenants of the City, and the Trustee does not assume any responsibility for the correctness of
the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its duties hereunder, or in the exercise of any of its rights or powers hereunder.

The Trustee shall perform only those duties expressly set forth herein, and no implied duties or obligations shall be read herein against the Trustee. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

SECTION 7.03. Notice to the Trustee  The Trustee shall be protected in acting upon any Bond, certificate, consent, notice, opinion, report, request, resolution or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith. The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until an officer at its Principal Corporate Trust Office responsible for the administration of its obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Principal Corporate Trust Office.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the City or an Accountant’s Report, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.
ARTICLE VIII

AMENDMENT OF OR SUPPLEMENT TO THE MASTER INDENTURE

SECTION 8.01. 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 Section 8.02, 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 herein 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 herein, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of this Section 8.01(a) 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 herein 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 herein to or conferred herein 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 herein or in regard to questions arising hereunder which the City may deem desirable or necessary and not inconsistent herewith 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 hereunder 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 Article II;

(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 Article II;

(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 hereof 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.

SECTION 8.02. Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article IX, and shall not be entitled to consent to or take any other action provided for in this article or in Article IX.

SECTION 8.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, 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.

SECTION 8.04. Amendment or Supplement by Mutual Consent. The provisions of this article 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.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

SECTION 9.01. 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 herein 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 this Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained herein;

(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.

SECTION 9.02. 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 this 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 this 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 this 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.

SECTION 9.03. Trustee to Represent Holders. The Trustee is hereby 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, this 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 herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this 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 this Indenture, pending such proceedings. All rights of action under this 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 this Indenture.

SECTION 9.04. **Holders’ Direction of Proceedings.** Anything in this 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 hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this 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.

SECTION 9.05. **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 this Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted 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 hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder 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 this Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture.
SECTION 9.06. **Absolute Obligation of the City.** Nothing in Section 9.05 or in any other provision of this 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 herein provided, but only out of the proceeds of the Special Tax and other assets herein pledged 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.

SECTION 9.07. **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 hereunder, 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.

SECTION 9.08. **Remedies Not Exclusive.** No remedy herein conferred 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 hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 9.09. **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 this 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.

**ARTICLE X**

**DEFEASANCE**

SECTION 10.01. **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 herein, then all agreements, covenants and other obligations of the City to the Holders of such Bonds hereunder 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 hereto 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 subsection (a) of this section 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 subsection (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 Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant’s Report on file with the City and the Trustee in the case of a deposit pursuant to clause (y) of this subsection, 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 Section 11.09 a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

SECTION 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust for deposit in the Community Facilities Fund and for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the City for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the City shall mail pursuant to Section 11.09 a notice to the Holders of all Outstanding Bonds that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the
mailing of such notice, the balance of such money then unclaimed will be returned to the City for deposit in the Community Facilities Fund.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained herein, 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 herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, and the City is not obligated to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, and the City is not obligated to pay the interest on or principal of or redemption premiums, if any, on the Bonds.

SECTION 11.02. Benefits of the Master Indenture Limited to Certain Parties. Nothing contained herein, express or implied, is intended to give to any entity or person other than the City Council, the City, the Treasurer, the Trustee and the Holders any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

SECTION 11.03. Successor is Deemed Included in All References to Predecessor. Whenever either the City Council or the City or any officer or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Community Facilities District and the Facilities that are presently vested in the City Council or the City or such officer or employee, and all agreements and covenants required herein to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.
SECTION 11.04. Execution of Documents by Holders. Any declaration, request, consent or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request, consent or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 3.03.

Any declaration, request, consent or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the City in good faith and in accordance therewith.

SECTION 11.05. Deposit and Investment of Money in Accounts and Funds. All money held by the Treasurer in any fund established herein shall be deposited by the Treasurer in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee or its affiliates, or in any state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that all money in the Acquisition and Construction Fund, the Special Tax Fund and the Expense Fund may be invested by the Treasurer in Legal Investments. All money held by the Trustee in the Bond Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in the Bond Reserve Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five (5) years from the date of purchase by the Trustee, or the final maturity date of any Outstanding Bonds, whichever is earlier, and the Trustee may conclusively rely that any investment specified in such Written Request of the City is a Legal Investment or a Federal Security hereunder, as the case may be; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall, to the extent practicable, invest such money in units of a taxable government money-market portfolio composed of or secured by Federal Securities. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the City
periodic cash transaction statements which shall include details for all investment transactions made by the Trustee hereunder.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall (subject to the requirements of Section 6.03) be deposited in the Bond Redemption Fund. All losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

SECTION 11.06. **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 herein contained shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided hereby or by the Act or by any other applicable provisions of law.

SECTION 11.07. **Acquisition of Bonds by City.** All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction by it.

SECTION 11.08. **Content of Certificates and Reports.** Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the City may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his representation may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 11.09. **Notice by Mail.** Any notice required to be given by mail to any Holders or to any securities information services or to the original underwriter or first purchaser of the Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the
Trustee pursuant to the provisions of Section 3.03 or to such securities information services or to such underwriter or first purchaser not less than thirty (30) days nor more than ninety (90) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 11.10. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 11.11. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and “hereunder” and other words of similar import refer to the Master Indenture as a whole and not to any particular article, section or subdivision hereof.

SECTION 11.12. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof required hereby to be observed or performed by the City or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The City hereby declares that it would have executed the Master Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.13. Execution in Counterparts. The Master Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 11.14. Governing Law. The Master Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.
SECTION 11.15. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814
Attention: Debt Management Team

If to the Trustee:

U.S. Bank National Association
1 California Street, Suite 1000
San Francisco, CA 94111
Attention: David A. Jason, Vice President, San Francisco Office

SECTION 11.16. Effective Date of the Master Indenture. The Master Indenture shall take effect from and after its execution and delivery.
IN WITNESS WHEREOF, the City of Sacramento has caused the Master Indenture to be signed in its name by the City Treasurer, and U.S. Bank National Association, as Trustee, in token of its acceptance of the trusts created hereunder, has caused the Master Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF SACRAMENTO

By_______________________________________  
John P. Colville Jr., City Treasurer

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By_______________________________________  
Authorized Officer
<table>
<thead>
<tr>
<th>ARTICLE I</th>
<th>DEFINITIONS; EQUAL SECURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 1.01. Definitions</td>
<td>2</td>
</tr>
<tr>
<td>SECTION 1.02. Equal Security</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE II</th>
<th>ISSUANCE OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 2.01. Authorization and Purpose of Bonds</td>
<td>12</td>
</tr>
<tr>
<td>SECTION 2.02. Conditions for the Issuance of Bonds</td>
<td>13</td>
</tr>
<tr>
<td>SECTION 2.03. Procedure for the Issuance of Bonds</td>
<td>14</td>
</tr>
<tr>
<td>SECTION 2.04. Acquisition and Construction Fund</td>
<td>14</td>
</tr>
<tr>
<td>SECTION 2.05. Costs of Issuance Fund</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE III</th>
<th>TERMS AND PROVISIONS OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 3.01. Terms of Bonds</td>
<td>15</td>
</tr>
<tr>
<td>SECTION 3.02. Execution of Bonds</td>
<td>16</td>
</tr>
<tr>
<td>SECTION 3.03. Transfer and Exchange of Bonds</td>
<td>17</td>
</tr>
<tr>
<td>SECTION 3.04. Mutilated, Destroyed, Stolen or Lost Bonds</td>
<td>17</td>
</tr>
<tr>
<td>SECTION 3.05. Temporary Bonds</td>
<td>18</td>
</tr>
<tr>
<td>SECTION 3.06. Use of Depository for Bonds</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE IV</th>
<th>REDEMPTION OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 4.01. Privilege of Redemption of Bonds</td>
<td>19</td>
</tr>
<tr>
<td>SECTION 4.02. Selection of Bonds for Redemption</td>
<td>20</td>
</tr>
<tr>
<td>SECTION 4.03. Notice of Redemption</td>
<td>20</td>
</tr>
<tr>
<td>SECTION 4.04. Partial Redemption of Bonds</td>
<td>21</td>
</tr>
<tr>
<td>SECTION 4.05. Effect of Redemption of Bonds</td>
<td>21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE V</th>
<th>PAYMENT OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 5.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund</td>
<td>21</td>
</tr>
<tr>
<td>SECTION 5.02. Allocation of Money in the Special Tax Fund</td>
<td>22</td>
</tr>
</tbody>
</table>
ARTICLE VI
COVENANTS OF THE CITY

SECTION 6.01. Punctual Payment and Performance .............................................................. 24
SECTION 6.02. Against Indebtedness and Encumbrances ...................................................... 24
SECTION 6.03. Against Federal Income Taxation .................................................................. 24
SECTION 6.04. Payment of Claims ......................................................................................... 25
SECTION 6.05. Accounting Records and Other Reports ........................................................ 25
SECTION 6.06. Protection of Security and Rights of Holders ................................................ 26
SECTION 6.07. Levy and Collection of the Special Tax .......................................................... 26
SECTION 6.08. Foreclosure of Special Tax Liens ................................................................. 26
SECTION 6.09. Continuing Disclosure ................................................................................... 27
SECTION 6.10. Further Assurances......................................................................................... 27

ARTICLE VII
THE TRUSTEE

SECTION 7.01. The Trustee .................................................................................................... 27
SECTION 7.02. Liability of the Trustee ................................................................................... 28
SECTION 7.03. Notice to the Trustee ...................................................................................... 29

ARTICLE VIII
AMENDMENT OF OR SUPPLEMENT TO THE MASTER INDENTURE

SECTION 8.01. Procedure for Amendment of or Supplement to the Master Indenture ........ 30
SECTION 8.02. Disqualified Bonds......................................................................................... 31
SECTION 8.03. Endorsement or Replacement of Bonds After Amendment or Supplement ................................................................................. 31
SECTION 8.04. Amendment or Supplement by Mutual Consent ............................................ 31

ARTICLE IX
EVENTS OF DEFAULT AND REMEDIES

SECTION 9.01. Events of Default and Remedies................................................................. 32
SECTION 9.02. Application of Proceeds of Special Tax After Default ............................... 32
SECTION 9.03. Trustee to Represent Holders........................................................................ 33
SECTION 9.04. Holders’ Direction of Proceedings .............................................................. 34
SECTION 9.05. Limitation on Holders’ Right to Sue............................................................ 34
SECTION 9.06. Absolute Obligation of the City................................................................. 35
SECTION 9.07. Termination of Proceedings ........................................................................ 35
SECTION 9.08. Remedies Not Exclusive ............................................................................. 35
SECTION 9.09. No Waiver of Default.................................................................................. 35
TABLE OF CONTENTS
(continued)

<table>
<thead>
<tr>
<th>ARTICLE X</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEFEASANCE</td>
<td></td>
</tr>
<tr>
<td>SECTION 10.01. Discharge of the Bonds</td>
<td>35</td>
</tr>
<tr>
<td>SECTION 10.02. Unclaimed Money</td>
<td>36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE XI</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>MISCELLANEOUS</td>
<td></td>
</tr>
<tr>
<td>SECTION 11.01. Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds</td>
<td>37</td>
</tr>
<tr>
<td>SECTION 11.02. Benefits of the Master Indenture Limited to Certain Parties</td>
<td>37</td>
</tr>
<tr>
<td>SECTION 11.03. Successor is Deemed Included in All References to Predecessor</td>
<td>37</td>
</tr>
<tr>
<td>SECTION 11.04. Execution of Documents by Holders</td>
<td>38</td>
</tr>
<tr>
<td>SECTION 11.05. Deposit and Investment of Money in Accounts and Funds</td>
<td>38</td>
</tr>
<tr>
<td>SECTION 11.06. Waiver of Personal Liability</td>
<td>39</td>
</tr>
<tr>
<td>SECTION 11.07. Acquisition of Bonds by City</td>
<td>39</td>
</tr>
<tr>
<td>SECTION 11.08. Content of Certificates and Reports</td>
<td>39</td>
</tr>
<tr>
<td>SECTION 11.09. Notice by Mail</td>
<td>39</td>
</tr>
<tr>
<td>SECTION 11.10. Maintenance of Accounts and Funds</td>
<td>40</td>
</tr>
<tr>
<td>SECTION 11.11. Article and Section Headings, Gender and References</td>
<td>40</td>
</tr>
<tr>
<td>SECTION 11.12. Partial Invalidity</td>
<td>40</td>
</tr>
<tr>
<td>SECTION 11.13. Execution in Counterparts</td>
<td>40</td>
</tr>
<tr>
<td>SECTION 11.15. Notices</td>
<td>41</td>
</tr>
<tr>
<td>SECTION 11.16. Effective Date of the Master Indenture</td>
<td>41</td>
</tr>
</tbody>
</table>
FIRST SUPPLEMENTAL INDENTURE

between the

CITY OF SACRAMENTO

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to the

$[PAR]

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

Dated as of May 1, 2019
TABLE OF CONTENTS

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions............................................................................................................. 2

ARTICLE II
ISSUANCE OF SERIES 2019 BONDS

SECTION 2.01. Authorization of Series 2019 Bonds................................................................. 2
SECTION 2.02. Terms of Series 2019 Bonds............................................................................. 3
SECTION 2.03. Redemption Prices of Series 2019 Bonds......................................................... 4
SECTION 2.04. Form of Series 2019 Bonds............................................................................... 5
SECTION 2.05. Application of Proceeds of Sale of Series 2019 Bonds.................................... 5

ARTICLE III
MISCELLANEOUS

SECTION 3.01. Authority for First Supplemental Indenture.................................................... 6
SECTION 3.02. Terms of Series 2019 Bonds Subject to the Master Indenture....................... 6
SECTION 3.03. Effective Date of First Supplemental Indenture.............................................. 6

EXHIBIT A FORM OF SERIES 2019 BONDS....................................................................... A-1
FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture (the “First Supplemental Indenture”), dated as of May 1, 2019, is between the CITY OF SACRAMENTO, a California municipal corporation (the “City”), and 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 herein set forth, as trustee (the “Trustee”).

BACKGROUND

A. The City and the Trustee duly executed a Master Indenture (the “Master Indenture”) dated as of May 1, 2019, which authorized the issuance of City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds (the “Bonds”) and provided for the issuance of the Bonds in series.

B. The City has determined to prescribe the terms, conditions, and form of $[PAR] 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 “Series 2019 Bonds”) under the Master Indenture.

C. The City has determined that all things necessary to cause the Series 2019 Bonds, when duly executed by the City and authenticated by the Trustee and delivered as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute this First Supplemental Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Series 2019 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in order to secure the payment of the interest on and the principal of and the redemption premiums, if any, on all Series 2019 Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants, and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Series 2019 Bonds will be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Series 2019 Bonds by the registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Series 2019 Bonds, as follows:
ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions

(a) Except as otherwise provided herein, all terms defined in Section 1.01 of the Master Indenture have the same definitions in this First Supplemental Indenture that are given to them in Section 1.01 of the Master Indenture.

(b) Unless the context otherwise requires, the terms defined in this Section 1.01(b) have the meanings set forth, and those meanings apply for all purposes of this First Supplemental Indenture, of the Master Indenture, of the Series 2019 Bonds, and of any certificate, opinion, report, request, or other document mentioned herein or therein; and those meanings apply equally to both the singular and plural forms of the terms:

“First Supplemental Indenture” means this First Supplemental Indenture dated as of May 1, 2019, between the City and the Trustee entered into under the Act and the Master Indenture.

“Master Indenture” means the Master Indenture dated as of May 1, 2019, between the City and the Trustee entered into under the Act.

“Series 2019 Bonds” means the Bonds referred to by that name authorized to be issued by the Master Indenture and Article II of this First Supplemental Indenture.

“Term Series 2019 Bonds” means the Series 2019 Bonds that are Term Bonds.

ARTICLE II
ISSUANCE OF SERIES 2019 BONDS

SECTION 2.01. Authorization of Series 2019 Bonds. The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Series 2019 Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions, and things required by law to exist, happen, and be performed precedent to and in the issuance of the Series 2019 Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Act. Accordingly, the City is now authorized, under every requirement of the Act, the Master Indenture, and this First Supplemental Indenture, to issue the Series 2019 Bonds in the form and manner provided herein, which Series 2019 Bonds will be entitled to the benefit, protection, and security of the Act, the Master Indenture, and this First Supplemental Indenture. The purpose for which the Series 2019 Bonds are to be issued is to provide funds to finance certain of the Facilities and Fees, make a deposit to the Bond Reserve Fund, [fund [a portion of the] interest on the Series 2019 Bonds to September 1, 20__], and to pay the Costs of Issuance of the Series 2019 Bonds.
SECTION 2.02. Terms of Series 2019 Bonds.

(a) The Series 2019 Bonds will be issued in the aggregate principal amount of $[PAR]; will be designated the “City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019”; will be dated the date of the original delivery thereof; will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof; and will mature on the dates and in the principal amounts and bear interest (computed on a 360-day year of twelve 30-day calendar months) at the rates per annum, payable semiannually on March 1 and September 1 in each year, commencing on September 1, 20[___], as follows:

<table>
<thead>
<tr>
<th>Maturity Date (September 1)</th>
<th>Principal Amount $</th>
<th>Interest Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Series 2019 Bonds maturing on September 1, 20[___], which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the Series 2019 Bonds maturing on September 1, 20[___] shall have been optionally or extraordinarily redeemed under Section 2.03 of this First Supplemental Indenture, the amounts of the Sinking Fund Account Payments for the Series 2019 Bonds maturing on September 1, 20[___] shall be reduced proportionately by the principal amount of all such Series 2019 Bonds so optionally or extraordinarily redeemed), namely:

<table>
<thead>
<tr>
<th>Year Ending September 1</th>
<th>Sinking Fund Account Payment $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*M

* Maturity

Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Series 2019 Bonds maturing on September 1, 20[___], which payments shall become due during the years ending on the dates and in the amounts set forth in
the following schedule (except that if any of the Series 2019 Bonds maturing on September 1, 20[__] shall have been optionally or extraordinarily redeemed under Section 2.03 of this First Supplemental Indenture, the amounts of the Sinking Fund Account Payments for the Series 2019 Bonds maturing on September 1, 20[__] shall be reduced proportionately by the principal amount of all such Series 2019 Bonds so optionally or extraordinarily redeemed), namely:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Sinking Fund Account Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1</td>
<td>$</td>
</tr>
</tbody>
</table>

* Maturity

All such Sinking Fund Account Payments shall be deposited in the Sinking Fund Account. All money in the Sinking Fund Account representing such Sinking Fund Account Payments shall be used and withdrawn by the Trustee (upon receipt of a Written Request of the City) at any time for the purchase of the Term Series 2019 Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Series 2019 Bonds. All money in the Sinking Fund Account representing such Sinking Fund Account Payments on September 1 of each year during the period beginning on September 1, 20[___], and ending on September 1, 20[___], both dates inclusive, shall be used and withdrawn by the Trustee on each such September 1 for the mandatory redemption or payment of the Term Series 2019 Bonds; and the City hereby agrees and covenants with the Holders of the Term Series 2019 Bonds to call and redeem in accordance with Article IV of the Master Indenture, or pay, the Term Series 2019 Bonds from the Sinking Fund Account Payments deposited in the Sinking Fund Account under this paragraph whenever on September 1 of any year, beginning on September 1, 20[___], there is money in the Sinking Fund Account available for such purpose.

SECTION 2.03. Redemption Prices of Series 2019 Bonds.

(a) The Series 2019 Bonds are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 20[___], from any source of available funds, upon mailed notice as provided in the Master Indenture, at the following redemption prices (expressed as a percentage of the principal amount of the Series 2019 Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__, and any date thereafter</td>
<td>%</td>
</tr>
</tbody>
</table>
(b) The Series 2019 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 Master Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Series 2019 Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any interest payment date through and including March 1, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__, and March 1, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__, and March 1, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__, and any interest payment date thereafter</td>
<td>%</td>
</tr>
</tbody>
</table>

(c) The Term Series 2019 Bonds are subject to mandatory redemption by the City before their stated maturity date as provided in Section 2.02 hereof solely from Sinking Fund Account Payments deposited in the Sinking Fund Account, upon mailed notice as provided in the Master 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.

SECTION 2.04. **Form of Series 2019 Bonds.** The Series 2019 Bonds and the authentication and registration endorsements and the assignment to appear thereon must be substantially in the forms set forth in Exhibit A hereto, with such variations, insertions, or omissions as are appropriate and not inconsistent herewith.

SECTION 2.05. **Application of Proceeds of Sale of Series 2019 Bonds.** Upon the receipt of payment of the purchase price of the Series 2019 Bonds when duly sold by the City, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit or transfer such purchase price of the Series 2019 Bonds in the following accounts and funds (or in a temporary account or fund in its books used to facilitate such transfers) in the following order:

(a) *First,* the Trustee shall deposit $[__________] in the Bond Reserve Fund, which equals the Required Bond Reserve as of the date of issuance of the Series 2019 Bonds.

(b) *Second,* the Trustee shall deposit $[__________] in the Bond Redemption Fund to be used by the Trustee to pay interest on the Series 2019 Bonds due on September 1, 201__[____].

(c) *Third,* the Trustee shall deposit $[__________] in the Costs of Issuance Fund.

(d) *Fourth,* the Trustee shall transfer $[__________] to the Treasurer for deposit in the Acquisition and Construction Fund.
ARTICLE III

MISCELLANEOUS

SECTION 3.01. Authority for First Supplemental Indenture. This First Supplemental Indenture is executed in accordance with the Act, is supplemental to the Master Indenture, and is executed in accordance with Articles II and VIII of the Master Indenture.

SECTION 3.02. Terms of Series 2019 Bonds Subject to the Master Indenture. Except as expressly provided in this First Supplemental Indenture, every agreement, condition, covenant, and term in the Master Indenture applies to this First Supplemental Indenture and to the Series 2019 Bonds with the same force and effect as if they were set forth at length in this First Supplemental Indenture, with such omissions, variations, and modifications as may be appropriate to conform them to this First Supplemental Indenture.

SECTION 3.03. Effective Date of First Supplemental Indenture. This First Supplemental Indenture takes effect from and after its execution and delivery.
IN WITNESS WHEREOF, the City has caused this First Supplemental Indenture to be signed in its name by the City Treasurer, and U.S. Bank National Association, as Trustee, in token of its acceptance of the trusts created hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF SACRAMENTO

By ________________________________

John P. Colville Jr., City Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ________________________________

Authorized Officer
EXHIBIT A
FORM OF SERIES 2019 BONDS

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to U.S. Bank National Association for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. ____________ $____________

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
(IMPROVEMENT AREA NO. 2) SPECIAL TAX BOND, SERIES 2019

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Dated as of</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____%</td>
<td>September 1, 20__</td>
<td>__________, 2019</td>
</tr>
</tbody>
</table>

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The City of Sacramento, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the sixteenth (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 this Bond is authenticated on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above (computed on a 360-day year of twelve 30-day calendar months),
payable semiannually on March 1 and September 1 in each year, commencing on September 1, 20\[__\]. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the Principal Corporate Trust Office (as that term is defined in the Indentures hereinafter referred to, and herein the “Principal Corporate Trust Office”) of U.S. Bank National Association (the “Trustee”), in Saint Paul, Minnesota. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books, required to be kept by the Trustee, as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check 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 registered owner of one million dollars ($1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such owner’s option by federal wire transfer of immediately available funds according to written instructions provided by such owner to the Trustee at least fifteen (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. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of $[PAR] issued by the City of Sacramento for Improvement Area No. 2 (as that term is defined in the Indentures hereinafter referred to, and herein “Improvement Area No. 2”) of the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “Community Facilities District”) located in the City, designated the “City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds, Series 2019” (the “Series 2019 Bonds”), and under and pursuant to 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 (the “Act”), and under and pursuant to a Master Indenture, dated as of May 1, 2019 (as supplemented and amended, the “Master Indenture”), between the City and the Trustee, which Master Indenture authorized the issuance in various series from time to time of “City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) Special Tax Bonds” (the “Bonds”), and a First Supplemental Indenture (the “First Supplemental Indenture,” and together with the Master Indenture, the “Indentures”) supplemental thereto, dated as of May 1, 2019, between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions of the Series 2019 Bonds). All the Series 2019 Bonds are payable on a parity with all other Bonds issued under the Master Indenture in accordance with the terms and conditions of the Indentures (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indentures and any and all amendments thereof and supplements thereto for a description of the terms on which the Series 2019 Bonds are issued and for the rights of the registered owners of the Series 2019 Bonds; and all the terms of the Act and the Indentures are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Series 2019 Bond, to all the provisions of which the registered owner of this Series 2019 Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner
hereof shall have recourse to all the provisions of the Act and the Indentures and shall be bound
by all the conditions and terms thereof.

The Series 2019 Bonds are issued to provide funds to finance certain Facilities and Fees,
make a deposit to the Bond Reserve Fund, [fund [a portion of the] interest on the Series 2019
Bonds to September 1, 20__], and pay the Costs of Issuance of the Series 2019 Bonds (as each
term is defined in the Indentures) in accordance with the Indentures and are special tax obligations
of the City, and the interest on and principal of and redemption premiums, if any, on the Series
2019 Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the
Indentures, and herein the “Special Tax”) and certain other funds as provided in the Indentures for
such payment, and the City is not obligated to pay them except from the proceeds of the Special
Tax and such other funds. The General Fund of the City is not liable and the full faith and credit
of the City is not pledged for the payment of the interest on or the principal of or the redemption
premiums, if any, on the Series 2019 Bonds, and no tax or assessment other than the Special Tax
shall ever be levied or collected to pay the interest on or the principal of or the redemption
premiums, if any, on the Series 2019 Bonds. The Series 2019 Bonds are not secured by a legal or
equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its
income or receipts except the money in the Special Tax Fund and certain other funds established
under the Indentures, and neither the payment of the interest on or the principal of or the
redemption premiums, if any, on the Series 2019 Bonds is a general debt, liability or obligation of
the City. Additional Bonds payable on a parity with the Series 2019 Bonds from the proceeds of
the Special Tax may be issued subject to the conditions and limitations contained in the Indentures.

The Series 2019 Bonds are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 20__, from any source of available funds, upon mailed notice as provided in the Indentures, at the following redemption prices (expressed as a percentage of the principal amount of the Series 2019 Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>%</td>
</tr>
<tr>
<td>September 1, 20__, and any date thereafter</td>
<td>%</td>
</tr>
</tbody>
</table>

The Series 2019 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 Indentures, at the following redemption prices (expressed as a percentage of the principal amount of Series 2019 Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:
The Series 2019 Bonds maturing on September 1, 20[__], are subject to mandatory redemption by the City before their stated maturity date in part on September 1 in each of the years 20[__] through 20[__], both dates inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indentures), upon mailed notice as provided in the Indentures, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

If less than all the Series 2019 Bonds are to be redeemed at the option of the City at any one time, the City shall select the maturity date or dates of the Series 2019 Bonds to be redeemed, and if less than all the Series 2019 Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Series 2019 Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars ($5,000) in any manner that it deems appropriate.

Notice of redemption of any Series 2019 Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than ninety (90) days before the redemption date to the registered owner thereof and to all securities information services selected by the City in accordance with the Indentures and to the original underwriter or first purchaser of the Series 2019 Bonds selected for redemption, but neither failure to receive any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. If a notice of redemption has been duly given as aforesaid and money for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, the Series 2019 Bonds or portions thereof so called by redemption is held by the Trustee, then this Series 2019 Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Series 2019 Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Series 2019 Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Series 2019 Bond or the portion thereof to be redeemed, and upon surrender of this Series 2019 Bond if redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the City a new Series 2019 Bond or Bonds of authorized
denominations equal in aggregate principal amount to the unredeemed portion of this Series 2019 Bond so surrendered.

The City has covenanted that, so long as any Series 2019 Bonds are outstanding, it will annually levy the Special Tax against all Taxable Land (as that term is defined in the Indentures) in Improvement Area No. 2 of the Community Facilities District in accordance with the Special Tax Formula (as that term is defined in the Indentures) 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 (as that term is defined in the Indentures), 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 Indentures, and which in any event will be sufficient to pay the interest on and the principal of and the Sinking Fund Account Payments, if any, for and the redemption premiums, if any, on the Series 2019 Bonds as they become due and payable and to replenish the Bond Reserve Fund established under the Indentures and to pay all Expenses (as that term is defined in the Indentures) as they become due and payable in accordance with the provisions of the Indentures.

The Series 2019 Bonds are issuable in the form of fully registered Bonds in denominations of five thousand dollars ($5,000) or any integral multiple thereof. The registered owner of any Series 2019 Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Series 2019 Bonds of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indentures.

The registration of this Series 2019 Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Series 2019 Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Series 2019 Bond or Bonds of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indentures. The City and the Trustee may deem and treat the person in whose name this Series 2019 Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes.

The rights and obligations of the City and of the registered owners of the Series 2019 Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indentures, but no such amendment shall (1) extend the maturity of this Series 2019 Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the City to pay the interest hereon or the principal hereof or any Sinking Fund Account Payment herefor or the redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Series 2019 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 Series 2019 Bonds other than as provided in the Indentures, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage
of Series 2019 Bonds required for the written consent to an amendment or supplement of the Indentures, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indentures.

The Series 2019 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council of the City nor the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Series 2019 Bonds otherwise than from the proceeds of the Special Tax and the other funds as provided in the Indentures.

This Series 2019 Bond shall not be entitled to any benefits under the Indentures or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2019 Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2019 Bond, together with all other obligations of the City, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Series 2019 Bonds permitted to be issued under the Indentures.
IN WITNESS WHEREOF, the City of Sacramento has caused this Series 2019 Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk and has caused this Series 2019 Bond to be dated May [__], 2019.

CITY OF SACRAMENTO

By _________________________________
    Mayor

Countersigned:

_______________________________
City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION TO APPEAR ON SERIES 2019 BONDS]

This is one of the Series 2019 Bonds described in the within-mentioned Indentures which has been authenticated and registered on the date indicated below.

Date: May [__], 2019

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By _________________________________
    Authorized Signatory
[FORM OF ASSIGNMENT TO APPEAR ON SERIES 2019 BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto ______________________________________________________ the within Series 2019 Bond and do(es) hereby irrevocably constitute and appoint _________________________________________ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

___________________________________

Dated: _____________________

SIGNATURE GUARANTEED BY:

_____________________________________

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Series 2019 Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: __________________________
BOND-PURCHASE CONTRACT

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

City of Sacramento
915 I Street
Sacramento, California 95814

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond-Purchase Contract with the City of Sacramento (the “City”) with respect to the special-tax bonds captioned above (the “Bonds”) issued by the City for Improvement Area No. 2 of the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “CFD”). Upon your acceptance of this offer, this contract will be binding upon the City and the Underwriter. Terms not otherwise defined in this contract have the same meanings as set forth in the Indenture identified in section 2(c) below.

This offer is made subject to the City’s acceptance of this contract on or before 11:59 p.m. on the date first set forth above (the “Effective Date”). At or before the City’s acceptance of this contract, the City must cause to be delivered to the Underwriter the certificates, in form and substance as set forth in Exhibit I to this contract, and dated as of the date of the Preliminary Official Statement identified in section 4(b) of this contract (the “Developer POS Certificate”), from the following developers of property within the CFD (collectively, the “Developers”): Granite Bay-Natomas Meadows, LP ("Granite Bay"); Anthem United Willow Homes Limited Partnership; Lennar Homes of California, Inc.; Woodside 05N, LP (“Woodside”); and Kit Construction, Inc. dba Carson Homes.

1. **Purchase and Sale of Bonds.** Relying on the representations, warranties, and covenants in this contract, the Underwriter shall purchase from the City, and the City shall sell to the Underwriter, on the terms and conditions set forth below, all (but not less than all) of $________________ aggregate principal amount of the Bonds at a purchase price (the “Purchase Price”) of $________________ (being an amount equal to the par amount of the Bonds, $________________, plus a net original-issue premium of $________________, and less an Underwriter’s discount of $________________).

2. **Authorizing Instruments.** The City will issue the Bonds under—

   (a) the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”);

   (b) the resolution of the Sacramento City Council (the “City Council”), adopted on ________________, 2019, that authorizes the issuance of the Bonds (the “Resolution”); and
3. **Terms of the Bonds.** The Bonds are payable solely from special taxes levied under the Act on taxable property in the CFD (the “Special Taxes”). The Bonds will mature on the dates and in the principal amounts, will bear interest at the rates, and will be subject to redemption before maturity as set forth in Exhibit A to this contract. The Underwriter shall make a bona fide public offering of all of the Bonds at the offering prices set forth in Exhibit A. Additional details related to the establishment of the issue price for the Bonds are set forth in section 20 below. The Bonds are being issued to (a) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the CFD; (b) fund a reserve fund securing the Bonds; and (c) pay costs of issuance of the Bonds.

4. **Preliminary Official Statement; Official Statement; Continuing Disclosure.**

   (a) The City shall deliver to the Underwriter as many copies of the Official Statement relating to the Bonds, dated the Effective Date (as supplemented and amended from time to time, the “Final Official Statement”), as the Underwriter may reasonably need to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (“Rule 15c2-12”). The City shall deliver the Final Official Statement within seven business days after the Effective Date and in sufficient time to accompany any confirmation that requires payment from a customer. The Underwriter shall deposit the Final Official Statement with the Municipal Securities Rulemaking Board (the “MSRB”) using the MSRB’s Electronic Municipal Market Access system, which the Securities and Exchange Commission has designated as the sole repository of disclosure information for purposes of Rule 15c2-12, on or as soon as practicable after the Closing Date (defined in section 7 below). The Underwriter shall deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

   (b) The City has authorized and approved, and hereby consents to the Underwriter’s distribution and use of, the Preliminary Official Statement relating to the Bonds dated ________________, 2019 (the “Preliminary Official Statement”), and the City has authorized the execution, delivery, and distribution of the Final Official Statement.

   (c) In connection with issuance of the Bonds, and to assist the Underwriter with complying with Rule 15c2-12, the City shall execute a continuing-disclosure certificate, under which the City will provide certain financial and operating data relating to the CFD as required by Rule 15c2-12 (the “Continuing-Disclosure Certificate”). The form of the Continuing-Disclosure Certificate will be attached as an appendix to the Preliminary Official Statement and Final Official Statement.

5. **Representations and Warranties of the City.** The City makes the following representations and warranties to the Underwriter as of the Effective Date:

   (a) **Due Organization and Authority.** The CFD was duly formed and is validly existing as a community facilities district under the Act.
(b) **Full Right, Power, and Authority.** The City has complied with all provisions of applicable law, including the Act, in all matters relating to the adoption of the Resolution, the formation of the CFD, the incurrence of bonded indebtedness for the CFD, and the levy of the Special Taxes within the CFD. The City Council thus has the full legal right, power, and authority to adopt the Resolution, and the City has the full legal right, power, and authority—

(1) to enter into this contract, the Indenture, and the Continuing-Disclosure Certificate (collectively, the “City Documents”);

(2) to issue, sell, and deliver the Bonds;

(3) to secure the Bonds in the manner contemplated in the Indenture; and

(4) to carry out and consummate on its part all other transactions contemplated by the City Documents.

(c) **Authorization of Documents; Consents and Approvals.** Except as may be required under blue-sky laws or other securities laws of any state, all consents or approvals the City must obtain in connection with the foregoing have been obtained, and the consents or approvals so obtained are still in full force and effect. The City Council thus has duly authorized—

(1) the execution and delivery of the City Documents and the Final Official Statement, and the execution, delivery, and due performance of the City’s obligations under the Bonds and the City Documents; and

(2) the taking of any action that may be required on the part of the City to carry out, give effect to, and consummate on its part the transactions contemplated by the Bonds and the City Documents.

(d) **Due Adoption of Resolution and Enforceability of Documents.** The Resolution has been duly adopted by the City Council and is in full force and effect; and the City Documents, when executed and delivered by the City and the other parties, will constitute legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights generally or by the application of equitable principles.

(e) **Enforceability of Bonds.** When delivered to the Underwriter, the Bonds will have been duly authorized by the City; will have been duly executed, issued, and delivered by the City; will constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights generally or by the application of equitable principles; and will be entitled to the benefit of, and security afforded by, the Resolution, the Indenture, and the Act.

(f) **Preliminary and Final Official Statements.**

(1) In this section 5(f) only, “information” and “material fact” refer to information and facts that relate to the City and the CFD. They do not include, and no representation or
warranty is provided with respect to, information and facts that (A) are submitted by, or on behalf of, the Developers to the Underwriter, the City, or Disclosure Counsel; and (B) concern the Developers and their affiliates, the Developers’ and their affiliates’ property ownership and proposed development of the property within the CFD, or the Developers’ and their affiliates’ financing plans for carrying out that development.

(2) The information in the Preliminary Official Statement is true in all material respects as of the date of the Preliminary Official Statement, and the information in the Final Official Statement will be true in all material respects as of the Effective Date and the Closing Date. The Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Effective Date and the Closing Date, contain any untrue or misleading statement of a material fact relating to the City or the CFD or omit to state any material fact relating to the City or the CFD necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Supplements or Amendments to Official Statement. The City shall promptly notify the Underwriter in writing if, at any time before the earlier of (1) the City’s receipt of the Underwriter’s notice that the Final Official Statement is no longer required to be delivered under Rule 15c2-12 or (2) the Closing Date (defined in section 7 below), any event occurs that is known to the City officers participating in the issuance of the Bonds and that might cause the Final Official Statement, as then amended or supplemented, to include an untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any information the City supplies for inclusion in any amendments or supplements to the Final Official Statement must not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) No Conflicts. To the City’s actual knowledge as of the Effective Date, the adoption of the Resolution, the issuance of the Bonds, the execution and delivery of the City Documents, the consummation of the transactions on the part of the City contemplated herein or therein, and the City’s compliance with the provisions hereof or thereof will not conflict with, or constitute on the City’s part a violation of, or a breach of or default under, any of the following in a way that would have a material adverse effect on the City’s ability to perform its obligations under the Bonds and the City Documents:

(1) A material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound.

(2) A provision of the Act or the California Constitution.

(3) An existing law, rule, regulation, ordinance, judgment, order, or decree to which the City (or the members of the City Council or any of the City’s officers in their capacities as such) is subject.

(i) No Defaults. The City has never been in default at any time as to principal of, or interest on, any obligation it has issued where the default might have an adverse effect on the City’s
ability to consummate the transactions described in the Bonds and the City Documents, except as specifically disclosed in Final Official Statement; and, except as specifically disclosed in the Final Official Statement, the City has not entered into any agreement or arrangement of any kind that might give rise to any lien or encumbrance on any of the Special Taxes.

(j) **No Litigation.** To the actual knowledge of the Sacramento City Attorney’s Office as of the Effective Date, except as is specifically disclosed in the Final Official Statement, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—

(1) that questions in any way the powers of the City Council in connection with the issuance of the Bonds;

(2) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds;

(3) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the City’s financial condition or on the transactions described in this contract;

(4) that is likely to adversely affect the validity or enforceability of the Resolution, the Bonds, or the City Documents; or

(5) that questions in any way the status of the Bonds under California’s tax laws or tax regulations.

(k) **Certificates of the City.** Any certificate that is signed by a City official and delivered to the Underwriter in connection with the transactions contemplated by this contract will be deemed a representation and warranty by the City to the Underwriter as to the truth of the statements in the certificate.

(l) **Security for the Bonds.** Debt service on the Bonds will be paid solely from the Special Taxes the City receives under the Indenture and the moneys in certain funds and accounts established thereunder.

(m) **Levy of Special Taxes.** The Special Taxes have been and will be levied in accordance with the Rate and Method of Apportionment of Special Tax relating to the CFD and are secured by a lien on the properties on which they are levied.

(n) **Pledge of Special Taxes.** The Indenture creates a valid pledge of, and first lien upon, the Special Taxes deposited thereunder and the moneys in certain funds and accounts established thereunder, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(o) **Prior Continuing Disclosure Undertakings.** Except as disclosed in the Final Official Statement, the City has complied in all material respects with previous undertakings under Rule 15c2-12.
(p) **Prior Assessment and Special Tax Liens.** Except as disclosed in the Final Official Statement, to the City’s current and actual knowledge there are no entities with outstanding assessment liens or special-tax liens against any of the properties within the CFD.

6. **Blue Sky.** The City shall cooperate with the Underwriter (at the Underwriter’s cost) in qualifying the Bonds for offer and sale under the securities or blue-sky laws of such jurisdictions of the United States as the Underwriter may reasonably request, except that the City is not required to consent to suit or to service of process in, or to qualify to do business in, any jurisdiction. The City consents to the Underwriter’s use of the City Documents, the Preliminary Official Statement, and the Final Official Statement for complying with such securities or blue-sky laws.

7. **Closing.**

(a) At 9:00 a.m. (Sacramento time) on ________________ , 2019, or at such other time or date as the City and the Underwriter may agree on (the “Closing Date”), the City shall deliver or cause to be delivered to the Underwriter the Bonds in definitive form, duly executed by the City’s authorized officers and authenticated by the Trustee, together with the other documents identified in section 7(b) below, and the Underwriter shall accept the delivery and pay the Purchase Price of the Bonds by making a wire transfer in federal funds payable to the order of the Trustee.

(b) The activities relating to the final execution and delivery of the Bonds and the payment therefor and the delivery of the resolutions, certificates, opinions, and other instruments as described in section 9 of this contract will occur at the offices of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”) in Sacramento, California. The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is the “Closing.” The Bonds must be delivered as fully registered Bonds initially in denominations of $5,000 each and any integral multiple thereof. The Bonds must be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and must be made available for checking by the Underwriter at such place as the Underwriter and the Trustee agree at least 24 hours before the Closing.

8. **Termination Events.** The Underwriter may cancel its obligations to purchase the Bonds if any of the following occurs between the Effective Date and the Closing Date:

(a) The House of Representatives or the Senate of the United States Congress, or a committee of either, has pending before it or favorably passes or recommends legislation that, if enacted, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the City or by any similar body under the Resolution, the Indenture, or the Act, or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and the legislation, in the Underwriter’s opinion, materially adversely affects the market price of the Bonds.

(b) Any action or event occurs, including any of the following, that directly or indirectly has the purpose or effect, in the Underwriter’s opinion, of materially and adversely affecting the market price of the Bonds or the market for the Bonds; or adversely affecting the federal income-tax consequences of owning the Bonds (including causing interest on the Bonds to be
included in gross income for purposes of federal income taxation); or of imposing a federal
income tax upon revenues or other income of the general character to be derived by the City
under the Resolution or the Indenture, or upon interest received on the Bonds or on
obligations of the general character of the Bonds:

(1) A tentative decision with respect to legislation is reached by a committee of the House
of Representatives or the Senate of the United States Congress, or legislation is
favorably reported or re-reported by such a committee or introduced in (by
amendment or otherwise), or passed by, the House of Representatives or the Senate;
or is recommended to the United States Congress for passage by the President of the
United States; or is enacted.

(2) A decision by a federal court (i.e., the United States Supreme Court, a United States
Court of Appeals, a United States District Court, or the United States Tax Court) is
rendered.

(3) A ruling, release, order, regulation, or official statement (tentative, proposed, or final)
by or on behalf of the United States Treasury Department, the Internal Revenue
Service, or other governmental agency is made or proposed to be made.

(c) Legislation that takes effect before the Closing is enacted or actively considered for
enactment, or a decision by a federal court is rendered, the effect of which is that the Bonds
are not exempt from the registration, qualification, or other requirements of the Securities
Act of 1933 as then in effect or the Securities Exchange Act of 1934 as then in effect, or that
the Resolution or the Indenture, as the case may be, is not exempt from the Trust Indenture
Act of 1939 as then in effect.

(d) A stop order, ruling, regulation, or official statement by the Securities and Exchange
Commission or any other governmental agency having jurisdiction of the subject matter is
issued or made or any other event occurs, the effect of which is that the issuance, offering,
or sale of the Bonds, or the execution and delivery of the Indenture as contemplated by this
contract or by the Final Official Statement, is or would be in violation of any provision of the
federal securities laws, including the Securities Act of 1933 as then in effect, the Securities
Exchange Act of 1934 as then in effect, or the Trust Indenture Act of 1939 as then in effect.

(e) Any event occurs or any information becomes known to the Underwriter that causes the
Underwriter to reasonably believe that the Final Official Statement as then amended or
supplemented includes an untrue statement of a material fact or omits to state any material
fact necessary to make the statements therein, in light of the circumstances under which
they were made, not misleading.

(f) There occurs any outbreak of hostilities or any national or international calamity or crisis,
including a financial crisis, the effect of which on the financial markets of the United States is
such as, in the Underwriter’s reasonable judgment, would materially adversely affect the
market for or market price of the Bonds.

(g) There is in force a general suspension of trading on the New York Stock Exchange, the effect
of which on the financial markets of the United States is such as, in the Underwriter’s
reasonable judgment, would materially adversely affect the market for or market price of the Bonds.

(h) A general banking moratorium is declared by United States, New York, or California authorities.

(i) Any proceeding is pending or threatened by the Securities and Exchange Commission against the City.

(j) Additional material restrictions not in force as of the Effective Date are imposed upon trading in securities generally by any governmental authority or by any national securities exchange, and the restrictions adversely affect the Underwriter’s ability to sell the Bonds.

(k) The New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not in force on the Effective Date, or increases materially those in force on the Effective Date, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter.

(l) An amendment to the United States or California Constitution is enacted or action is taken by any federal or California court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City or its property, income, or securities (or interest thereon); the validity or enforceability of the Special Taxes or the ability of the City to issue the Bonds; or the levy of any of the Special Taxes, all as contemplated by the Resolution, the Indenture, this contract, and the Final Official Statement.

9. **Conditions to Closing.** The Underwriter’s obligations to purchase the Bonds are subject to the City’s performance of the City’s obligations under this contract at and before the Closing, to the accuracy as of the Effective Date and as of the time of the Closing of the City’s representations and warranties in this contract, and to the following conditions, including the delivery by the City of the documents identified in this section 9 in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (1) the Final Official Statement, the Resolution, the Indenture, the Continuing-Disclosure Certificate, and this contract must be in full force and effect and must not have been amended, modified, or supplemented except as may have been agreed to in writing by the Underwriter; and (2) the CFD must have been duly formed and there must be in full force and effect all resolutions, including the Resolution, that in Bond Counsel’s opinion are necessary in connection with the transactions contemplated by this contract.

(b) The Underwriter must receive the Bonds at or before the Closing. The terms of the Bonds delivered must in all instances be as described in the Final Official Statement.

(c) At or before the Closing, the Underwriter must receive the following documents in the number of counterparts as are agreeable to the Underwriter and the City:

(1) Bond Counsel’s final approving opinion, dated the Closing Date and substantially in the form attached as Appendix C to the Preliminary Official Statement and Final Official Statement, together with a letter addressed to the Underwriter to the effect that the
Underwriter may rely upon the opinion to the same extent as if the opinion were addressed to the Underwriter.

(2) A supplemental opinion of Bond Counsel addressed to the Underwriter in substantially the form attached to this contract as Exhibit F.

(3) One or more letters from disclosure counsel to the City, Stradling Yocca Carlson & Rauth, a Professional Corporation (“Disclosure Counsel”), addressed to the City and the Underwriter, stating the following:

(A) Without passing upon or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Final Official Statement, and making no representation that Disclosure Counsel has independently verified the accuracy, completeness, or fairness of any such statements, based upon the information made available to Disclosure Counsel in the course of Disclosure Counsel’s participation in the preparation of the Final Official Statement, nothing has come to Disclosure Counsel’s attention that would lead Disclosure Counsel to believe that (a) the Preliminary Official Statement as of its date or as of the Bond-Purchase Contract, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that we express no view with respect to (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, assessed or appraised valuations, or environmental matters contained in the Preliminary Official Statement; (ii) any information relating to CUSIP numbers; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices to the Preliminary Official Statement; (v) any information incorporated by reference into the Preliminary Official Statement; and (vi) any information with respect to the Underwriter or underwriting matters with respect to the Bonds, including but not limited to information under the caption “UNDERWRITING”); provided, however, with respect to the foregoing conclusion, we note that the Preliminary Official Statement contained certain information marked as preliminary, subject to change, and omitted certain information permitted to be omitted by Rule 15c2-12; and (b) the Final Official Statement as of its date contained, or as of the Closing Date contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that we express no view with respect to (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, assessed or appraised valuations, or environmental matters contained in the Final Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the
appendices to the Final Official Statement; (v) any information incorporated by reference into the Final Official Statement; and (vi) any information with respect to the Underwriter or underwriting matters with respect to the Bonds, including but not limited to information under the caption “UNDERWRITING”).

(B) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(4) A letter from counsel to the Underwriter, Jones Hall, A Professional Law Corporation (“Underwriter’s Counsel”), addressed to the Underwriter, in form and substance acceptable to the Underwriter.

(5) The opinion of the Sacramento City Attorney’s Office, dated the Closing Date and addressed to the Underwriter, and in substantially the form attached to this contract as Exhibit G.

(6) The Final Official Statement executed on the City’s behalf by a duly authorized officer.

(7) A certified copy of the Resolution.

(8) Specimen Bonds.

(9) Evidence that the City has signed Internal Revenue Service Form 8038-G and will file it with the Internal Revenue Service.

(10) Executed copies of the City Documents.

(11) A tax certificate signed by the City in form and substance satisfactory to Bond Counsel.

(12) In connection with printing and distribution of the Preliminary Official Statement, a signed certificate of the City in the form attached to this contract as Exhibit B.

(13) A closing certificate of the City, in form and substance as set forth in Exhibit C to this contract, dated as of the Closing Date.

(14) A certificate of the special-tax consultant to the City, Goodwin Consulting Group, Sacramento, California (“Special-Tax Consultant”), in form and substance as set forth in Exhibit D to this contract, dated as of the Closing Date.

(15) A certificate of the Trustee, in form and substance as set forth in Exhibit E to this contract, dated as of the Closing Date.

(16) An opinion of counsel to the Trustee, dated as of the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel.

(17) A certificate of the appraiser, BBG, Inc. of Sacramento, California (“Appraiser”), in form and substance as set forth in Exhibit H to this contract, dated as of the Closing Date.
(18) The Developer POS Certificate, delivered as of the date of the Preliminary Official Statement in the form of Exhibit I to this contract.

(19) A closing certificate of the Developers, in form and substance as set forth in Exhibit J to this contract, dated as of the Closing Date.

(20) One or more letters of counsel to Granite Bay, in form and substance as set forth in Exhibit K to this contract, dated as of the Closing Date.

(21) Continuing disclosure certificates executed by the Granite Bay and Woodside, in form and substance as set forth as Appendix G to the Final Official Statement.

(22) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter or Bond Counsel may reasonably request to evidence the City’s compliance with legal requirements; the truth and accuracy, as of the time of Closing, of the City’s representations in this contract; and the City’s due performance or satisfaction at or before the time of Closing of all agreements then to be performed and all conditions then to be satisfied by the City.

(d) If the City is unable to satisfy the conditions in sections 9(a), 9(b), and 9(c) of this contract, or if the Underwriter’s obligations to purchase and accept delivery of the Bonds are terminated for any reason permitted by this contract, then this contract will terminate, and neither the Underwriter nor the City will be under further obligation under this contract other than their obligations to pay expenses, as provided in section 12 of this contract, which will continue in full force and effect.

10. **Conditions to the City’s Obligations.** The City’s obligations under this contract are subject to the Underwriter’s performance of its obligations under this contract and the Underwriter’s delivery of an issue-price certificate in form and substance reasonably satisfactory to Bond Counsel.

11. **Survival of Representations, Warranties, and Agreements.** All of the City’s representations, warranties, and agreements in this contract will remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter and will survive the Closing.

12. **Expenses.**

(a) The City shall pay or cause to be paid all reasonable expenses incident to the issuance of the Bonds and to the performance of its obligations under this contract, including (1) expense of delivery of the Bonds and this contract; (2) expense of printing the Preliminary Official Statement, the Final Official Statement, and any amendment or supplement to the Preliminary Official Statement or the Final Official Statement; (3) fees and disbursements of Bond Counsel, Disclosure Counsel, financial advisor, and other consultants, the Special-Tax Consultant, the Appraiser and the Trustee; and (4) expenses (included in the expense component of the Underwriter’s discount) incurred by the Underwriter on behalf of City’s employees which are incidental to implementing this contract, including transaction-related meals of those employees.
(b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds and all other expenses it incurs in connection with its public offering and distribution of the Bonds, including the fees and expenses of Underwriter’s Counsel.

13. **No Fiduciary Duty.**

(a) The City and the Underwriter acknowledge and agree that—

1. the purchase and sale of the Bonds under this contract is an arm’s-length commercial transaction between the City and the Underwriter;

2. in connection with the purchase and sale of the Bonds and with the discussions, undertakings, and procedures leading up to the consummation of the purchase and sale of the Bonds under this contract, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the City;

3. the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to (A) the offering of the Bonds contemplated by this contract or the process leading to this contract (whether or not the Underwriter or any affiliate of the Underwriter has advised or is currently advising the City on other matters) or (B) any other obligation to the City with respect to the offering contemplated by this contract except the obligations expressly set forth in this contract; and

4. the City and the Underwriter have consulted their own legal, financial, and other advisors to the extent they have deemed appropriate in connection with this transaction.

(b) This section 13 does not limit the Underwriter’s obligations of fair dealing under Municipal Securities Rulemaking Board Rule G-17.

14. **Notices.**

(a) To be effective, any notice or other communication given to the City under this contract must be in writing and must be delivered to the following person at the following address:

Office of the City Treasurer  
Historic City Hall  
915 I Street, 3rd Floor  
Sacramento, California 95814  
Attention: City Treasurer

(b) To be effective, any notice or other communication to be given to the Underwriter under this contract must be in writing and must be delivered to the following person at the following address:
15. **Benefit.** This contract is made solely for the benefit of the parties and their successors and assigns, and no other person, including any purchaser of the Bonds, will acquire or have any right under or by virtue of it.

16. **Governing Law and Interpretation.** This contract is to be governed by, and construed in accordance with, the laws of the State of California. All currency amounts set forth in this contract are in United States Dollars. The word “including” means “including but not limited to.”

17. **Effective Date.** This contract becomes effective when the City accepts it, as indicated in the City’s signature block below.

18. **Counterparts.** The parties may sign this contract in counterparts, each of which will be considered as an original, but all of which will constitute same instrument.

19. **Severability.** If a court with jurisdiction rules that any provision of this contract is invalid, unenforceable, or contrary to law or public policy, then the parties want the court to interpret this contract as follows: (a) by modifying the provision to the minimum necessary to make it enforceable or, if that modification is not permitted by law, by disregarding the provision; (b) by holding that the rest of the contract will remain in effect as written; (c) by holding that the provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable; and (d) by holding the entire contract unenforceable if modifying or disregarding the unenforceable provision would result in the failure of an essential purpose of this contract.

20. **Establishment of Issue Price.**

   (a) The following definitions apply only in this section 20:

   (1) “Public” means any person other than an Underwriter or a Related Party.

   (2) “Underwriter” means (A) any person who agrees under a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees under a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail-distribution agreement participating in the initial sale of the Bonds to the Public).

   (3) A purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (B) more than 50% common ownership of their capital interests or profits interests, if both
entities are partnerships (including direct ownership by one partnership of another); or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(4) “Sale Date” means the date of execution of this contract by all parties.

(b) The Underwriter shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at the Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit L, with any modifications that be appropriate or necessary, in the reasonable judgment of the Underwriter, the City, and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(c) Except as otherwise set forth in Exhibit K attached hereto, the City will treat the first price at which 10% of each maturity of the Bonds (the “10% Test”) identified under the column “10% Test Used” in Exhibit K, is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). At or promptly after the execution of this contract, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% Test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public; provided that the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals.

(d) The Underwriter confirms that the Underwriter has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit K also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “Hold-the-Offering-Price Rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: the close of the 5th business day after the sale date; or the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering
Price to the public. The Underwriter will advise the City promptly after the close of the 5th business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

(e) The Underwriter hereby confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (1) report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals; and (2) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the Underwriter.

(f) The City acknowledges the following with respect to the Underwriter’s representation in section 20(e):

(1) If a selling group has been created in connection with the initial sale of the Bonds to the public, the Underwriter will rely on the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, if applicable, as set forth in a selling-group agreement and the related pricing wires.

(2) If a retail-distribution agreement was employed in connection with the initial sale of the Bonds to the public, the Underwriter will rely on the agreement of each broker-dealer that is a party to the agreement to comply with the Hold-the-Offering-Price Rule, if applicable, as set forth in the retail-distribution agreement and the related pricing wires.

(3) The Underwriter will not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person who is a Related Party to the Underwriter will not constitute sales to the Public for purposes of this section 20.

(Signature Page Follows)
STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: ________________________________
   Authorized Representative

Accepted and agreed to as of
the date first above written:

CITY OF SACRAMENTO

By: ________________________________
   John P. Colville Jr., City Treasurer

Date and Time of Execution: ________, 2019, at
___:___ p.m. (Sacramento time)
EXHIBIT A

$___________

CITY OF SACRAMENTO

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

MATURITY SCHEDULE AND
REDEMPTION TERMS

<table>
<thead>
<tr>
<th>Maturity (September 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
</table>

C = Priced to the optional redemption date of September 1, 20___, at ____%.
T = term bond.
Optional Redemption. The Bonds maturing on or after September 1, 20__, are subject to optional redemption by the City before their stated maturity dates, as a whole or in part on any date on or after September 1, 20__, from any source of available funds, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 20__, through August 31, 20__</td>
<td>103%</td>
</tr>
<tr>
<td>September 1, 20__, through August 31, 20__</td>
<td>102%</td>
</tr>
<tr>
<td>September 1, 20__, through August 31, 20__</td>
<td>101%</td>
</tr>
<tr>
<td>September 1, 20__ and any date thereafter</td>
<td>100%</td>
</tr>
</tbody>
</table>

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their 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:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any interest payment date through March 1, 20__</td>
<td>103%</td>
</tr>
<tr>
<td>September 1, 20__, and March 1, 20__</td>
<td>102%</td>
</tr>
<tr>
<td>September 1, 20__, and March 1, 20__</td>
<td>101%</td>
</tr>
<tr>
<td>September 1, 20__, and any Interest Payment Date thereafter</td>
<td>100%</td>
</tr>
</tbody>
</table>
EXHIBIT B

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

CERTIFICATE REGARDING PRELIMINARY OFFICIAL STATEMENT

I, John P. Colville Jr., City Treasurer, hereby state and certify as follows:

1. I am the duly appointed, qualified, and acting Treasurer of the City of Sacramento (the “City”), a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California. As such, I am familiar with the facts herein certified and am authorized and qualified to certify those facts.

2. With respect to the above-captioned bonds, the City has deemed the Preliminary Official Statement dated ______________, 2019, including the cover page and all appendices, to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, except for information permitted to be omitted therefrom by Rule 15c2-12.

Dated as of ________________, 2019

CITY OF SACRAMENTO

By ____________________________________________
John P. Colville Jr.
City Treasurer
EXHIBIT C

$___________

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

CLOSING CERTIFICATE OF THE CITY OF SACRAMENTO

The undersigned hereby certifies and represents that he is the duly appointed and acting representative of the City of Sacramento (the “City”) and is authorized to execute this certificate in connection with the issuance of the bonds identified above, and he further certifies and reconfirms the following on the City’s behalf:

1. The representations and warranties of the City contained in the Bond-Purchase Contract between the City and Stifel, Nicolaus & Company, Incorporated, dated ________________, 2019 (the “Contract”), are true and correct in all material respects as of the date of this certificate as if made on the date of this certificate.

2. The City has complied with all agreements, covenants, and conditions to be complied with by the City under the Indenture and the Contract as of the date of this certificate.

Each capitalized term not defined in this certificate has the meaning given to it in the Contract.

Dated: ________________, 2019

CITY OF SACRAMENTO

By: ________________________________

John P. Colville Jr.
City Treasurer
EXHIBIT D

$_________

CITY OF SACRAMENTO

NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

( IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019

CERTIFICATE OF SPECIAL-TAX CONSULTANT

The City of Sacramento has retained Goodwin Consulting Group, Inc., Sacramento, California (the “Special-Tax Consultant”) as a special-tax consultant in connection with the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 2) (the “CFD”). The Special-Tax Consultant has reviewed the rate and method of apportionment of special tax for the CFD (the “RMA”), which is set forth in Appendix A to the Official Statement (the “Official Statement”) dated ________________, 2019, relating to the bonds identified above (the “Bonds”). The Special Tax Consultant has also reviewed the summaries and descriptions of the RMA in the Official Statement. Based upon that review, the Special-Tax Consultant hereby certifies as follows:

(a) The Special Tax levied under the RMA, if levied in the maximum amounts permitted under the special-tax formula set forth in the RMA on the date of this certificate, would be levied in a combined amount equal to at least 110% of the projected debt service on the Bonds, provided that the annual debt-service figures in the debt-service schedules in the Official Statement, which were relied upon by Special Tax Consultant, are substantially true and correct. Although the Special Tax, if levied in the maximum amounts under the special-tax formula set forth in the RMA, would be levied in an amount equal to at least 110% of the projected debt service on the Bonds, no representation is made herein as to actual amounts that will be collected in future years.

(b) Except as disclosed in the Official Statement, there are, to the best of the Special Tax Consultant’s knowledge after reasonable and diligent investigation of records made available by the City and the County, no entities with outstanding assessment or special-tax liens against any of the properties within the CFD.

(c) All summaries of and information with respect to the RMA in the Official Statement, all information in Tables __ and __ in the Official Statement, and all other information provided by the Special Tax Consultant for inclusion in the Official Statement are true and correct as of the date of the Official Statement and as of the date hereof.

Each capitalized term not defined in this certificate has the meaning given to it in the Official Statement.

Dated: ________________, 2019 GOODWIN CONSULTING GROUP, INC.

_________________________________________
EXHIBIT E

$___________

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

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies that he or she is an authorized officer of U.S. Bank National Association (the “Bank”), as trustee under a Master Indenture dated as of May 1, 2019, between the City and the Bank, as supplemented and amended by a First Supplemental Indenture dated as of May 1, 2019 (collectively, the “Indenture”), between the City and the Bank, as trustee, relating to the bonds captioned above (the “Bonds”).

As such, the undersigned is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Bank:

(1) The Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture.

(2) The Bank has duly authorized, executed, and delivered the Indenture.

(3) To the Bank’s best knowledge after due inquiry, there is no action, suit, proceeding, or investigation at law or in equity before or by any court or governmental agency, public board, or public body (a) pending against the Bank or threatened against the Bank that in the Bank’s reasonable judgment would affect the Bank’s existence or (b) in any way contesting or affecting the validity or enforceability of the Indenture or contesting the Bank’s powers or its authority to enter into, and perform its obligations under, the Indenture.

Dated: ________________, 2019

U.S. Bank National Association,

as Trustee

By ________________________________

Authorized Officer
EXHIBIT F

SUPPLEMENTAL OPINION OF BOND COUNSEL

________________, 2019

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

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

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to section 9(c)(2) of the Bond Purchase
Contract, dated ________________, 2019 (the “Contract”), between you and the City of Sacramento
(the “City”), providing for the purchase of the special tax bonds captioned above (the “Bonds”). The
Bonds are being issued pursuant to a Master Indenture dated as of May 1, 2019, between the City and
U.S. Bank National Association (the “Trustee”), as supplemented and amended by a First Supplemental
Indenture dated as of May 1, 2019 (collectively, the “Indenture”), by and between the City and the
Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the
Indenture or, if not defined in the Indenture, in the Contract.

In connection with our role as bond counsel to the City, we have reviewed the Indenture; the
Contract; 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 provide 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. 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. We have further assumed compliance with all covenants and
agreements contained in such documents. In addition, we call attention to the fact that the rights and
obligations under the Bonds, the Indenture, the Tax Certificate and the Contract and their enforceability
may be subject to bankruptcy, insolvency, reorganization, receivership, 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 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. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement, dated __________________________, 2019 (the “Official Statement”), or other offering material relating to the Bonds and express no opinion relating 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 are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Contract has been duly executed and delivered by, and is a valid and binding agreement of, the City.

3. The statements contained in the Official Statement under the captions “THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS,” and “TAX MATTERS,” and contained in APPENDIX C – “PROPOSED FORM OF OPINION OF BOND COUNSEL” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Indenture, and the form and content of our final legal opinion as bond counsel to the City concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the City, are accurate in all material respects.

This letter is furnished by us as bond counsel to the City. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as underwriter of the Bonds is solely for your benefit as such underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by the owners of Bonds or any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP
EXHIBIT G

OPINION OF THE CITY ATTORNEY

___________________, 2019

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

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

Ladies and Gentlemen:

We have been acting as legal counsel for the City of Sacramento (the “City”) in connection with the issuance and delivery 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 amended by a First Supplemental Indenture dated as of May 1, 2019, both between the City and U.S. Bank National Association, as trustee (the “Trustee”) (collectively, the “Indenture”). We are providing this opinion to you in connection with the Bond-Purchase Contract dated ___________, 2019, between the City and Stifel, Nicolaus & Company, Incorporated (this “Contract”), which among other things provides for the purchase of the Bonds in the aggregate principal amount of $_______________. Unless otherwise defined in this opinion, or unless the context otherwise requires, the capitalized terms used below have the meanings given them in the Indenture or, if not defined in the Indenture, in this Contract.

We have examined the Indenture and the Contract (collectively, the “City Documents”) and the Bonds. Based on that examination and on our examination of such other information, papers, and documents as we considered necessary or advisable to examine before rendering an opinion (including the State of California’s Constitution and laws and the City’s governing instruments, ordinances, and public proceedings), we have concluded that the following statements are accurate as of the date of this opinion:

1. The City is a charter city duly organized and validly existing under its charter and the State of California’s Constitution and laws, with full right and lawful authority (a) to adopt the Resolution; (b) to sign and deliver the City Documents, the Bonds, and all related documents; (c) to perform its obligations under the documents identified in clause (b) of this paragraph; and (d) to issue the Bonds.

2. The Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California, is a community facilities district duly organized and validly existing under California law, including the Mello-Roos Community Facilities Act of 1982 set out in the California Government Code beginning with section 53311 (the “Mello-Roos Act”).

3. The City has duly and validly authorized, executed, and delivered the City Documents and the Bonds. Hence, the City Documents and the Bonds constitute legal, valid, and binding obligations of
the City, enforceable against the City in accordance with their terms, except as enforcement may be limited by—

(a) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including fraudulent-conveyance laws);

(b) general principles of equity, including concepts of materiality, reasonableness, and good faith and fair dealing;

(c) the possible unavailability of specific performance or injunctive relief, whether in a proceeding in equity or at law; or

(d) the exercise of judicial discretion in appropriate cases or the limitations on legal remedies against public entities in California.

4. At a public meeting called and held according to law with all public notice required by law, and at which a quorum was present and acting throughout, the Sacramento City Council (the “City Council”) duly adopted the Resolution, which is in full force and effect and has not been amended or rescinded.

5. To our actual knowledge, the City Council’s adoption of the Resolution; the City’s execution and delivery of the City Documents, the Bonds, the Final Official Statement, and all related documents; the consummation of the transactions described in the Resolution, the City Documents, and all related documents; and the City’s compliance with the Resolution, the City Documents, the Bonds, and all related documents do not in any material way—

(a) conflict with, or constitute on the part of the City a violation of, or a breach of or default under, any material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound;

(b) violate the City’s charter, the Mello-Roos Act, or the California Constitution; or

(c) violate any law, rule, regulation, ordinance, judgment, order, or decree that applies to the City or to the members of the City Council or any of the City’s officers in his or her capacity as an officer.

6. Except as specifically disclosed in the Official Statement, to our actual knowledge the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—

(a) that questions in any way the powers of the City Council in connection with the issuance of the Bonds;

(b) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds;

(c) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on
the City’s financial condition or on the transactions described in this Contract;

(d) that is likely to adversely affect the validity or enforceability of the Resolution, the Bonds, or the City Documents; or

(e) that questions in any other way the status of the Bonds under California’s tax laws or tax regulations.

● ● ●

We express no opinion about any indemnification or contribution provision in the City Documents. We also express no opinion about the City’s financial capacity or lack of financial capacity. Finally, we express no opinion about the state or federal laws that pertain to the tax-exempt status of the Bonds.

Sincerely yours,

Susana Alcala Wood
City Attorney

By: ________________________________
Joseph Cerullo
Senior Deputy City Attorney
EXHIBIT H

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

CERTIFICATE OF APPRAISER

BBG, Inc. of Sacramento, California (the “Appraiser”), prepared an appraisal report of certain properties within Improvement Area No. 2 of the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (the “CFD”) dated ________________, 2019 (the “Appraisal”). The Appraisal is described and summarized in, and is set out as Appendix B to, the Preliminary Official Statement dated ________________, 2019 (the “Preliminary Official Statement”), and the Official Statement dated ________________, 2019 (the “Final Official Statement”), relating to the bonds captioned above.

1. The Appraiser hereby certifies as follows to the best of its knowledge and belief: (a) all information with respect to the Appraisal in the Preliminary Official Statement and the Final Official Statement was true and correct as of the date of the Appraisal; (b) since the date of the Appraisal, nothing has come to the attention of the Appraiser that would cause the Appraiser to believe that the value of the property appraised therein is less than the value reported in the Appraisal; provided, that acts and events may have occurred since the date of the Appraisal which could result in both positive and negative effects on market value of such property; and (c) that a further updated Appraisal has not been completed as of the date of this certificate.

2. The Appraiser hereby consents to the use of the Appraisal in connection with the distribution and use of the Preliminary Official Statement and Final Official Statement.

Dated: ________________, 2019

BBG, INC.

By: ________________________________
EXHIBIT I

$___________

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

CERTIFICATE OF DEVELOPER

____________________, 2019

In connection with the issuance, sale and delivery by the City of Sacramento (the “City”) with respect to Improvement Area No. 2 of the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (the “District”) of the bonds captioned above (the “Bonds”), and pursuant to a Bond Purchase Contract (the “Bond Purchase Contract”) to be entered into between the City and Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”), the undersigned, in his or her capacity as a duly authorized officer or representative of _____________________, a ________________________________________(the “Developer”), hereby certifies, on behalf of the Developer, as follows as of the date hereof:

1. The undersigned is familiar with the facts herein certified and is duly authorized to execute this certificate on behalf of the Developer.

2. Capitalized terms not defined herein have the same meaning as is set forth in the Bond Purchase Contract. As used in this certificate, the following capitalized terms have the meanings set forth below:

   (a) “Actual Knowledge of the Undersigned” means the knowledge that the individual signing this certificate on behalf of the Developer currently has as of the date of this certificate or has obtained through either or both of the following: (1) interviews with such current officers and responsible employees of the Developer as the undersigned has determined are reasonably likely, in the ordinary course of their duties, to have knowledge of the matters set forth in this certificate; and (2) a review of documents that were reasonably available to the undersigned and that the undersigned has reasonably deemed necessary for the undersigned to obtain knowledge of the matters set forth in this certificate. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations. The individual signing this certificate has not contacted any individuals who are no longer employed by, or associated with, the Developer.

   (b) “Developer Information” means all written information that (1) concerns the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property; and (2) was submitted by, or on behalf of, the employees of the Developer involved in the issuance of the Bonds to the Underwriter, the City, or Disclosure Counsel in connection with the preparation of the Preliminary Official Statement,
or to the Special Tax Consultant in connection with the tables contained in the Preliminary Official Statement.

(c) “Property” means the real property in Improvement Area No. 2 of the District held in the name of the Developer.

3. The Developer is a ______________________, qualified to conduct business in the State of California.

4. To the Actual Knowledge of the Undersigned, all Developer Information as updated and modified to the date hereof is true, complete, and correct in all material respects.

5. As of the date of the Preliminary Official Statement, the statements contained in the Preliminary Official Statement under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT – __________________” solely as they relate to the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property (excluding any statements regarding any property owner or the property owned by a property owner other than the Developer and any statements that cite information from a source other than the Developer) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. No proceedings are pending (based upon service of process upon the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, are threatened in writing in which the Developer or any of its members may be adjudicated as bankrupt or discharged from any and all of their respective debts or obligations or granted an extension of time to pay their respective debts or a reorganization or readjustment of their respective debts.

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

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

9. To the Actual Knowledge of the Undersigned, the Developer is fully qualified by all necessary permits, licenses, and certifications to conduct its business as the business is presently being conducted and, except as may be required under blue-sky laws or other securities laws of any state, and except for any licenses, certificates, approvals, variances, and permits that may be necessary for the construction and operation of the Developer’s development project within Improvement Area No. 2 of the District as described in the Preliminary Official Statement (the “Project”), there is no consent, approval, authorization, or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Developer, other than those that have been obtained and are in full force and effect, that is required for the consummation by the Developer of the actions to be consummated by the Developer with respect to the Project as described in the Preliminary Official Statement.
10. To the Actual Knowledge of the Undersigned, the Developer is not in violation of any provision of, or in default under, its [limited-liability-company agreement][partnership agreement][limited partnership agreement] or any other relevant and material agreement, lease, or contract to which the Developer is a party or is otherwise subject, the violation of or default under which could reasonably be expected to materially and adversely affect the Developer’s ability to own and develop the Property as described in the Preliminary Official Statement or to pay Special Taxes due with respect to the Property and for which the Developer is responsible prior to delinquency.

11. The undersigned has reviewed the contents of the Preliminary Official Statement. The undersigned has reviewed the contents of this certificate and has conferred with counsel to the Developer for the purpose of discussing the meaning of the contents of this certificate.

12. The Developer agrees to provide a certification to be dated the date of issuance of the Bonds in the form attached hereto as Exhibit A.

   The undersigned has executed this certificate solely in his or her capacity as an authorized officer or representative of the Developer and he or she will have no personal liability arising from or relating to this certificate. Any liability arising from or relating to this certificate may only be asserted against the Developer.

   [DEVELOPER],
   a ____________________

   By: ____________________
   Name: __________________
   Its: ____________________
EXHIBIT A

FORM OF CLOSING CERTIFICATE
EXHIBIT J

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

CLOSING CERTIFICATE OF DEVELOPER

___________________, 2019

In connection with the issuance, sale and delivery by the City of Sacramento (the “City”) with respect to Improvement Area No. 2 of the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (the “District”) of the bonds captioned above (the “Bonds”), and in accordance with the Bond Purchase Contract (the “Bond Purchase Contract”) between the City and Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”), the undersigned, in his or her capacity as a duly authorized officer or representative of ____________________, a __________________________ (the “Developer”), hereby certifies, on behalf of the Developer, as follows as of the date hereof:

1. The undersigned is familiar with the facts herein certified and is duly authorized to execute this Closing Certificate (the “Closing Certificate”) on behalf of the Developer.

2. The Developer has duly executed the Certificate of Developer, dated ____________________, 2019 (the “Developer Certificate”).

3. Capitalized terms that are not defined in this Closing Certificate have the meanings given them in the Developer Certificate.

4. To the Actual Knowledge of the Undersigned, the representations and warranties of the Developer in the Developer Certificate are true and correct in all material respects on and as of the date of this Closing Certificate (the “Closing Date”), with the same effect as if made on the Closing Date.

5. As of [PRICING DATE], the statements contained in the Preliminary Official Statement under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT — _________” solely as they relate to the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property (excluding any statements regarding any property owner or the property owned by a property owner other than the Developer and any statements that cite information from a source other than the Developer) did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. The statements contained in the Official Statement under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT — _________” solely as they relate to the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property (excluding any statements regarding any property owner or the property owned by a property owner other than the Developer and any statements that cite information from a source
other than the Developer) did not, as of its date, and as of the date hereof, does not contain any untrue statement of a material fact and, as of its date, did not omit, and, as of the date hereof, does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. At any time after the date of this Closing Certificate and within 25 days after the Closing Date, if any event occurs that relates to or affects the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property, and if, as a result of that event, any statements in the Official Statement that are referenced in Paragraph 5 of the Developer Certificate (other than the excluded statements) become materially untrue, then the Developer shall notify the City and the Underwriter immediately, except that there is no obligation to notify the Underwriter or the City as to the performance or completion of development of the Property as described in the Official Statement.

8. To the Actual Knowledge of the Undersigned, since the date of the Official Statement no event has occurred that affects the statements and information in the Official Statement that are referenced in Paragraph 5 of the Developer Certificate (other than the excluded statements) solely as they relate to the Developer and its affiliates, the Property, ownership of the Property, the Developer’s proposed development of the Property, or the Developer’s and its affiliates’ financing plans for carrying out the proposed development of the Property that should be disclosed in the Official Statement in order to make the statements and information in the Official Statement not misleading in any material respect.

The undersigned has executed this Closing Certificate solely in his or her capacity as an authorized officer or representative of the Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

[DEVELOPER],
a ________________

By: __________________________
Name: _________________________
Its: ___________________________

Page 107 of 384
EXHIBIT K

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

FORM OF DEVELOPER’S COUNSEL OPINION

Capitalized terms used but not defined in this exhibit have the meanings given them in the Bond-Purchase Contract dated ________________ 2019, between the City of Sacramento and Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Contract”).

3. One or more letters of legal counsel that Granite Bay-Natomas Meadows, LP, a Washington limited partnership (the “Developer”) has engaged in connection with the issuance of the Bonds, which may be in-house counsel or retained outside counsel, or both (together, the “Lawyers”), to the following effect: no information came to the attention of the Lawyers that caused them to believe that the information in the Preliminary Official Statement or the Final Official Statement or in any amendments or supplements to either of those documents (collectively, the “Official Statements”) under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” (excluding any information regarding any property owner other than the Developer or the property owned by a property owner other than the Developer and any information cited from a source other than the Developer), as of dates of the Official Statements and as of the dates of the letter or letters, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Lawyers need not opine as to the following: any financial statements and other financial, statistical, economic, or engineering data or forecasts, estimates, projections, assumptions, or expressions of opinion; or any information about valuation, appraisals, market absorption, archaeological, or environmental matters.

B. A letter from the Lawyers responsible for overseeing litigation concerning the Developer, certifying that, except as set forth in the Official Statements, no litigation that would materially and adversely affect the Developer’s ability to do either of the following is pending against the Developer (with service of process to the Developer having been accomplished) or, to the actual knowledge of the Lawyers, is threatened in writing against the Developer: (a) to complete the Developer’s planned acquisition, development, and sale of property it owns in the CFD; or (b) to pay special taxes or ad valorem property taxes before delinquency on the property it owns in the CFD.
EXHIBIT L

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

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Bond-Purchase Contract.** On ________________, 2019 (the “Sale Date”), the Underwriter and the Issuer executed a Bond-Purchase Contract (the “Purchase Agreement”) in connection with the sale of the Bonds. The Underwriter has not modified the Purchase Agreement since its execution on the Sale Date.

2. **Price.** As of the date of this Certificate, for each Maturity of the Bonds, the first price at which at least 10% of [each] such Maturity of the Bonds was sold to the Public (the “10% Test”) was the respective price for such Maturity listed in Schedule A attached hereto.

3. **Defined Terms.**

   (a) **Issuer** means the City of Sacramento.

   (b) **Maturity** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

   (c) **Public** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

   (d) **Underwriter** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

4. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate of the Issuer dated [closing date] and with respect to compliance with the federal income tax rules.
affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: ____________________________
   [Title]

By: ____________________________
   [Title]

Dated: _______________________, 2019
SCHEDULE A TO EXHIBIT L
FORM OF ISSUE PRICE CERTIFICATE

Actual Sales Information as of Closing Date

<table>
<thead>
<tr>
<th>Maturity/CUSIP</th>
<th>Coupon</th>
<th>Date Sold</th>
<th>Time Sold</th>
<th>Par Amount</th>
<th>Sale Price</th>
</tr>
</thead>
</table>

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2019

NEW ISSUE—BOOK-ENTRY-ONLY

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.”

$7,320,000*

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.”


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.

MATUREY SCHEDULE

(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for Granite Bay-Natomas Meadows, LP by Holland & Knight LLP, San Francisco, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about May __, 2019.

[STIFEL LOGO]

Dated: May __, 2019

* Preliminary, subject to change.
### CITY OF SACRAMENTO
### NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01
### (IMPROVEMENT AREA NO. 2) SPECIAL TAX BONDS, SERIES 2019
### MATURITY SCHEDULE

**BASE CUSIP®†:**

**SERIAL BONDS**

<table>
<thead>
<tr>
<th>Maturity Date (September 1)</th>
<th>Principal Amount $</th>
<th>Interest Rate %</th>
<th>Yield %</th>
<th>Price</th>
<th>CUSIP®†</th>
</tr>
</thead>
</table>

$________ ____% Term Bonds due September 1, 20__, Yield: ___% Price: _____ CUSIP No. † ___

$________ ____% Term Bonds due September 1, 20__, Yield: ___% Price: _____ CUSIP No. † ___

---

† 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 Colville, City Treasurer
Susana Alcala Wood, City Attorney
Mindy Cuppy, City Clerk
Dawn Holm, Finance Director

PROFESSIONAL SERVICES

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel
Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor
FirstSouthwest, a Division of Hilltop Securities, Inc.
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.**
TABLE OF CONTENTS

INTRODUCTION .................................................. 1
Improvement Area No. 2 .................................... 1
Property Ownership and Development Status ....... 2
Forward Looking Statements .............................. 4
Sources of Payment for the Bonds ..................... 4
Appraisal Report .............................................. 6
Description of the Bonds .................................... 6
Professionals Involved in the Offering............... 7
Continuing Disclosure...................................... 7
Bond Holders’ Risks ......................................... 8
Other Information ............................................ 8
THE FINANCING PLAN ...................................... 8
Authorized Facilities and Fees ......................... 8
Estimated Sources and Uses of Funds ................. 9
THE BONDS ................................................... 9
General Provisions .......................................... 9
Redemption .................................................. 10
DEBT SERVICE SCHEDULE ............................... 12
SOURCES OF PAYMENT FOR THE BONDS .......... 14
Limited Obligations ........................................ 14
Special Tax ................................................ 14
Bond Reserve Fund ........................................ 20
Issuance of Refunding Bonds ............................ 21
Teeter Plan .................................................. 21
IMPROVEMENT AREA NO. 2 ............................ 21
General Description ........................................ 21
Description of Authorized Facilities ................. 24
De Facto Building Moratorium and Flood Hazard .. 24
Direct and Overlapping Indebtedness ................. 25
Estimated Fiscal Year 2019-20 Tax Burden ........ 26
Property Values ............................................ 27
Value-To-Lien Ratios ...................................... 30
Property Ownership Summary ....................... 32
Delinquency History ....................................... 35
PROPERTY OWNERSHIP AND THE DEVELOPMENT... 35
General .................................................... 35
Granite Bay ................................................. 36
Granite Bay Development Plan ....................... 37
Anthem .................................................... 38
Lennar ..................................................... 38
Woodside .................................................. 40
Carson Homes ............................................ 41
SPECIAL RISK FACTORS ................................. 43
Risks of Real Estate Secured Investments ...... 43
Generally .................................................. 43
Concentration of Ownership ........................... 43
Failure to Develop Properties ....................... 44
Tax Cuts and Jobs Act ................................... 45
Limited Obligations ...................................... 45
Insufficiency of Special Tax ............................ 45
Teeter Plan Termination ................................ 46
No Representation as to Merchant Builders ....... 47
Natural Disasters ......................................... 47
Hazardous Substances .................................... 48
Payment of the Special Tax is not a Personal Obligation of the Property Owners .... 48
Property Values .......................................... 48
Parity Taxes and Special Assessments ............... 49
Disclosures to Future Purchasers .................... 50
Special Tax Collections .................................. 50
FDIC/Federal Government Interests in Properties . 50
Bankruptcy and Foreclosure ............................ 52
No Acceleration Provision ............................... 53
Loss of Tax Exemption ................................... 53
Limited Secondary Market ............................. 53
Proposition 218 ......................................... 53
Ballot Initiatives .......................................... 55
Limitations on Remedies ................................ 55
Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds ... 55
CONTINUING DISCLOSURE ............................ 55
City Continuing Disclosure ............................. 55
Developer Continuing Disclosure ................... 56
TAX MATTERS ............................................. 56
LEGAL MATTERS .......................................... 58
ABSENCE OF LITIGATION ............................. 58
MUNICIPAL ADVISOR .................................... 58
NO RATING ................................................ 59
UNDERWRITING .......................................... 59
FINANCIAL INTERESTS ................................. 59
PENDING LEGISLATION ................................. 59
ADDITIONAL INFORMATION ......................... 59
APPENDIX A AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX .................. A-1
APPENDIX B APPRAISAL REPORT AND UPDATE APPRAISAL REPORT ... B-1
APPENDIX C PROPOSED FORM OF OPINION OF BOND COUNSEL ............... C-1
APPENDIX D GENERAL INFORMATION CONCERNING THE REGION .... D-1
APPENDIX E SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE .......... E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY .......... F-1
APPENDIX G FORM OF CONTINUING DISCLOSURE CERTIFICATES OF DEVELOPERS ....................... G-1
APPENDIX H BOOK-ENTRY ONLY SYSTEM .... H-1

[INSERT COLOR REGIONAL MAP HERE]
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 $7,320,000*. 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.”

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

* Preliminary, subject to change.
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 Taxes — 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 are under contract to be sold to Woodside, which sale is expected to close at the end of May 2019. 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.

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

(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.”
(3) The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is expected to close at the end of May 2019. 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. With the exception of the final map for the 84 finished lots owned by Granite Bay, final maps have been recorded for all of the property within Improvement Area No. 2. The final map for the 84 finished lots owned by Granite Bay was approved by the City Council of the City on April 23, 2019, and Granite Bay expects to record such map by early May 2019. 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.

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

(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 expected to close at the end of May 2019. 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 occupied by homeowners, homes under construction and a completed clubhouse. 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 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 instalments 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 instalments 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 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, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the underwriter (the “Underwriter”) of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for Granite Bay by Holland & Knight LLP, San Francisco, California, and for the Trustee by its counsel. Other professional services have been performed by BBG, Inc., Sacramento, California, as the Appraiser, FirstSouthwest, a Division of 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 expects 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. Based on the scheduled transfer of lots at the end of May 2019, it is expected that Granite Bay will not file any Developer Reports prior to the termination of its continuing disclosure undertaking. Should such transfer not
occur as scheduled, 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” herein.

**Other Information**

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

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

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

**THE FINANCING PLAN**

**Authorized Facilities 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
- Plus Original Issue Premium

Total Sources

Uses of Funds:
- Acquisition and Construction Fund
- Bond Redemption Fund\(^{(1)}\)
- Costs of Issuance Fund\(^{(2)}\)
- Bond Reserve Fund

Total Uses

\(^{(1)}\) 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 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, 20__, 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:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>103%</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>102</td>
</tr>
<tr>
<td>September 1, 20__ through and including August 31, 20__</td>
<td>101</td>
</tr>
<tr>
<td>September 1, 20__ and any date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any Interest Payment Date through and including March 1, 20__</td>
<td>103%</td>
</tr>
<tr>
<td>September 1, 20__ and March 1, 20__</td>
<td>102</td>
</tr>
<tr>
<td>September 1, 20__, and March 1, 20__</td>
<td>101</td>
</tr>
<tr>
<td>September 1, 20__, and any Interest Payment Date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

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, 20__, 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:
<table>
<thead>
<tr>
<th>Sinking Fund Redemption Date</th>
<th>Sinking Fund Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(September 1)</td>
<td></td>
</tr>
</tbody>
</table>

(maturity)

The Bonds maturing on September 1, 20__, 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:

<table>
<thead>
<tr>
<th>Sinking Fund Redemption Date</th>
<th>Sinking Fund Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(September 1)</td>
<td></td>
</tr>
</tbody>
</table>

(maturity)

**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.
<table>
<thead>
<tr>
<th>Date</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Annual Debt Service</th>
</tr>
</thead>
</table>

**Totals**

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 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.


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:

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

(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 $_________ 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 — PAYMENT OF BONDS — 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.


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 January 16, 2015, the City resumed acceptance of applications for building permits within the Natomas Basin. See “—De Facto Building Moratorium and Flood Hazard” below.

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 expected to close at the end of May 2019. With the exception of the final map for the 84 finished lots owned by Granite Bay, final maps have been recorded for all of the property within Improvement Area No. 2. The final map for the 84 finished lots owned by Granite Bay was approved by the City Council of the City on April 23, 2019, and Granite Bay expects to record such map by early May 2019. 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>
<thead>
<tr>
<th>Ownership of Property</th>
<th>Number of Parcels/Units Owned</th>
<th>Homes Completed and Closed to Individual Homeowners</th>
<th>Property Development Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granite Bay – Under Contract with Woodside(^{(2)})</td>
<td>84</td>
<td>0</td>
<td>Finished Lots</td>
</tr>
<tr>
<td>Anthem</td>
<td>28</td>
<td>21</td>
<td>Finished Lots/Homes Under Construction</td>
</tr>
<tr>
<td>Lennar</td>
<td>48</td>
<td>0</td>
<td>Finished Lots/Homes Under Construction</td>
</tr>
<tr>
<td>Woodside</td>
<td>57</td>
<td>0</td>
<td>Finished Lots/Homes Under Construction</td>
</tr>
<tr>
<td>Carson Homes</td>
<td>12</td>
<td>10</td>
<td>Homes Under Construction</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>229</strong></td>
<td><strong>31</strong></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) As of April 1, 2019.

\(^{(2)}\) The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is expected to close at the end of May 2019.

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

<table>
<thead>
<tr>
<th>Overlapping District</th>
<th>Percent Applicable</th>
<th>Total Outstanding Bonded Debt(1)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds</td>
<td>0.031%</td>
<td>$ 83,110</td>
</tr>
<tr>
<td>Sacramento Area Flood Control District Natomas Basin Local Assessment District</td>
<td>0.112</td>
<td>36,687</td>
</tr>
<tr>
<td>City of Sacramento Natomas Meadows CFD No. 2007-01, Improvement Area No. 2 Bonds</td>
<td>100.000</td>
<td>$ 7,320,000*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ 7,439,797*</td>
</tr>
</tbody>
</table>

Total Property Value(2):  $32,250,000
Value-to-Lien Ratio                  4.33:1

* Preliminary, subject to change.
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
(IMPORTANCE AREA NO. 2)
ESTIMATED TAX OBLIGATION
FOR SAMPLE UNITS

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Tax Zone 5</th>
<th>Tax Zone 6</th>
<th>Tax Zone 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Home Price(^{(1)})</td>
<td>1,750 SF</td>
<td>1,950 SF</td>
<td>2,900 SF</td>
</tr>
<tr>
<td>Homeowner’s Exemption</td>
<td>(7,000)</td>
<td>(7,000)</td>
<td>(7,000)</td>
</tr>
<tr>
<td>Net Estimated Value</td>
<td>$338,000</td>
<td>$363,000</td>
<td>$503,000</td>
</tr>
</tbody>
</table>

### Ad Valorem Property Taxes

<table>
<thead>
<tr>
<th></th>
<th>Percent of Total Value(^{(2)})</th>
<th>1,750 SF</th>
<th>1,950 SF</th>
<th>2,900 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purposes</td>
<td>1.0000%</td>
<td>$3,380</td>
<td>$3,630</td>
<td>$5,030</td>
</tr>
<tr>
<td>Los Rios Community College District GO Bonds</td>
<td>0.0131</td>
<td>44</td>
<td>48</td>
<td>66</td>
</tr>
<tr>
<td>Natomas USD GO Bonds</td>
<td>0.1928</td>
<td>652</td>
<td>700</td>
<td>970</td>
</tr>
<tr>
<td><strong>Total Ad Valorem Property Taxes</strong></td>
<td>1.2059%</td>
<td>$4,076</td>
<td>$4,377</td>
<td>$6,066</td>
</tr>
</tbody>
</table>

### Direct Charges

<table>
<thead>
<tr>
<th></th>
<th>1,750 SF</th>
<th>1,950 SF</th>
<th>2,900 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFCA Consolidated Capital Assessment #2</td>
<td>$150</td>
<td>$175</td>
<td>$233</td>
</tr>
<tr>
<td>Sacramento Area Flood Control</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Sacramento Maintenance CFD No. 2014-04</td>
<td>129</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Natomas Basin Local Assessment District</td>
<td>57</td>
<td>66</td>
<td>88</td>
</tr>
<tr>
<td>Sacramento Library Services Tax</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>SACTO Core Library Services Tax</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>North Natomas TMA CFD</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>North Natomas Landscaping CFD No. 3</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Neighborhood Park Maintenance CFD 2002-02</td>
<td>69</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>Reclamation District No. 1000 M&amp;O</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Improvement Area No. 2 Natomas Meadows CFD 2007-01(^{(3)})</td>
<td>1,520</td>
<td>1,351</td>
<td>1,971</td>
</tr>
<tr>
<td><strong>Total Direct Changes</strong></td>
<td>$2,067</td>
<td>$1,933</td>
<td>$2,640</td>
</tr>
</tbody>
</table>

### Total Taxes and Direct Charges\(^{(4)}\)

<table>
<thead>
<tr>
<th></th>
<th>1,750 SF</th>
<th>1,950 SF</th>
<th>2,900 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,143</td>
<td>$6,310</td>
<td>$8,706</td>
<td></td>
</tr>
</tbody>
</table>

### 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 the District 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
(IMPORTANCE AREA NO. 2)
SUMMARY OF APPRAISED VALUES
(AS OF FEBRUARY 7, 2019)

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

(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.”


(3) The 84 lots owned by Granite Bay are under contract to be sold to Woodside, which sale is expected to close at the end of May 2019. 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 4.33-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.

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

<table>
<thead>
<tr>
<th>Special Tax Category</th>
<th>Number of Planned Residential Units(1)</th>
<th>Taxable Acreage</th>
<th>Appraised Value(1)</th>
<th>Estimated Fiscal Year 2019-20 Special Tax Levy(2)*</th>
<th>Percent of Estimated Fiscal Year 2019-20 Tax Levy*</th>
<th>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds (3)*</th>
<th>Total Direct and Overlapping Debt (4)*</th>
<th>Value-to-Lien Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Property(5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Homeowners</td>
<td>24</td>
<td>N/A</td>
<td>$ 10,470,000</td>
<td>$ 44,146</td>
<td>11.8%</td>
<td>$ 866,108</td>
<td>$ 944,421</td>
<td>11.09:1</td>
</tr>
<tr>
<td>Anthem</td>
<td>12</td>
<td>N/A</td>
<td>1,836,141</td>
<td>23,649</td>
<td>6.3</td>
<td>463,986</td>
<td>471,373</td>
<td>3.90:1</td>
</tr>
<tr>
<td>Carson Homes</td>
<td>15</td>
<td>N/A</td>
<td>2,455,000</td>
<td>22,805</td>
<td>6.1</td>
<td>447,417</td>
<td>472,382</td>
<td>5.20:1</td>
</tr>
<tr>
<td>Woodside</td>
<td>4</td>
<td>N/A</td>
<td>280,000</td>
<td>6,081</td>
<td>1.6</td>
<td>119,311</td>
<td>119,439</td>
<td>2.34:1</td>
</tr>
<tr>
<td>Lennar Homes</td>
<td>8</td>
<td>N/A</td>
<td>640,000</td>
<td>13,514</td>
<td>3.6</td>
<td>265,135</td>
<td>265,391</td>
<td>2.41:1</td>
</tr>
<tr>
<td>Natomas Meadows Community Association(6)</td>
<td>N/A</td>
<td>0.54</td>
<td>0</td>
<td>13,831</td>
<td>3.7</td>
<td>271,355</td>
<td>274,964</td>
<td>N/A</td>
</tr>
<tr>
<td>Subtotal</td>
<td>63</td>
<td>0.54</td>
<td>$ 15,681,141</td>
<td>$ 124,026</td>
<td>33.2%</td>
<td>$ 2,433,313</td>
<td>$ 2,547,971</td>
<td>6.15:1</td>
</tr>
<tr>
<td>Undeveloped Property(6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granite Bay</td>
<td>84</td>
<td>7.33</td>
<td>$ 7,195,000</td>
<td>$ 121,523</td>
<td>32.6%</td>
<td>$ 2,384,205</td>
<td>$ 2,385,681</td>
<td>3.02:1</td>
</tr>
<tr>
<td>Anthem</td>
<td>20</td>
<td>2.23</td>
<td>2,463,859</td>
<td>26,740</td>
<td>7.2</td>
<td>524,623</td>
<td>525,309</td>
<td>4.69:1</td>
</tr>
<tr>
<td>Woodside</td>
<td>53</td>
<td>3.22</td>
<td>3,710,000</td>
<td>53,334</td>
<td>14.3</td>
<td>1,046,383</td>
<td>1,048,082</td>
<td>3.54:1</td>
</tr>
<tr>
<td>Lennar</td>
<td>40</td>
<td>2.74</td>
<td>3,200,000</td>
<td>47,477</td>
<td>12.7</td>
<td>931,476</td>
<td>932,753</td>
<td>3.43:1</td>
</tr>
<tr>
<td>Subtotal</td>
<td>197</td>
<td>15.51</td>
<td>$ 16,568,859</td>
<td>$ 249,074</td>
<td>66.8%</td>
<td>$ 4,886,687</td>
<td>$ 4,891,826</td>
<td>3.39:1</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>16.05</td>
<td>$ 32,250,000</td>
<td>$ 373,100</td>
<td>100.0%</td>
<td>$ 7,320,000</td>
<td>$ 7,439,797</td>
<td>4.33:1</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.

(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>
<thead>
<tr>
<th>Property Ownership(1)</th>
<th>Number of Planned Residential Units(1)</th>
<th>Appraised Value(1)</th>
<th>Estimated Fiscal Year 2019-20 Special Tax Levy*</th>
<th>Percent of Estimated Fiscal Year 2019-20 Special Tax Levy*</th>
<th>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds(2)*</th>
<th>Total Direct and Overlapping Debt Lien(3)*</th>
<th>Value-to-Lien Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Homeowners</td>
<td>24</td>
<td>$10,470,000</td>
<td>$44,146</td>
<td>11.8%</td>
<td>$866,108</td>
<td>$944,421</td>
<td>11.09:1</td>
</tr>
<tr>
<td>Anthem</td>
<td>32</td>
<td>4,300,000</td>
<td>50,389</td>
<td>13.5</td>
<td>988,609</td>
<td>996,683</td>
<td>4.31:1</td>
</tr>
<tr>
<td>Carson Homes</td>
<td>15</td>
<td>2,455,000</td>
<td>22,805</td>
<td>6.1</td>
<td>447,417</td>
<td>472,382</td>
<td>5.20:1</td>
</tr>
<tr>
<td>Granite Bay</td>
<td>84</td>
<td>7,195,000</td>
<td>121,523</td>
<td>32.6</td>
<td>2,384,205</td>
<td>2,385,681</td>
<td>3.02:1</td>
</tr>
<tr>
<td>Woodside</td>
<td>57</td>
<td>3,990,000</td>
<td>59,415</td>
<td>15.9</td>
<td>1,165,694</td>
<td>1,167,521</td>
<td>3.42:1</td>
</tr>
<tr>
<td>Lennar</td>
<td>48</td>
<td>3,840,000</td>
<td>60,991</td>
<td>16.3</td>
<td>1,196,612</td>
<td>1,198,144</td>
<td>3.20:1</td>
</tr>
<tr>
<td>Natomas Meadows Community Association(4)</td>
<td>N/A</td>
<td>N/A</td>
<td>13,831</td>
<td>3.7</td>
<td>271,355</td>
<td>274,964</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>$32,250,000</td>
<td>$373,100</td>
<td>100.0%</td>
<td>$7,320,000</td>
<td>$7,439,797</td>
<td>4.33:1</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.
(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**

<table>
<thead>
<tr>
<th>Special Tax Category and Development Status</th>
<th>Number of Planned Residential Units(1)</th>
<th>Taxable Acreage</th>
<th>Appraised Value(1)</th>
<th>Estimated Fiscal Year 2019-20 Special Tax Levy(2)*</th>
<th>Percent of Estimated Fiscal Year 2019-20 Tax Levy*</th>
<th>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds (3)*</th>
<th>Total Direct and Overlapping Debt (3)(4)*</th>
<th>Value-to-Lien Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Property(5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completed Homes – Individually-Owned</td>
<td>24</td>
<td>N/A</td>
<td>$ 10,470,000</td>
<td>$ 44,146</td>
<td>11.8%</td>
<td>$ 866,108</td>
<td>$ 944,421</td>
<td>11.09:1</td>
</tr>
<tr>
<td>Completed Homes – Builder-Owned</td>
<td>1</td>
<td>N/A</td>
<td>115,000</td>
<td>1,520</td>
<td>0.4</td>
<td>29,828</td>
<td>32,248</td>
<td>3.57:1</td>
</tr>
<tr>
<td>Completed Homes – Model Homes</td>
<td>4</td>
<td>N/A</td>
<td>1,190,000</td>
<td>6,081</td>
<td>1.6</td>
<td>119,311</td>
<td>128,328</td>
<td>9.27:1</td>
</tr>
<tr>
<td>Homes Under Construction/Finished Lots</td>
<td>34</td>
<td>N/A</td>
<td>3,906,141</td>
<td>58,448</td>
<td>15.7</td>
<td>1,146,711</td>
<td>1,168,010</td>
<td>3.34:1</td>
</tr>
<tr>
<td>Completed Community Clubhouse(6)</td>
<td>N/A</td>
<td>0.54</td>
<td>13,831</td>
<td>3.7</td>
<td>271,355</td>
<td>274,964</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>63</td>
<td>0.54</td>
<td>$ 15,681,141</td>
<td>$ 124,026</td>
<td>33.2%</td>
<td>$ 2,433,313</td>
<td>$ 2,547,971</td>
<td>6.15:1</td>
</tr>
<tr>
<td>Undeveloped Property(7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished Lots(7)</td>
<td>197</td>
<td>15.51</td>
<td>$ 16,568,859</td>
<td>$ 249,074</td>
<td>66.8%</td>
<td>$ 4,886,687</td>
<td>$ 4,891,826</td>
<td>3.39:1</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>16.05</td>
<td>$ 32,250,000</td>
<td>$ 373,100</td>
<td>100.0%</td>
<td>$ 7,320,000</td>
<td>$ 7,439,797</td>
<td>4.33:1</td>
</tr>
</tbody>
</table>

*Preliminary, subject to change.

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 approved by the City Council of the City on April 23, 2019, and Granite Bay expects to record such map by early May 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*

<table>
<thead>
<tr>
<th>Value-to-Lien Category</th>
<th>No. of Taxable Parcels</th>
<th>Number of Planned Residential Units(1)</th>
<th>Appraised Value</th>
<th>Estimated Fiscal Year 2019-20 Special Tax Levy</th>
<th>Allocation of City of Sacramento CFD No. 2007-01 IA-2 Bonds (2)*</th>
<th>Total Direct and Overlapping Debt Lien(3)*</th>
<th>Percent of Sacramento CFD No. 2007-01 IA-2 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 10.00:1(4)</td>
<td>24</td>
<td>24</td>
<td>$ 10,470,000</td>
<td>$ 44,146</td>
<td>$ 866,108</td>
<td>$ 944,421</td>
<td>12.7%</td>
</tr>
<tr>
<td>Between 5.00:1 to 10.00:1</td>
<td>4</td>
<td>4</td>
<td>1,190,000</td>
<td>6,081</td>
<td>119,311</td>
<td>128,328</td>
<td>1.7</td>
</tr>
<tr>
<td>Between 4.00:1 to 4.99:1</td>
<td>28</td>
<td>28</td>
<td>3,807,228</td>
<td>42,867</td>
<td>841,018</td>
<td>841,966</td>
<td>11.3</td>
</tr>
<tr>
<td>Between 3.00:1 to 3.99:1</td>
<td>103</td>
<td>186</td>
<td>15,326,386</td>
<td>235,758</td>
<td>4,625,432</td>
<td>4,645,770</td>
<td>62.4</td>
</tr>
<tr>
<td>Less than 3.00:1(4)</td>
<td>18</td>
<td>18</td>
<td>1,456,386</td>
<td>30,418</td>
<td>596,776</td>
<td>604,348</td>
<td>8.1</td>
</tr>
<tr>
<td>Clubhouse Property(5)</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>13,831</td>
<td>271,355</td>
<td>274,964</td>
<td>3.7</td>
</tr>
<tr>
<td>Totals</td>
<td>178</td>
<td>260</td>
<td>$ 32,250,000</td>
<td>$ 373,100</td>
<td>$ 7,320,000</td>
<td>$ 7,439,797</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.

(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 1.67:1*. The maximum value to lien in the greater than 10.00:1 category is 11.44:1*.

(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 Fiscal Year 2018-19 (which was the first year of the Special Tax levy) in the amount of $56,613.94. The first installment of such levy became delinquent on December 10, 2018. As of April 1, 2019, there was $9,745.84 of the Special Tax that was delinquent for the first installment.

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 remains to be completed by the merchant builders with respect to their property. Such merchant builders will be responsible for the costs of such in-tract infrastructure. With the exception of the final map for the 84 finished lots owned by Granite Bay, final maps have been recorded for all of the property within Improvement Area No. 2. The final map for the 84 finished lots owned by Granite Bay was approved by the City Council of the City on April 23, 2019, and Granite Bay expects to record such map by early May 2019.

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)

<table>
<thead>
<tr>
<th>Developer</th>
<th>Neighborhood Name</th>
<th>Closed to Individual Homeowners</th>
<th>Total Planned Units at Buildout(1)</th>
<th>Estimated Home Square Footage Ranges</th>
<th>Estimated Base Home Prices(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthem</td>
<td>Willow</td>
<td>21</td>
<td>49</td>
<td>2,535 – 3,272</td>
<td>$483,500 - $538,500</td>
</tr>
<tr>
<td>Lennar</td>
<td>Amberwood</td>
<td>0</td>
<td>48</td>
<td>1,836 – 2,338</td>
<td>$417,990 - $460,990</td>
</tr>
<tr>
<td>Woodside</td>
<td>Hamlet</td>
<td>0</td>
<td>141</td>
<td>1,546 – 2,172</td>
<td>$330,000 - $398,000</td>
</tr>
<tr>
<td>Carson Homes</td>
<td>Cypress Village</td>
<td>10</td>
<td>22</td>
<td>1,505 – 2,017</td>
<td>$239,990 - $391,990</td>
</tr>
</tbody>
</table>

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 expected to close at the end of May 2019.

(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)

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

(1) As of the April 1, 2019, Granite Bay owned 84 lots under contract to be conveyed to Woodside. Such sale is expected to close at the end of May 2019.

**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 United, an affiliate of Granite Bay. The following table
shows several projects that Anthem United or its affiliates are developing in the greater Sacramento market:

---

**CITY OF SACRAMENTO**

**NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01**

**(IMPROVEMENT AREA NO. 2)**

**ANTHEM UNITED DEVELOPMENTS IN THE GREATER SACRAMENTO MARKET**

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

---

**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 expected to close in May 2019.

**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 expected to close at the end of May 2019. 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 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 two homes under construction and 46 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 Homes 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’s development within Improvement Area No. 2 is being managed by the Sacramento division of Woodside Homes.

**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 expects to close escrow on the remaining 84 lots at the end of May 2019. There is no guaranty 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 an 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 or construction 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 [December 1, 2018] 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**

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

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 88.2% of the estimated Fiscal Year 2019-20 Special Taxes would be paid by Granite Bay and the merchant builders. 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 Properties.”

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 Properties

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. Certain in-tract improvements remain to be constructed by the merchant builders owning property within Improvement Area No. 2. 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 Developed Property is assigned. See APPENDIX A — “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Tax — Amended and Restated Rate and Method of Apportionment of Special Tax.”

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund.” The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 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 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 Glasply Marine Industries. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

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

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

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.
No Acceleration Provision

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

Loss of Tax Exemption

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

Limited Secondary Market

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

Proposition 218

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

Among other things, Section 3 of Article XIIIC states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:
“Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

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

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

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

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

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). The elections held in Improvement Area No. 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 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. Voters 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.

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

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of Granite Bay or the merchant builders within Improvement Area No. 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 City’s budget in at least two instances). 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 expects 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. Based on the scheduled transfer of lots at the end of May 2019, it is expected that Granite Bay will not file any Developer Reports prior to the termination of its continuing disclosure undertaking. Should such transfer not occur as scheduled, 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.
To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

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

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

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or 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 FirstSouthwest, a Division of Hilltop Securities, Inc. (“FirstSouthwest”), as municipal advisor in connection with the issuance and sale of the Bonds. Although FirstSouthwest has assisted in the preparation of this Official Statement, FirstSouthwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents, and further FirstSouthwest does not assume any responsibility for the information, covenants and representations with
respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated. The Underwriter has agreed to purchase the Bonds at a price of $_______, being $_______ aggregate principal amount thereof, plus original issue premium of $_______ and less Underwriter’s discount of $_______.

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 price stated on the cover page thereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

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

PENDING LEGISLATION

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

ADDITIONAL INFORMATION

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

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

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.
The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

By: ___________________________________________
   City Treasurer
APPENDIX A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento (the “District”). An Annual Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Amended and Restated Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A Special Tax applicable to each Assessor’s Parcel in Improvement Area No. 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.

“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>
<thead>
<tr>
<th>Land Use Class</th>
<th>Description</th>
<th>Residential Floor Area</th>
<th>2013-14 Assigned Special Tax *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Residential Property</td>
<td>&gt; 1,500 sq. ft.</td>
<td>$1,350 per Residential Unit</td>
</tr>
<tr>
<td>14</td>
<td>Residential Property</td>
<td>≤ 1,500 sq. ft.</td>
<td>$950 per Residential Unit</td>
</tr>
<tr>
<td>15</td>
<td>Non-Residential Property</td>
<td></td>
<td>$22,828 per Acre</td>
</tr>
<tr>
<td>Tax Zone 6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Residential Property</td>
<td>&gt; 1,950 sq. ft.</td>
<td>$1,600 per Residential Unit</td>
</tr>
<tr>
<td>17</td>
<td>Residential Property</td>
<td>≤ 1,950 sq. ft.</td>
<td>$1,200 per Residential Unit</td>
</tr>
<tr>
<td>18</td>
<td>Non-Residential Property</td>
<td></td>
<td>$23,885 per Acre</td>
</tr>
<tr>
<td>Tax Zone 7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Residential Property</td>
<td>&gt; 2,300 sq. ft.</td>
<td>$1,750 per Residential Unit</td>
</tr>
<tr>
<td>20</td>
<td>Residential Property</td>
<td>≤ 2,300 sq. ft.</td>
<td>$1,200 per Residential Unit</td>
</tr>
<tr>
<td>21</td>
<td>Non-Residential Property</td>
<td></td>
<td>$16,548 per Acre</td>
</tr>
</tbody>
</table>

* 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 alter 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 Reserve Fund Credit
equals Prepayment Amount

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

**Step 1:** Compute the Assigned Special Tax and Backup Special Tax for the Assessor’s Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. If this Section G is being applied to calculate a prepayment pursuant to Section C.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 2

City of Sacramento
Sacramento Community Facilities District "C2032-8"
Sample Proration Calculation
For One Delinquent Lot in Phase 2 Improvement Area

### Assumptions

<table>
<thead>
<tr>
<th>Description</th>
<th>Source of Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Special Tax on 1,250 sf, Residential Unit in Tax Zone</td>
<td>[For Table 1 of Assumptions]</td>
</tr>
<tr>
<td>Total Special Tax Revenue on 1,250 sf, Residential Unit in Tax Zone</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total Expected Special Tax Revenue in CTC</td>
<td>$10,000</td>
</tr>
<tr>
<td>Improvement Area 2 Percentual Total Expected Special Tax Revenue in CTC</td>
<td>30.54%</td>
</tr>
<tr>
<td>Total CTC Facilities Improvement Tax</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Total Public Facilities Improvement Improvement Area 2</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Conservation Proceeds from First Bond Issue</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Total Remaining Facilities Costs</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Remaining Fund Balance in</td>
<td>$9,000,000</td>
</tr>
</tbody>
</table>

### Calculation

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Source of Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assessed Special Tax per Unit Based on Tax Per Unit</td>
<td>$1,000</td>
</tr>
<tr>
<td>2</td>
<td>Special Tax as a Part of Total Expected Special Tax Revenue</td>
<td>6.6%</td>
</tr>
<tr>
<td>3</td>
<td>Bond Redemption Amount</td>
<td>$12,725</td>
</tr>
<tr>
<td>4</td>
<td>Total Remaining Facilities Costs</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>5</td>
<td>Proration Factor Amount</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>6</td>
<td>Redemption Premium</td>
<td>$725</td>
</tr>
<tr>
<td>7</td>
<td>Interest Assessed Bond Redemption Amount</td>
<td>$31</td>
</tr>
<tr>
<td>8</td>
<td>Interest Earned on Bond Redemption Amount and Bond Proceeds</td>
<td>$3</td>
</tr>
<tr>
<td>9</td>
<td>Delinquency Requirements</td>
<td>$3</td>
</tr>
<tr>
<td>10</td>
<td>Administrative Fees and Expenses</td>
<td>$200</td>
</tr>
<tr>
<td>11</td>
<td>Reserve Fund Deposit</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>12</td>
<td>Paydown Amount</td>
<td>$29,384</td>
</tr>
</tbody>
</table>

Total Partial Proration: $29,384

---

If there are any further questions or clarifications needed, please feel free to reach out. Thanks!
APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[TO COME FROM BOND COUNSEL]
APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the “City”) and the County of Sacramento (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the City, the County, or the State or any of its political subdivisions, and the City, the County, and the State and its political subdivisions are not liable therefor.

General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

The following table lists population figures for the City, the County and the State as of January 1 for the last five years.

CITY AND COUNTY OF SACRAMENTO
Population Estimates

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

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**

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

(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

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

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

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


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

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

Note: Dollars in Thousands.  

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

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

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Stores</th>
<th>Total All Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Permits</td>
<td>Taxable Transactions</td>
</tr>
<tr>
<td>2012</td>
<td>7,862</td>
<td>$3,801,126</td>
</tr>
<tr>
<td>2013</td>
<td>8,117</td>
<td>3,951,948</td>
</tr>
<tr>
<td>2014</td>
<td>8,445</td>
<td>4,036,184</td>
</tr>
<tr>
<td>2015</td>
<td>8,935</td>
<td>4,250,197</td>
</tr>
<tr>
<td>2016</td>
<td>9,334</td>
<td>4,446,756</td>
</tr>
<tr>
<td>2017</td>
<td>9,422</td>
<td>4,638,796</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Stores</th>
<th>Total All Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Permits</td>
<td>Taxable Transactions</td>
</tr>
<tr>
<td>2012</td>
<td>22,211</td>
<td>$13,366,459</td>
</tr>
<tr>
<td>2013</td>
<td>22,629</td>
<td>14,171,006</td>
</tr>
<tr>
<td>2014</td>
<td>23,147</td>
<td>14,649,693</td>
</tr>
<tr>
<td>2015</td>
<td>23,999</td>
<td>15,221,223</td>
</tr>
<tr>
<td>2016</td>
<td>24,383</td>
<td>16,016,856</td>
</tr>
<tr>
<td>2017</td>
<td>24,501</td>
<td>16,729,885</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Permit Valuation</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Single-family</td>
<td>$49,592.1</td>
<td>$58,116.6</td>
<td>$106,772.4</td>
<td>$288,236.6</td>
<td>$432,659.8</td>
</tr>
<tr>
<td>New Multi-family</td>
<td>2,586.5</td>
<td>21,874.1</td>
<td>108,079.3</td>
<td>181,997.4</td>
<td>158,324.1</td>
</tr>
<tr>
<td>Res. Alterations/Additions</td>
<td>111,697.7</td>
<td>89,488.5</td>
<td>92,380.4</td>
<td>99,166.2</td>
<td>113,843.3</td>
</tr>
<tr>
<td>Total Residential</td>
<td>$163,876.3</td>
<td>$169,479.2</td>
<td>$307,232.1</td>
<td>$569,400.2</td>
<td>$704,827.2</td>
</tr>
<tr>
<td>New Commercial</td>
<td>$35,643.2</td>
<td>$30,460.2</td>
<td>$26,629.2</td>
<td>$125,112.7</td>
<td>$143,368.7</td>
</tr>
<tr>
<td>New Industrial</td>
<td>379.9</td>
<td>2,178.5</td>
<td>0.0</td>
<td>150.0</td>
<td>0.0</td>
</tr>
<tr>
<td>New Other</td>
<td>13,868.4</td>
<td>29,484.9</td>
<td>39,614.62</td>
<td>34,081.1</td>
<td>76,890.9</td>
</tr>
<tr>
<td>Com. Alterations/Additions</td>
<td>137,883.3</td>
<td>153,927.1</td>
<td>222,068.0</td>
<td>238,524.2</td>
<td>120,410.0</td>
</tr>
<tr>
<td>Total Nonresidential</td>
<td>$187,774.8</td>
<td>$216,050.7</td>
<td>$288,311.82</td>
<td>$397,868.0</td>
<td>$340,669.6</td>
</tr>
</tbody>
</table>

#### New Dwelling Units

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>251</td>
<td>257</td>
<td>435</td>
<td>995</td>
<td>1,723</td>
</tr>
<tr>
<td>Multiple Family</td>
<td>31</td>
<td>160</td>
<td>813</td>
<td>601</td>
<td>1,076</td>
</tr>
<tr>
<td>TOTAL</td>
<td>282</td>
<td>417</td>
<td>1,248</td>
<td>1,596</td>
<td>2,799</td>
</tr>
</tbody>
</table>

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF SACRAMENTO

#### Total Building Permit Valuations

(valuations in thousands)

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

#### New Dwelling Units

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>1,764</td>
<td>1,547</td>
<td>2,358</td>
<td>2,676</td>
<td>3,174</td>
</tr>
<tr>
<td>Multiple Family</td>
<td>145</td>
<td>226</td>
<td>815</td>
<td>609</td>
<td>1,761</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,909</td>
<td>1,773</td>
<td>3,173</td>
<td>3,285</td>
<td>4,935</td>
</tr>
</tbody>
</table>

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.
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. ________ adopted by the Sacramento City Council on _____, 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.
   - “Listed Events” means any of the events listed in Section 5(a) of this Certificate.
   - “MSRB” means the Municipal Securities Rulemaking Board.
   - “Official Statement” means the Issuer’s official statement with respect to the Bonds.
   - “Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated.
• “Rate and Method of Apportionment” means the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 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) Not later than March 31 after the end of the Issuer’s fiscal year (which currently ends on June 30), beginning with the fiscal year ending June 30, 2019, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to EMMA an Annual Report that is consistent with the requirements of Section 4 of this Certificate. If the Dissemination Agent is other than the Issuer, then not later than 15 business days before the date referred to in the prior sentence, the Issuer shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4 of this Certificate, except that the Issuer’s audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

   (b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) will apply. Not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the date for providing the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with Section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer’s certification and will have no duty or obligation to review the Annual Report.

   (c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in Section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.

   (d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—

      (1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and
(2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. Content of Annual Reports. The Issuer’s Annual Report must contain or include by reference all of the following:

(a) Financial Statements. The Issuer’s audited financial statements for the Issuer’s most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer’s audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

1. Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:
   
   (A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, i.e., the Debt Service due on the following September 1).
   
   (B) The Bond Reserve Fund.

2. The assessed valuation of the Taxable Parcels within Improvement Area No. 2 in the aggregate.

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, 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, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders.

(c) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall 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.
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.

The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the impact of the change on the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information.** This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

11. **Duties, Immunities, and Liabilities of Dissemination Agent.**

(a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney’s fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent’s negligence or willful misconduct.

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

(c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer’s obligations under this Section 11 will survive the Dissemination Agent’s resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent’s corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

**CITY OF SACRAMENTO**

By: ____________________________________________

John Colville, City Treasurer
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”) with respect to 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 Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Landowner covenants and agrees as follows:

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

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

“Affiliate” 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, depositaries 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 _____________, 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.


(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 __ 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: dragland@AnthemUnited.com
Email: bleonard@AnthemUnited.com

City: City of Sacramento
Historic City Hall
915 I Street, 3rd Floor
Sacramento, California 95814
Attn: City Treasurer

Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Municipal Research

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.
SECTION 15.  **California Law.** The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

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
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”) with respect to 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 Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Landowner covenants and agrees as follows:

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

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

“Affiliate” 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.

“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 _____________, 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.


(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 any acquisition of property within Improvement Area No. 2 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 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) following the acquisition by the Landowner of the Granite Bay Lots, at any time that the Landowner and its Affiliates own fewer than ___ 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; or

(c) if the Landowner determines not to acquire the Granite Bay Lots, at any time that the Landowner and its Affiliates own fewer than ___ parcels in Improvement Area No. 2, or otherwise own property that is responsible for less than 15% 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: 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: briane@woodsidehomes.com
Phone: (916) 608-9600

With a copy to: Woodside Group, LLC
460 West 50 North, Suite 205
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

Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Municipal Research

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.
SECTION 15. California Law. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

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 (“DT C”), 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.
CONTINUING-DISCLOSURE CERTIFICATE
CITY OF SACRAMENTO

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. _______ adopted by the Sacramento City Council on _____, 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 assessed valuation of the Taxable Parcels within Improvement Area No. 2 in the aggregate.

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, 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.


5. Modifications to the rights of Bondholders.


7. Release, substitution, or sale of property securing repayment of the Bonds.

8. Incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, 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 Colville, City Treasurer
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.
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:

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

(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.
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 Woodsides 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.
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.

Jarrod Hodgson, MAI
Director of Subdivision Practice - California
CA Certified General Real Estate Appraiser
No. AG040480
Ph: (916) 949-7362
Email: jhodgson@bbgres.com
# Table of Contents

- Subject Photos............................................................................................................ 1
- Summary of Salient Facts ............................................................................................ 4
- General Information ................................................................................................... 6
- Scope of Work .......................................................................................................... 14
- Regional Analysis ...................................................................................................... 16
- Neighborhood Analysis ............................................................................................. 24
- Property Description ................................................................................................. 30
- Subdivision Characteristics ........................................................................................ 37
- Improvement Description .......................................................................................... 40
- Property Tax Analysis ............................................................................................... 44
- Residential Market Analysis ...................................................................................... 48
- Highest and Best Use ................................................................................................. 67
- Valuation Process ...................................................................................................... 69
- Home Valuation ........................................................................................................ 71
- Lot Valuation ............................................................................................................ 81
- Values by Ownership ................................................................................................. 106
- Final Opinions of Value – All Scenarios .................................................................... 109
- Certification ............................................................................................................ 110
- Extraordinary Assumptions and Hypothetical Conditions ....................................... 111
- Standard Assumptions and Limiting Conditions ....................................................... 113
- Addenda.................................................................................................................. 117
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 Property Analysis 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 Property Analysis 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:

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

(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.
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)**

<table>
<thead>
<tr>
<th>Lot Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>232 Lots</td>
<td>20 lots have home construction underway with various stages of completion</td>
</tr>
<tr>
<td></td>
<td>10 partially completed homes by Carson Homes</td>
</tr>
<tr>
<td></td>
<td>1 completed homes by Carson Homes (being marketed for sale and not-yet-sold)</td>
</tr>
<tr>
<td></td>
<td>9 partially completed homes by Anthem United</td>
</tr>
<tr>
<td>128 vacant finished lots</td>
<td>23 lots owned by Anthem United Willow Homes, LP</td>
</tr>
<tr>
<td></td>
<td>57 lots owned by Woodside Homes</td>
</tr>
<tr>
<td></td>
<td>48 lots owned by Lennar</td>
</tr>
<tr>
<td>84 near-finished lots</td>
<td>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)</td>
</tr>
</tbody>
</table>

*(table continued on the following page)*
**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

<table>
<thead>
<tr>
<th>Transfer Date</th>
<th>48 Lots (Alley)</th>
<th>57 Lots (Garden/Cluster)</th>
<th>84 Lots (Garden/Cluster)</th>
<th>22 Lots (Garden/Cluster)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Contract Date</th>
<th>granite Bay Natomas Meadows, LP</th>
<th>granite Bay Natomas Meadows, LP</th>
<th>granite Bay Natomas Meadows, LP</th>
<th>granite Bay Natomas Meadows, LP</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 3, 2018</td>
<td>Lennar homes of California, Inc.</td>
<td>Wooside 05N, LP</td>
<td>Kit Construction Co. Inc.</td>
<td></td>
</tr>
</tbody>
</table>

| 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 was 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

<table>
<thead>
<tr>
<th>Transfer Date</th>
<th>18 Lots (Traditional)</th>
<th>9 Lots (Traditional)</th>
<th>22 Lots (Traditional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 15, 2018</td>
<td>Granite Bay Natomas Meadows, LP</td>
<td>Granite Bay Natomas Meadows, LP</td>
<td>Granite Bay Natomas Meadows, LP</td>
</tr>
<tr>
<td>December 15, 2017</td>
<td>Anthem United Willow Homes, LP</td>
<td>Anthem United Willow Homes, LP</td>
<td>Anthem United Willow Homes, LP</td>
</tr>
<tr>
<td>$1,787,724</td>
<td>$855,000</td>
<td>$2,325,000 for 31 Lots (22 subject lots and 9 nearby lots)</td>
<td></td>
</tr>
</tbody>
</table>

| 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.

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

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

(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 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.”


**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;
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 is 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.
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:

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Compound Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Sacramento</td>
<td>466,488</td>
<td>500,558</td>
</tr>
<tr>
<td>Sacramento MSA</td>
<td>2,149,127</td>
<td>2,325,849</td>
</tr>
<tr>
<td>California</td>
<td>37,253,956</td>
<td>39,695,753</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Sacramento MSA</th>
<th>% Change</th>
<th>California</th>
<th>% Change</th>
<th>Unemployment Rate (Annual Avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>977,700</td>
<td>-</td>
<td>16,931,600</td>
<td>-</td>
<td>5.8%</td>
</tr>
<tr>
<td>2008</td>
<td>959,500</td>
<td>-1.9%</td>
<td>16,854,500</td>
<td>-0.5%</td>
<td>8.6%</td>
</tr>
<tr>
<td>2009</td>
<td>923,100</td>
<td>-3.8%</td>
<td>16,182,600</td>
<td>-4.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>2010</td>
<td>914,000</td>
<td>-1.0%</td>
<td>16,091,900</td>
<td>-0.6%</td>
<td>12.4%</td>
</tr>
<tr>
<td>2011</td>
<td>932,000</td>
<td>2.0%</td>
<td>16,258,100</td>
<td>1.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2012</td>
<td>945,600</td>
<td>1.5%</td>
<td>16,602,700</td>
<td>2.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2013</td>
<td>956,100</td>
<td>1.1%</td>
<td>16,958,700</td>
<td>2.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2014</td>
<td>978,200</td>
<td>2.3%</td>
<td>17,348,600</td>
<td>2.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2015</td>
<td>1,002,100</td>
<td>2.4%</td>
<td>17,723,300</td>
<td>2.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>2016</td>
<td>1,020,200</td>
<td>1.8%</td>
<td>18,065,000</td>
<td>1.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1,041,100</td>
<td>2.0%</td>
<td>18,520,000</td>
<td>2.5%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

**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.

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


**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.
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.
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

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

HOUSEHOLD INCOME CATEGORIES

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

Source: Spotlight Demographics

SURROUNDING LAND USES

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

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

Note: Land area based on Assessor records and home sizes based on building permits pulled.
<table>
<thead>
<tr>
<th>Tax ID</th>
<th>Owner</th>
<th>SF</th>
<th>Acres</th>
<th>Status</th>
<th>Base Home Size (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>225-2860-048</td>
<td>Woodside 05N, LP</td>
<td>4,392</td>
<td>0.10</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-001</td>
<td>Woodside 05N, LP</td>
<td>2,597</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-002</td>
<td>Woodside 05N, LP</td>
<td>2,535</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-003</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-004</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-005</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-006</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-007</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-008</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-009</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-010</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-011</td>
<td>Woodside 05N, LP</td>
<td>2,951</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-012</td>
<td>Woodside 05N, LP</td>
<td>3,002</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-013</td>
<td>Woodside 05N, LP</td>
<td>2,988</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-014</td>
<td>Woodside 05N, LP</td>
<td>2,942</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-015</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-016</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-017</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-018</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-019</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-020</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-021</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-022</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-023</td>
<td>Woodside 05N, LP</td>
<td>2,535</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-024</td>
<td>Woodside 05N, LP</td>
<td>2,585</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-025</td>
<td>Woodside 05N, LP</td>
<td>5,647</td>
<td>0.13</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-026</td>
<td>Woodside 05N, LP</td>
<td>4,348</td>
<td>0.10</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-027</td>
<td>Woodside 05N, LP</td>
<td>2,592</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-028</td>
<td>Woodside 05N, LP</td>
<td>2,535</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-029</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-030</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-031</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-032</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-033</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-034</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-035</td>
<td>Woodside 05N, LP</td>
<td>2,448</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-036</td>
<td>Woodside 05N, LP</td>
<td>2,418</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-037</td>
<td>Woodside 05N, LP</td>
<td>2,940</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2870-038</td>
<td>Woodside 05N, LP</td>
<td>3,002</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2880-001</td>
<td>Granite Bay-Natomas Meadows, LP</td>
<td>355,014</td>
<td>8.15</td>
<td>84 Near-Finished Lots</td>
<td></td>
</tr>
<tr>
<td>225-2960-001</td>
<td>Lennar Homes of California, Inc</td>
<td>3,426</td>
<td>0.08</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-002</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-003</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-004</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-005</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-006</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-007</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-008</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-009</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-010</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-011</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-012</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-013</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-014</td>
<td>Lennar Homes of California, Inc</td>
<td>2,984</td>
<td>0.07</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-015</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-016</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-017</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-018</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-019</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
<tr>
<td>225-2960-020</td>
<td>Lennar Homes of California, Inc</td>
<td>2,831</td>
<td>0.06</td>
<td>Vacant Finished Lot</td>
<td></td>
</tr>
</tbody>
</table>

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

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 ENTITLEMENT SUMMARY

<table>
<thead>
<tr>
<th>Property Description</th>
<th>City of Sacramento</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoning Jurisdiction</td>
<td>PUD</td>
</tr>
<tr>
<td>Zoning Designation</td>
<td>Planned Unit Development</td>
</tr>
<tr>
<td>Legally Conforming?</td>
<td>Yes</td>
</tr>
<tr>
<td>Zoning Change Likely?</td>
<td>No</td>
</tr>
<tr>
<td>Permitted Uses</td>
<td>Single-family development</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>FLOOD HAZARD STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Panel Number</td>
</tr>
<tr>
<td>Date</td>
</tr>
<tr>
<td>Zone</td>
</tr>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Insurance Required?</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Village Identification</th>
<th>Typical Lot Size</th>
<th>Configuration</th>
<th>No. of Lots</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5</td>
<td>2,448</td>
<td>Garden/4-Pack Cluster</td>
<td>163</td>
</tr>
<tr>
<td>Tax Zone 6</td>
<td>2,831</td>
<td>Alley</td>
<td>48</td>
</tr>
<tr>
<td>Tax Zone 7</td>
<td>4,590</td>
<td>Traditional</td>
<td>49</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td>260</td>
</tr>
</tbody>
</table>

Lot Premiums/Discounts
Community Amenities
Typical size and position premiums
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.
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.
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

<table>
<thead>
<tr>
<th>Village ID</th>
<th>Lot Configuration</th>
<th>Typical Lot Size (SF)</th>
<th>Home Size Range (SF)</th>
<th>Avg. Home Size (SF)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cypress Village by Carson Homes</td>
<td>Garden/Cluster</td>
<td>2,448</td>
<td>1,505 to 2,017</td>
<td>1,757</td>
</tr>
<tr>
<td>Willow by Anthem United</td>
<td>Traditional</td>
<td>4,590</td>
<td>2,535 to 3,272</td>
<td>2,890</td>
</tr>
</tbody>
</table>

*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

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

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 closest in master bedroom and sliding door closets in secondary bedrooms, 10’x10’ secondary bedrooms, two-tone paint schemes, 3-1/4” baseboards and 2-1/4” door casings, and concealed-hinge maple or beech cabinetry in kitchen and laundry areas. Specific homes design varies by lot type category (such as 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.

<table>
<thead>
<tr>
<th>City/Area Segment</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Comp 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodland</td>
<td>Move Up</td>
<td>Move Up</td>
<td>Sacramento</td>
<td>Lincoln</td>
<td>Sacramento</td>
<td>Lathrop</td>
</tr>
<tr>
<td>(1st Time)</td>
<td>(1st Time)</td>
<td>(1st Time)</td>
<td>(1st Time)</td>
<td>(1st Time)</td>
<td>(1st Time)</td>
<td>(1st Time)</td>
</tr>
<tr>
<td>Builder Type</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td>Product Type</td>
<td>Detached</td>
<td>Detached</td>
<td>Detached</td>
<td>Detached</td>
<td>Detached</td>
<td>Detached</td>
</tr>
<tr>
<td>No. of Lots</td>
<td>38</td>
<td>224</td>
<td>31</td>
<td>133</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Plan Size (SF)</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Lot Size (SF)</th>
<th>Estimated Avg. Home Size (SF)</th>
<th>Product</th>
<th>Direct Cost ($/SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5</td>
<td>2,448</td>
<td>1,750</td>
<td>Garden/4-Pack Cluster</td>
<td>$80.00</td>
</tr>
<tr>
<td>Tax Zone 6</td>
<td>2,831</td>
<td>1,950</td>
<td>Alley</td>
<td>$78.00</td>
</tr>
<tr>
<td>Tax Zone 7</td>
<td>4,590</td>
<td>2,900</td>
<td>Traditional</td>
<td>$75.00</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Comp 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>City/Area</td>
<td>Mountain House</td>
<td>Sacramento</td>
<td>Lodi</td>
<td>Stockton</td>
<td>Folsom</td>
<td>Fairfield</td>
</tr>
<tr>
<td>No. of Lots</td>
<td>71</td>
<td>31</td>
<td>28</td>
<td>75</td>
<td>126</td>
<td>68</td>
</tr>
<tr>
<td>Plan Range (SF)</td>
<td>1,900 - 2400</td>
<td>1,900 to 2,600</td>
<td>1,500 - 2,500</td>
<td>2,000 - 2,900</td>
<td>1,800 - 2,400 SF</td>
<td>1,600 - 2,500</td>
</tr>
<tr>
<td>Avg. Home Size (SF)</td>
<td>2,176</td>
<td>2,254</td>
<td>2,050</td>
<td>2,391</td>
<td>2,212</td>
<td>2,058</td>
</tr>
<tr>
<td>Avg. Home Price</td>
<td>$525,000</td>
<td>$465,000</td>
<td>$400,000</td>
<td>$435,000</td>
<td>$485,000</td>
<td>$505,000</td>
</tr>
<tr>
<td>Year</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2017</td>
<td>2017</td>
<td>2017</td>
</tr>
<tr>
<td>Projection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Direct Cost/SF</td>
<td>$91.57</td>
<td>$76.67</td>
<td>$85.67</td>
<td>$85.12</td>
<td>$76.30</td>
<td>$93.32</td>
</tr>
<tr>
<td>Sales Commissions</td>
<td>3.34%</td>
<td>3.50%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>2.80%</td>
<td>1.65%</td>
</tr>
<tr>
<td>Title, Escrow, Closing</td>
<td>0.44%</td>
<td>0.56%</td>
<td>1.00%</td>
<td>0.54%</td>
<td>0.16%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Warranty</td>
<td>0.90%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>0.06%</td>
<td>1.00%</td>
</tr>
<tr>
<td>General/Administrative</td>
<td>4.00%</td>
<td>0.27%</td>
<td>3.00%</td>
<td>3.50%</td>
<td>3.75%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Marketing</td>
<td>1.05%</td>
<td>2.40%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>0.75%</td>
<td>1.65%</td>
</tr>
<tr>
<td>Master Marketing Fee</td>
<td>1.00%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Indirects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Architectural/Engineering</td>
<td>0.28%</td>
<td>0.55%</td>
<td>0.20%</td>
<td>0.29%</td>
<td>1.96%</td>
<td>1.01%</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.20%</td>
<td>1.00%</td>
<td>0.33%</td>
<td>0.68%</td>
<td>0.33%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Contingency</td>
<td>1.13%</td>
<td>1.5% assumed</td>
<td>2.22%</td>
<td>1.5% assumed</td>
<td>0.63%</td>
<td>1.5% assumed</td>
</tr>
<tr>
<td>Other</td>
<td>1.72%</td>
<td>2.53%</td>
<td>5.03%</td>
<td>3.54%</td>
<td>3.64%</td>
<td>2.41%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>4.32%</td>
<td>5.58%</td>
<td>7.78%</td>
<td>4.01%</td>
<td>4.57%</td>
<td>5.92%</td>
</tr>
<tr>
<td>Total Indirects</td>
<td>15.05%</td>
<td>13.32%</td>
<td>16.78%</td>
<td>13.05%</td>
<td>12.09%</td>
<td>13.72%</td>
</tr>
</tbody>
</table>

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 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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5</td>
<td>2,448</td>
<td>1,750</td>
<td>$44,779</td>
<td>1,750</td>
<td>$45,000</td>
</tr>
<tr>
<td>Tax Zone 6</td>
<td>2,831</td>
<td>2,100</td>
<td>$48,657</td>
<td>1,950</td>
<td>$47,000</td>
</tr>
<tr>
<td>Tax Zone 7</td>
<td>4,590</td>
<td>2,850</td>
<td>$58,439</td>
<td>2,900</td>
<td>$59,000</td>
</tr>
</tbody>
</table>

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 Ctrl | $4 | $5 | $8 |
| Reclamation District No. 1000 | $25 | $25 | $25 |
| SAFCA Consolidated Cap Asmt #2 | $2 | $2 | $2 |
| Neighborhood Park Maint CFD | $69 | $69 | $69 |
| 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

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

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

*No completed alley homes in Improvement Area No. 2. Sample APN from Improvement Area No. 1.
ANALYSIS OF ANTICIPATED BOND PROCEEDS

Using preliminary figures for appraisal purposes (provided in early 2019, with actual figures—having only minor variation—having no material effect on the estimated values), Bonds for CFD No. 2007-01 IA No. 2 are expected to total $6,555,000 and yield approximately $5,465,000 in net construction proceeds. Approximately $2,200,000 will reimburse the master developer for the construction of the Gateway bridge, and the balance of the net construction proceeds will be used to generate approximately $3,265,000 for pre-paid fees or fee credits to the master developer.

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected CFD Bond Size (Approx.)</td>
<td>$6,555,000</td>
<td></td>
</tr>
<tr>
<td>Net Construction Proceeds</td>
<td>$5,465,000</td>
<td></td>
</tr>
<tr>
<td>Gateway Bridge Cost (Approx.)</td>
<td>-$2,200,000</td>
<td></td>
</tr>
<tr>
<td>Remaining for Fee Credits</td>
<td>$3,265,000</td>
<td></td>
</tr>
<tr>
<td>CFD Fee Credits Included in Appraisal for lots still owned by master developer and/or its affiliates</td>
<td>$1,505,000</td>
<td>Contributory value added to base lot value for master developer. Rounded figure. Estimated later in this report.</td>
</tr>
</tbody>
</table>

Less: CFD Fee Credits used to immediately reimburse the master developer for homes completed or under construction

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 Homes in Tax Zone 5 (Carson Homes)</td>
<td>22</td>
<td>$13,560</td>
</tr>
<tr>
<td>26 homes in Tax Zone 7 (Anthem United)</td>
<td>26</td>
<td>$15,766</td>
</tr>
</tbody>
</table>

Balance: Approximate Fee Credits not included in the Appraisal, to be purchased separately by builders that already have fee title within the subject (Lennar and Woodside)| $1,051,764| Not reflected in the appraised value. To be purchased by Lennar (owner of 48 lots) and Woodside (owner of 57 lots) |
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 in mostly attributable to declining affordability.

<table>
<thead>
<tr>
<th>November 2018</th>
<th>Median Sold Price of Existing Single-Family Homes</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nov-18</td>
<td>Oct-18</td>
</tr>
<tr>
<td>CA SFH (SAAR)</td>
<td>$554,760</td>
<td>$572,000</td>
</tr>
<tr>
<td>CA Cond/or Townhomes</td>
<td>$465,770</td>
<td>$476,440</td>
</tr>
<tr>
<td>Los Angeles Metropolitan Area</td>
<td>$512,000</td>
<td>$516,000</td>
</tr>
<tr>
<td>Central Coast</td>
<td>$672,500</td>
<td>$669,500</td>
</tr>
<tr>
<td>Central Valley</td>
<td>$320,000</td>
<td>$320,000</td>
</tr>
<tr>
<td>Inland Empire</td>
<td>$363,820</td>
<td>$359,000</td>
</tr>
<tr>
<td>S.F. Bay Area</td>
<td>$905,000</td>
<td>$958,800</td>
</tr>
</tbody>
</table>

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

**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).

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

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.
## HOME AND LOT INVENTORY

<table>
<thead>
<tr>
<th>Project</th>
<th>Master Plan</th>
<th>Owner</th>
<th>Type</th>
<th>Planned</th>
<th>Sold</th>
<th>Unimproved</th>
<th>Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retreat</td>
<td>Westshore</td>
<td>K. Hovnanian</td>
<td>MDR</td>
<td>211</td>
<td>161</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>Village</td>
<td>Westshore</td>
<td>K. Hovnanian</td>
<td>MDR</td>
<td>162</td>
<td>161</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Parkside</td>
<td>Westshore</td>
<td>K. Hovnanian</td>
<td>LDR</td>
<td>131</td>
<td>92</td>
<td>39</td>
<td>1</td>
</tr>
<tr>
<td>Four Seasons (active adult)</td>
<td>Westshore</td>
<td>K. Hovnanian</td>
<td>MDR</td>
<td>184</td>
<td>173</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Heritage (active adult)</td>
<td>Westshore</td>
<td>Lennar</td>
<td>MDR</td>
<td>217</td>
<td>194</td>
<td>23</td>
<td>2</td>
</tr>
<tr>
<td>Catalina</td>
<td>Westshore</td>
<td>Lennar</td>
<td>MDR</td>
<td>101</td>
<td>52</td>
<td>49</td>
<td>1</td>
</tr>
<tr>
<td>Edgewood</td>
<td>Natomas Meadows</td>
<td>Lennar</td>
<td>MDR</td>
<td>119</td>
<td>117</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Woodside at</td>
<td>Natomas Meadows</td>
<td>Woodside Homes</td>
<td>MDR</td>
<td>84</td>
<td>84</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Willow (Subject Property)</td>
<td>Natomas Meadows</td>
<td>Anthem United</td>
<td>MDR</td>
<td>49</td>
<td>32</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Cypress Place (Subject Property)</td>
<td>Natomas Meadows</td>
<td>Carson Homes</td>
<td>LDR</td>
<td>22</td>
<td>8</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>Woodside (Subject Property)</td>
<td>Natomas Meadows</td>
<td>Woodside Homes</td>
<td>LDR</td>
<td>84</td>
<td>0</td>
<td>84</td>
<td>1</td>
</tr>
<tr>
<td>Lennar (Subject Property)</td>
<td>Natomas Meadows</td>
<td>Lennar</td>
<td>MDR</td>
<td>48</td>
<td>0</td>
<td>48</td>
<td>1</td>
</tr>
<tr>
<td>Village Greens</td>
<td>Westlake</td>
<td>DR Horton</td>
<td>MDR</td>
<td>153</td>
<td>69</td>
<td>84</td>
<td>1</td>
</tr>
<tr>
<td>Brownstones</td>
<td>Natomas Field</td>
<td>Beazer</td>
<td>MDR</td>
<td>213</td>
<td>145</td>
<td>68</td>
<td>1</td>
</tr>
<tr>
<td>Bungalows</td>
<td>Natomas Field</td>
<td>Beazer</td>
<td>MDR</td>
<td>95</td>
<td>59</td>
<td>36</td>
<td>1</td>
</tr>
<tr>
<td>Cottages</td>
<td>Natomas Field</td>
<td>Beazer</td>
<td>MDR</td>
<td>179</td>
<td>103</td>
<td>76</td>
<td>1</td>
</tr>
<tr>
<td>Villas</td>
<td>Natomas Field</td>
<td>Beazer</td>
<td>MDR</td>
<td>216</td>
<td>153</td>
<td>63</td>
<td>1</td>
</tr>
<tr>
<td>Entrada</td>
<td>Natomas Field</td>
<td>Signature</td>
<td>MDR</td>
<td>134</td>
<td>47</td>
<td>87</td>
<td>1</td>
</tr>
<tr>
<td>Montauk</td>
<td>Hamptons</td>
<td>KB Home</td>
<td>MDR</td>
<td>342</td>
<td>199</td>
<td>143</td>
<td>1</td>
</tr>
<tr>
<td>Stonybrook</td>
<td>Hamptons</td>
<td>KB Home</td>
<td>MDR</td>
<td>80</td>
<td>65</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Treviso</td>
<td>KB Home</td>
<td>MDR</td>
<td>100</td>
<td>51</td>
<td>49</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3 Planned Product Lines</td>
<td>Parkebridge</td>
<td>DR Horton</td>
<td>MDR/LDR</td>
<td>237</td>
<td>0</td>
<td>237</td>
<td>3</td>
</tr>
<tr>
<td>Future Development Parkebridge</td>
<td>Jen California 7</td>
<td>LDR</td>
<td>237</td>
<td>0</td>
<td>237</td>
<td>3</td>
<td>108</td>
</tr>
<tr>
<td>Future Development River Oaks</td>
<td>Beazer</td>
<td>MDR</td>
<td>640</td>
<td>3 approx.</td>
<td>108</td>
<td>108</td>
<td>108</td>
</tr>
<tr>
<td>Future Development Greenbriar</td>
<td>Integral</td>
<td>MDR/LDR</td>
<td>2,497</td>
<td>5 approx.</td>
<td>180</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td>Future Development Panhandle</td>
<td>Various</td>
<td>MDR/LDR</td>
<td>1,600</td>
<td>3 approx.</td>
<td>108</td>
<td>108</td>
<td>108</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>36 sales/yr/proj.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

**RESALE 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

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Total Sales</th>
<th>Average Size</th>
<th>List Price</th>
<th>$/SF</th>
<th>Sale Price</th>
<th>$/SF</th>
<th>DOM</th>
<th>12-Month DOM Avg.</th>
<th>% Change (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-14</td>
<td>15</td>
<td>2,276</td>
<td>$314,206</td>
<td>$138</td>
<td>$314,883</td>
<td>$138</td>
<td>20</td>
<td>22</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Jun-14</td>
<td>34</td>
<td>2,238</td>
<td>$332,925</td>
<td>$149</td>
<td>$334,891</td>
<td>$150</td>
<td>24</td>
<td>24</td>
<td>8.2%</td>
</tr>
<tr>
<td>Sep-14</td>
<td>35</td>
<td>2,461</td>
<td>$363,583</td>
<td>$148</td>
<td>$360,464</td>
<td>$146</td>
<td>27</td>
<td>25</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Dec-14</td>
<td>25</td>
<td>2,281</td>
<td>$343,528</td>
<td>$151</td>
<td>$342,340</td>
<td>$150</td>
<td>49</td>
<td>30</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mar-15</td>
<td>32</td>
<td>2,242</td>
<td>$339,894</td>
<td>$152</td>
<td>$339,872</td>
<td>$152</td>
<td>36</td>
<td>33</td>
<td>1.0%</td>
</tr>
<tr>
<td>Jun-15</td>
<td>34</td>
<td>2,293</td>
<td>$355,653</td>
<td>$155</td>
<td>$353,922</td>
<td>$154</td>
<td>39</td>
<td>37</td>
<td>1.8%</td>
</tr>
<tr>
<td>Sep-15</td>
<td>36</td>
<td>2,098</td>
<td>$343,653</td>
<td>$164</td>
<td>$341,383</td>
<td>$163</td>
<td>40</td>
<td>40</td>
<td>5.4%</td>
</tr>
<tr>
<td>Dec-15</td>
<td>27</td>
<td>2,561</td>
<td>$462,622</td>
<td>$181</td>
<td>$474,585</td>
<td>$175</td>
<td>41</td>
<td>39</td>
<td>7.4%</td>
</tr>
<tr>
<td>Mar-16</td>
<td>28</td>
<td>2,485</td>
<td>$398,735</td>
<td>$160</td>
<td>$394,042</td>
<td>$159</td>
<td>47</td>
<td>42</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Jun-16</td>
<td>35</td>
<td>2,362</td>
<td>$395,287</td>
<td>$167</td>
<td>$393,625</td>
<td>$167</td>
<td>30</td>
<td>39</td>
<td>5.1%</td>
</tr>
<tr>
<td>Sep-16</td>
<td>28</td>
<td>2,129</td>
<td>$377,563</td>
<td>$177</td>
<td>$378,300</td>
<td>$178</td>
<td>15</td>
<td>33</td>
<td>6.6%</td>
</tr>
<tr>
<td>Dec-16</td>
<td>46</td>
<td>2,229</td>
<td>$386,987</td>
<td>$174</td>
<td>$383,504</td>
<td>$172</td>
<td>30</td>
<td>30</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Mar-17</td>
<td>30</td>
<td>2,213</td>
<td>$397,182</td>
<td>$179</td>
<td>$396,147</td>
<td>$179</td>
<td>27</td>
<td>26</td>
<td>4.0%</td>
</tr>
<tr>
<td>Jun-17</td>
<td>37</td>
<td>2,343</td>
<td>$418,493</td>
<td>$179</td>
<td>$419,375</td>
<td>$179</td>
<td>14</td>
<td>22</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sep-17</td>
<td>37</td>
<td>2,157</td>
<td>$413,865</td>
<td>$192</td>
<td>$415,051</td>
<td>$192</td>
<td>19</td>
<td>23</td>
<td>7.5%</td>
</tr>
<tr>
<td>Dec-17</td>
<td>29</td>
<td>2,123</td>
<td>$407,348</td>
<td>$192</td>
<td>$405,429</td>
<td>$191</td>
<td>33</td>
<td>22</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Mar-18</td>
<td>38</td>
<td>2,221</td>
<td>$421,184</td>
<td>$190</td>
<td>$420,300</td>
<td>$189</td>
<td>36</td>
<td>25</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Jun-18</td>
<td>48</td>
<td>2,368</td>
<td>$449,093</td>
<td>$190</td>
<td>$445,679</td>
<td>$188</td>
<td>24</td>
<td>28</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Sep-18</td>
<td>32</td>
<td>2,364</td>
<td>$450,803</td>
<td>$191</td>
<td>$447,247</td>
<td>$189</td>
<td>32</td>
<td>31</td>
<td>0.5%</td>
</tr>
<tr>
<td>Dec-18</td>
<td>26</td>
<td>2,098</td>
<td>$420,380</td>
<td>$200</td>
<td>$414,746</td>
<td>$198</td>
<td>35</td>
<td>31</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

(1) Percent change in average sale price per SF
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).
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.

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

(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 staring at 898 SF plan its Westlake Village project. New home projects in the area are summarized on the following page.
## NEW HOME PROJECTS

<table>
<thead>
<tr>
<th>Project</th>
<th>Builder</th>
<th>Master Plan</th>
<th>Open Date</th>
<th>Lot Size</th>
<th>Type</th>
<th>Plan Size</th>
<th>Base Price (Current or At Sell-Out)</th>
<th>Total Planned</th>
<th>Total Sold</th>
<th>Inventory Sold</th>
<th>4Q 18 Sold</th>
<th>3Q 18 Sold</th>
<th>2Q 18 Sold</th>
<th>1Q 18 Sold</th>
<th>4Q 17 Sold</th>
<th>3Q 17 Sold</th>
<th>Total Monthly Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownstones</td>
<td>Beazer Homes</td>
<td>Natomas Field</td>
<td>10/31/2015</td>
<td>1,904</td>
<td>Alley</td>
<td>1,490 - 1,713</td>
<td>$361,990 - $375,990</td>
<td>213</td>
<td>145</td>
<td>68</td>
<td>3</td>
<td>13</td>
<td>4</td>
<td>10</td>
<td>13</td>
<td>7</td>
<td>50</td>
</tr>
<tr>
<td>Bungalows</td>
<td>Beazer Homes</td>
<td>Natomas Field</td>
<td>5/15/2017</td>
<td>2,700</td>
<td>Alley</td>
<td>2,220 - 2,486</td>
<td>$421,990 - $437,990</td>
<td>95</td>
<td>59</td>
<td>36</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>8</td>
<td>3</td>
<td>29</td>
</tr>
<tr>
<td>Cottages</td>
<td>Beazer Homes</td>
<td>Natomas Field</td>
<td>4/1/2016</td>
<td>2,700</td>
<td>Traditional</td>
<td>1,826 - 2,113</td>
<td>$392,990 - $406,990</td>
<td>179</td>
<td>103</td>
<td>76</td>
<td>5</td>
<td>14</td>
<td>5</td>
<td>16</td>
<td>13</td>
<td>10</td>
<td>53</td>
</tr>
<tr>
<td>Entrance</td>
<td>Signature Homes</td>
<td>Natomas Field</td>
<td>10/14/2017</td>
<td>2,800</td>
<td>Cluster</td>
<td>1,604 - 1,914</td>
<td>$397,400 - $434,400</td>
<td>114</td>
<td>47</td>
<td>87</td>
<td>3</td>
<td>9</td>
<td>11</td>
<td>14</td>
<td>10</td>
<td>0</td>
<td>47</td>
</tr>
<tr>
<td>Catalina</td>
<td>Lennar Homes</td>
<td>Westshore</td>
<td>3/15/2018</td>
<td>2,500</td>
<td>Cluster</td>
<td>1,451 - 2,018</td>
<td>$367,990 - $405,990</td>
<td>101</td>
<td>52</td>
<td>49</td>
<td>9</td>
<td>18</td>
<td>23</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>Four Seasons (AQ)</td>
<td>K. Hovnanian Homes</td>
<td>Westshore</td>
<td>11/14/2015</td>
<td>5,000</td>
<td>Traditional</td>
<td>1,298 - 1,769</td>
<td>$331,990 - $367,423</td>
<td>184</td>
<td>173</td>
<td>11</td>
<td>15</td>
<td>18</td>
<td>18</td>
<td>11</td>
<td>19</td>
<td>25</td>
<td>106</td>
</tr>
<tr>
<td>Heritage -- The Carmel Collection (AQ)</td>
<td>Lennar Homes</td>
<td>Westshore</td>
<td>10/1/2016</td>
<td>3,375</td>
<td>Traditional</td>
<td>1,295 - 1,531</td>
<td>$340,990 - $360,990</td>
<td>82</td>
<td>80</td>
<td>2</td>
<td>0</td>
<td>12</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>48</td>
</tr>
<tr>
<td>Parkside</td>
<td>K. Hovnanian Homes</td>
<td>Westshore</td>
<td>8/1/2017</td>
<td>5,775</td>
<td>Traditional</td>
<td>1,974 - 2,930</td>
<td>$400,990 - $504,990</td>
<td>131</td>
<td>92</td>
<td>39</td>
<td>7</td>
<td>19</td>
<td>12</td>
<td>13</td>
<td>10</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Portola</td>
<td>D.R. Horton</td>
<td>Westshore</td>
<td>11/1/2017</td>
<td>3,100</td>
<td>Traditional</td>
<td>1,404 - 1,911</td>
<td>$347,990 - $387,990</td>
<td>70</td>
<td>70</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>30</td>
<td>21</td>
<td>14</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Clementine at Westlake Village</td>
<td>D.R. Horton</td>
<td>Westlake</td>
<td>8/15/2018</td>
<td>4,500</td>
<td>Traditional</td>
<td>1,833 - 2,235</td>
<td>$387,990 - $421,990</td>
<td>49</td>
<td>14</td>
<td>35</td>
<td>11</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Independence at Westlake Village</td>
<td>D.R. Horton</td>
<td>Westlake</td>
<td>8/15/2018</td>
<td>2,850</td>
<td>Alley/Motor</td>
<td>891 - 1,142</td>
<td>$266,990 - $291,990</td>
<td>38</td>
<td>24</td>
<td>14</td>
<td>8</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Juniper at Westlake Village</td>
<td>D.R. Horton</td>
<td>Westlake</td>
<td>8/15/2018</td>
<td>2,850</td>
<td>Alley/Motor</td>
<td>1,600 - 2,002</td>
<td>$327,990 - $347,990</td>
<td>56</td>
<td>20</td>
<td>36</td>
<td>14</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Retreat</td>
<td>K. Hovnanian Homes</td>
<td>Westshore</td>
<td>11/14/2015</td>
<td>2,200</td>
<td>Traditional</td>
<td>1,763 - 1,892</td>
<td>$362,990 - $368,990</td>
<td>211</td>
<td>161</td>
<td>50</td>
<td>6</td>
<td>4</td>
<td>0</td>
<td>20</td>
<td>20</td>
<td>16</td>
<td>66</td>
</tr>
<tr>
<td>Village</td>
<td>K. Hovnanian Homes</td>
<td>Westshore</td>
<td>12/5/2015</td>
<td>3,120</td>
<td>Traditional</td>
<td>2,047 - 2,100</td>
<td>$420,990 - $425,990</td>
<td>162</td>
<td>161</td>
<td>1</td>
<td>6</td>
<td>19</td>
<td>2</td>
<td>10</td>
<td>10</td>
<td>23</td>
<td>70</td>
</tr>
<tr>
<td>Edgewood</td>
<td>Lennar Homes</td>
<td>Natomas Meadows (Imp. Area 1 &amp; 2)</td>
<td>10/1/2016</td>
<td>4,080</td>
<td>Traditional</td>
<td>2,110 - 2,786</td>
<td>$456,990 - $522,990</td>
<td>119</td>
<td>117</td>
<td>2</td>
<td>0</td>
<td>14</td>
<td>17</td>
<td>16</td>
<td>12</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>Willow</td>
<td>Anthem United</td>
<td>Natomas Meadows (Imp. Area 1 &amp; 2)</td>
<td>3/12/2017</td>
<td>5,500</td>
<td>Traditional</td>
<td>2,535 - 2,727</td>
<td>$479,490 - $533,490</td>
<td>68</td>
<td>51</td>
<td>17</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>15</td>
<td>4</td>
<td>12</td>
<td>48</td>
</tr>
<tr>
<td>Woodside Homes at Natomas Meadows</td>
<td>Woodside Homes</td>
<td>Natomas Meadows (Imp. Area 1 &amp; 2)</td>
<td>10/1/2016</td>
<td>2,812</td>
<td>Traditional</td>
<td>1,667 - 2,264</td>
<td>$349,990 - $382,990</td>
<td>82</td>
<td>82</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>12</td>
<td>13</td>
<td>7</td>
<td>9</td>
<td>43</td>
</tr>
<tr>
<td>Montauk</td>
<td>KB Home</td>
<td>Natomas Meadows</td>
<td>11/1/2015</td>
<td>3,150</td>
<td>Traditional</td>
<td>2,137 - 2,620</td>
<td>$467,500 - $458,500</td>
<td>342</td>
<td>199</td>
<td>143</td>
<td>12</td>
<td>20</td>
<td>34</td>
<td>4</td>
<td>20</td>
<td>13</td>
<td>99</td>
</tr>
<tr>
<td>Stonybrook</td>
<td>KB Home</td>
<td>Natomas Meadows</td>
<td>12/1/2016</td>
<td>2,700</td>
<td>Traditional</td>
<td>1,721 - 2,204</td>
<td>$360,000 - $402,000</td>
<td>80</td>
<td>65</td>
<td>15</td>
<td>27</td>
<td>10</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>6</td>
<td>102</td>
</tr>
<tr>
<td>Trevato</td>
<td>KB Home</td>
<td>Natomas Meadows</td>
<td>2/15/2018</td>
<td>3,100</td>
<td>Cluster</td>
<td>1,689 - 2,413</td>
<td>$355,000 - $400,500</td>
<td>100</td>
<td>51</td>
<td>49</td>
<td>11</td>
<td>6</td>
<td>24</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>52</td>
</tr>
</tbody>
</table>

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**

![Graph showing monthly sales rate vs. average home size.](image)

- Other North Natomas Projects
- Natomas Meadows

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

**MONTHLY SALES RATE VS. AVERAGE PRICE**

![Graph showing monthly sales rate vs. average price.](image)

- Other North Natomas Projects
- Natomas Meadows
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 offering elevated concessions on standing inventory with pre-selected upgrades. With sales rates slowing in the Fourth Quarter, the market is responding.

<table>
<thead>
<tr>
<th>Project</th>
<th>Builder</th>
<th>Avg. Plan Size &amp; Lot Size (SF)</th>
<th>Survey Dates</th>
<th>Price</th>
<th>Quarterly Increase</th>
<th>Quarterly % Change</th>
<th>YOY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parkside at Westshore</td>
<td>K. Hovnanian</td>
<td>2,387 Avg. 5,775</td>
<td>9/30/2017</td>
<td>$438,657</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2017</td>
<td>$457,657</td>
<td>$19,000</td>
<td>4.3%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3/31/2018</td>
<td>$460,657</td>
<td>$3,000</td>
<td>0.7%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/30/2018</td>
<td>$469,657</td>
<td>$9,000</td>
<td>2.0%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2018</td>
<td>$477,657</td>
<td>$8,000</td>
<td>1.7%</td>
<td>8.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2018</td>
<td>$477,657</td>
<td>$0</td>
<td>0.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Retreat at Westshore</td>
<td>K. Hovnanian</td>
<td>1,831 Avg. 2,200</td>
<td>6/30/2017</td>
<td>$338,990</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2017</td>
<td>$344,323</td>
<td>$5,333</td>
<td>1.6%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2017</td>
<td>$354,323</td>
<td>$10,000</td>
<td>2.9%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3/31/2018</td>
<td>$365,323</td>
<td>$11,000</td>
<td>3.1%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/30/2018</td>
<td>$365,323</td>
<td>$0</td>
<td>0.0%</td>
<td>7.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2018</td>
<td>$365,323</td>
<td>$0</td>
<td>0.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2018</td>
<td>$375,323</td>
<td>$10,000</td>
<td>2.7%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Montauk</td>
<td>KB Home</td>
<td>2,138 Plan 3,150</td>
<td>6/30/2017</td>
<td>$371,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2017</td>
<td>$375,000</td>
<td>$3,500</td>
<td>0.9%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2017</td>
<td>$383,500</td>
<td>$8,500</td>
<td>2.3%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3/31/2018</td>
<td>$379,000</td>
<td>-$4,500</td>
<td>-1.2%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/30/2018</td>
<td>$387,500</td>
<td>$8,500</td>
<td>2.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2018</td>
<td>$407,500</td>
<td>$20,000</td>
<td>5.2%</td>
<td>8.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2018</td>
<td>$406,500</td>
<td>-$1,000</td>
<td>-0.2%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Edgewood at Natomas Meadows</td>
<td>Lennar</td>
<td>2,469 Avg. 4,080</td>
<td>6/30/2017</td>
<td>$437,990</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2017</td>
<td>$445,490</td>
<td>$7,500</td>
<td>1.7%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2017</td>
<td>$463,990</td>
<td>$18,500</td>
<td>4.2%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3/31/2018</td>
<td>$476,490</td>
<td>$12,500</td>
<td>2.7%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/30/2018</td>
<td>$484,990</td>
<td>$8,500</td>
<td>1.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2018</td>
<td>$492,740</td>
<td>$7,750</td>
<td>1.6%</td>
<td>10.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2018</td>
<td>$492,740</td>
<td>$0</td>
<td>0.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Willow at Natomas Meadows</td>
<td>Anthem United</td>
<td>2,889 Avg. 4,590</td>
<td>6/30/2017</td>
<td>$475,323</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2017</td>
<td>$490,323</td>
<td>$15,000</td>
<td>3.2%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2017</td>
<td>$495,323</td>
<td>$5,000</td>
<td>1.0%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3/31/2018</td>
<td>$503,823</td>
<td>$8,500</td>
<td>1.7%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6/30/2018</td>
<td>$508,823</td>
<td>$5,000</td>
<td>1.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9/30/2018</td>
<td>$508,823</td>
<td>$0</td>
<td>0.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12/31/2018</td>
<td>$513,490</td>
<td>$4,667</td>
<td>0.9%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>
**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:

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Approach</td>
<td>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</td>
</tr>
<tr>
<td>Sales Comparison Approach</td>
<td>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</td>
</tr>
<tr>
<td>Income Capitalization Approach</td>
<td>The income approach utilizes a market-oriented rate of return to convert a property’s potential income into a value indication (capitalization). The approach considers 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</td>
</tr>
<tr>
<td>Extraction</td>
<td>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</td>
</tr>
</tbody>
</table>

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 is 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.
**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.

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

**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).
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
<table>
<thead>
<tr>
<th><strong>Analysis and Adjustment of Sales</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concessions</strong></td>
</tr>
<tr>
<td><strong>Conditions of Sale</strong></td>
</tr>
<tr>
<td><strong>Market Conditions</strong></td>
</tr>
<tr>
<td><strong>Location</strong></td>
</tr>
<tr>
<td><strong>Community Appeal</strong></td>
</tr>
<tr>
<td><strong>Lot Size</strong></td>
</tr>
<tr>
<td><strong>Site Influence</strong></td>
</tr>
<tr>
<td><strong>Project Type</strong></td>
</tr>
<tr>
<td><strong>Design/Appeal/Features</strong></td>
</tr>
<tr>
<td><strong>Age/Year Built</strong></td>
</tr>
<tr>
<td><strong>Condition</strong></td>
</tr>
<tr>
<td>Category</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Room Count</td>
</tr>
<tr>
<td>Living Area</td>
</tr>
<tr>
<td>Stories</td>
</tr>
<tr>
<td>Garage</td>
</tr>
<tr>
<td>Landscaping</td>
</tr>
<tr>
<td>Patios/Decks</td>
</tr>
<tr>
<td>Fireplaces</td>
</tr>
<tr>
<td>Upgrades/Options</td>
</tr>
<tr>
<td>Solar</td>
</tr>
</tbody>
</table>
### ADJUSTMENT GRID – PLAN 1 – 1,505 SF (CYPRUS VILLAGE BY CARSON HOMES)

<table>
<thead>
<tr>
<th>Item</th>
<th>Project Location</th>
<th>Subject Project</th>
<th>Comparable No. 1a</th>
<th>Comparable No. 1b</th>
<th>Comparable No. 2</th>
<th>Comparable No. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asking Price</td>
<td>$395,990</td>
<td>$353,000</td>
<td>$372,990</td>
<td>$327,990</td>
<td>$349,990</td>
<td>$349,990</td>
</tr>
<tr>
<td>Price/SF Living Area</td>
<td>$239 psf</td>
<td>$235 psf</td>
<td>$227 psf</td>
<td>$198 psf</td>
<td>$206 psf</td>
<td>$206 psf</td>
</tr>
<tr>
<td>Adjustments Concessions</td>
<td>Yes - CC ($5,000)</td>
<td>Est. for CC ($5,000)</td>
<td>Est. for CC ($5,000)</td>
<td>Yes - CC ($4,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Price</td>
<td>$348,000</td>
<td>$367,990</td>
<td>$322,990</td>
<td>$345,990</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Property Rights
- Fee Simple
- Similar
- Similar
- Similar
- Similar

### Sale Conditions
- Market
- Similar
- Similar
- Similar
- Similar

### Market Conditions
- 0.25% Current
- 10/31/18 COE
- 1/19 Contract
- Current Asking
- 2Q 18 Asking 2.0%

### Effective Tax
- Above Avg.
- Similar
- Similar
- Similar
- Similar

### Room Count
- $10,000
- 2.5
- 3
- 2.5
- 3
- 2.5

### Living Area
- 1,505 SF
- 1,506 SF
- 1,506 SF
- 1,506 SF
- 1,506 SF
- 1,506 SF

### Functional Utility
- Central/Forced
- Similar
- Similar
- Similar
- Similar

### Garage Type
- Attached
- Similar
- Similar
- Similar
- Similar

### Solar
- None
- Prepaid 20-Year ($15,000)
- Prepaid 20-Year ($15,000)
- None
- None

### Other
- N/A
- Estimated -2.5% ($8,852)
- Estimated -2.5% ($9,200)
- Similar
- Similar

### Net Adjustments
- -6.4%
- -11.0%
- -7.4%
- -5.4%
- $318,860

### Gross Adjustments
- 9.9%
- $34,942
- $41,015
- $24,205
- 9.3%
- $32,700

### Adjusted Base Value
- $330,238
- $331,975
- $303,785
- $331,130

### Concluded Value
- $327,990 to $372,990
- $303,785 to $331,975
- $327,990 to $372,990

Unadjusted Range: $327,990 to $372,990
Adjusted Range: $303,785 to $331,975
Concluded Value: $320,000
<table>
<thead>
<tr>
<th>Item</th>
<th>Subject Property</th>
<th>Comparable No. 4a</th>
<th>Comparable No. 4b</th>
<th>Comparable No. 4c</th>
<th>Comparable No. 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>Willow</td>
<td>Willow</td>
<td>Willow</td>
<td>Willow</td>
<td>Edgewood</td>
</tr>
<tr>
<td>Builder</td>
<td>Anthem United</td>
<td>Anthem United</td>
<td>Anthem United</td>
<td>Anthem United</td>
<td>Lennar</td>
</tr>
<tr>
<td>Master Plan</td>
<td>Natomas Meadows</td>
<td>Natomas Meadows</td>
<td>Natomas Meadows</td>
<td>Natomas Meadows</td>
<td>Natomas Meadows</td>
</tr>
<tr>
<td>New or Resale</td>
<td>New</td>
<td>New</td>
<td>New</td>
<td>New</td>
<td>New</td>
</tr>
<tr>
<td>Address</td>
<td>1624 Fern Glen Ave</td>
<td>192 Golden Cypress Way</td>
<td>1639 Golden Cypress Way</td>
<td>1639 Golden Cypress Way</td>
<td>Base Asking</td>
</tr>
<tr>
<td>Location</td>
<td>Sacramento</td>
<td>Sacramento</td>
<td>Sacramento</td>
<td>Sacramento</td>
<td>Sacramento</td>
</tr>
<tr>
<td>Proximity to Subject</td>
<td>N/A</td>
<td>Subject Project</td>
<td>Subject Project</td>
<td>Subject Project</td>
<td>Subject Project</td>
</tr>
<tr>
<td>Data Source</td>
<td>Builder</td>
<td>Public Records/Anthem United</td>
<td>Public Records/Anthem United</td>
<td>Public Records/Anthem United</td>
<td>Builder website</td>
</tr>
<tr>
<td>Price</td>
<td>$483,490</td>
<td>$539,000</td>
<td>$533,500</td>
<td>$499,000</td>
<td>$475,990</td>
</tr>
<tr>
<td>Price/SF Living Area</td>
<td>$191 psf</td>
<td>$233 psf</td>
<td>$210 psf</td>
<td>$197 psf</td>
<td>$201 psf</td>
</tr>
<tr>
<td>Adjustments</td>
<td>Est. - CC ($5,000)</td>
<td>Est. ($5,000)</td>
<td>Est. for CC ($5,000)</td>
<td>Yes - CC ($1,500)</td>
<td></td>
</tr>
<tr>
<td>Effective Price</td>
<td>$534,000</td>
<td>$527,500</td>
<td>$494,000</td>
<td>$494,000</td>
<td>$474,490</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Fee Simple</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Financing Terms</td>
<td>Market</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Sale Conditions</td>
<td>Market</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Market Condition</td>
<td>0.25% Current</td>
<td>12/18 COE</td>
<td>12/18 contract</td>
<td>2.25% $12,015</td>
<td>2.25% $18,869</td>
</tr>
<tr>
<td>Adjustments</td>
<td>0.25% 2 STY</td>
<td>2 STY</td>
<td>2 STY</td>
<td>2 STY</td>
<td>2 STY</td>
</tr>
<tr>
<td>Effective Age</td>
<td>0.50%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>ROA/month</td>
<td>Yes</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Community Appeal</td>
<td>Average</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Density, (if attached)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Lot Size SF</td>
<td>4,590</td>
<td>4,590</td>
<td>$5 psf</td>
<td>5,734</td>
<td>5,734</td>
</tr>
<tr>
<td>View</td>
<td>None</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Site Influence</td>
<td>Interior</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Type (Attached/Detached)</td>
<td>Traditional</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Design, Appeal &amp; Features</td>
<td>Average</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Year Built</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Effect Age</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Condition</td>
<td>New</td>
<td>New</td>
<td>New</td>
<td>New</td>
<td>New</td>
</tr>
<tr>
<td>Room Count</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Living Area</td>
<td>2,535 SF</td>
<td>2,535</td>
<td>2,535</td>
<td>2,365</td>
<td>2,365</td>
</tr>
<tr>
<td>Functional Utility</td>
<td>Average</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Heating</td>
<td>Central/Forced</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Garage</td>
<td>$10,000</td>
<td>2 Full</td>
<td>2 Full</td>
<td>2 Full</td>
<td>2 Full</td>
</tr>
<tr>
<td>Garage Type</td>
<td>Attached</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Landscaping</td>
<td>Front Yard</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Pool/Spa</td>
<td>None</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Fencing</td>
<td>Yes</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Fireplac(s)</td>
<td>$2,500</td>
<td>0 Fireplac(s)</td>
<td>0 Fireplac(s)</td>
<td>0 Fireplac(s)</td>
<td>0 Fireplac(s)</td>
</tr>
<tr>
<td>Appliances</td>
<td>DW, R/O, Disposal</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Upgrades/Options</td>
<td>N/A</td>
<td>As Reported</td>
<td>As Reported</td>
<td>As Reported</td>
<td>As Reported</td>
</tr>
<tr>
<td>Solar</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Other</td>
<td>N/A</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Net Adjustments</td>
<td>-11.6%</td>
<td>$62,263</td>
<td>-9.6%</td>
<td>$50,891</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Gross Adjustments</td>
<td>13.0%</td>
<td>$86,295</td>
<td>14.0%</td>
<td>$74,629</td>
<td>10.3%</td>
</tr>
<tr>
<td>Adjusted Base Value</td>
<td>$476,735</td>
<td>$481,609</td>
<td>$477,770</td>
<td>$486,490</td>
<td>$478,000</td>
</tr>
</tbody>
</table>
**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

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

(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.

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

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.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Plan</th>
<th>Living Area (SF)</th>
<th># of Models</th>
<th>Not-Less-Than Base Value</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cypress Village by Carson Homes</td>
<td>Plan 1 (smallest)</td>
<td>1,505</td>
<td>4</td>
<td>$330,000</td>
<td>$1,320,000</td>
</tr>
<tr>
<td><strong>Aggregate Retail Value:</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$1,320,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
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 expect 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**

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

**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.

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Lot Size (SF)</th>
<th>Estimated Avg. Home Size (SF)</th>
<th>Product</th>
<th>Direct Cost ($/SF)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5</td>
<td>2,448</td>
<td>1,750</td>
<td>Garden/4-Pack Cluster</td>
<td>$80.00</td>
<td>$140,000</td>
</tr>
<tr>
<td>Tax Zone 6</td>
<td>2,831</td>
<td>1,950</td>
<td>Alley</td>
<td>$78.00</td>
<td>$152,100</td>
</tr>
<tr>
<td>Tax Zone 7</td>
<td>4,590</td>
<td>2,900</td>
<td>Traditional</td>
<td>$75.00</td>
<td>$217,500</td>
</tr>
</tbody>
</table>

CHANGES IN EXPENSES (EXPENSE INCREASES OR DECREASES)
Expense trending is not warranted given the short (generally 12 to 18 months) coupled with steadings 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.

**ACCURED 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.
In additional 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.
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**

<table>
<thead>
<tr>
<th></th>
<th>Tax Zone 5</th>
<th>Tax Zone 6</th>
<th>Tax Zone 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Home Size (SF)</td>
<td>1,750</td>
<td>1,950</td>
<td>2,900</td>
</tr>
<tr>
<td>Number of Lots</td>
<td>57</td>
<td>48</td>
<td>32</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Single Unit (Static)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Home Revenue</td>
<td>$345,000</td>
</tr>
<tr>
<td>Appreciated Base Home Revenue</td>
<td>$1,725</td>
</tr>
<tr>
<td>Option Revenue</td>
<td>$10,350</td>
</tr>
<tr>
<td>Model Recapture</td>
<td>40%</td>
</tr>
<tr>
<td>Total Revenue (Gross Sale Proceeds)</td>
<td>$359,180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Tax Zone 5</th>
<th>Tax Zone 6</th>
<th>Tax Zone 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Commissions</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Closing, Title, Escrow</td>
<td>0.25%</td>
<td>0.25%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Warranty</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Direct Construction Costs</td>
<td>$140,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permits and Fees</td>
<td>$45,000</td>
<td>$47,000</td>
<td>$59,000</td>
</tr>
<tr>
<td>Option Costs</td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>3.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
</tr>
<tr>
<td>Other Indirects (Construction/Insurance/Contingency)</td>
<td>5.25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model Costs</td>
<td>$5,263</td>
<td>$6,250</td>
<td>$12,188</td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>2.11%</td>
<td>2.11%</td>
<td>2.11%</td>
</tr>
<tr>
<td>Direct Levies</td>
<td>$215 /lot</td>
<td>$215 /lot</td>
<td>$215 /lot</td>
</tr>
<tr>
<td>Special Taxes</td>
<td>$1,491 /lot</td>
<td>$1,491 /lot</td>
<td>$1,491 /lot</td>
</tr>
<tr>
<td>HOA (at 50%)</td>
<td>$810 /lot</td>
<td>$810 /lot</td>
<td>$810 /lot</td>
</tr>
<tr>
<td>Remaining Site Development Costs</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Participation</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>$249,741</td>
<td>$269,031</td>
<td>$384,819</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Tax Zone 5</th>
<th>Tax Zone 6</th>
<th>Tax Zone 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Before Profit</td>
<td>$109,439</td>
<td>$116,419</td>
<td>$163,206</td>
</tr>
<tr>
<td>Implied Developer’s Incentive</td>
<td>8.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income After Profit</td>
<td>$80,705</td>
<td>$85,583</td>
<td>$119,364</td>
</tr>
<tr>
<td>Implied Cost of Funds*</td>
<td>9.00%</td>
<td>9.00%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Value Indication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rounded</td>
<td>$69,810</td>
<td>$74,029</td>
<td>$103,250</td>
</tr>
</tbody>
</table>

* 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>No. Of Lots</th>
<th>Finished Lot Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</td>
<td>57</td>
<td>$70,000</td>
</tr>
<tr>
<td>Tax Zone 6 - 2,831 SF (Alley)</td>
<td>48</td>
<td>$74,000</td>
</tr>
<tr>
<td>Tax Zone 7 - 4,590 SF (Traditional)</td>
<td>32</td>
<td>$103,000</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th>No.</th>
<th>Property/Confirmation</th>
<th>Grantor</th>
<th>Sale Date</th>
<th>Lot Status at Sale</th>
<th>Sale Conditions/Financing</th>
<th>APN</th>
<th>Inspected by:</th>
<th>Sale Price</th>
<th>Price/Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Westshore Village B/N/O SWC Hovnanian Dr. &amp; Natomas Central Dr.</td>
<td>Natomas Investors LLC</td>
<td>6/2/2017</td>
<td>Finished</td>
<td>$5,424,000</td>
<td>1706020063</td>
<td>Jarrod Hodgson</td>
<td>$56,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sacramento (N. Natomas), Sacramento</td>
<td>K. Hovnanian at Westshore LLC</td>
<td></td>
<td>Alley</td>
<td>Fee Simple</td>
<td>2,280</td>
<td>Jarrod Hodgson</td>
<td>Remaining Site Development Costs: $0</td>
<td>$43,000</td>
</tr>
<tr>
<td></td>
<td>APN: 225-2570-053 et al</td>
<td>Confirmation: Secondary</td>
<td></td>
<td></td>
<td>Market/All cash to seller</td>
<td>96</td>
<td></td>
<td>Permits and Fees at Building Permit: $43,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Confirmed by: Jarrod Hodgson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Drive thru alley lots. Fees estimated from fee schedule on adjacent lots, assuming the seller did not have any fee credits.**

| 2   | Natomas Meadows (Cypress Place) SEQ of Gateway Park Blvd. & Del Paso Blvd. | Granite Bay Natomos Meadows | 6/4/2017 | Finished | $1,243,000 | 1706141207 | Jarrod Hodgson | $56,500 |
|     | Sacramento (N. Natomas), Sacramento | Kit Construction (Carson Homes) | | 4-pack cluster | Fee Simple | 2,448 | Jarrod Hodgson | Remaining Site Development Costs: $0 | $45,000 |
|     | APN: 225-2860-012 et al | Confirmation: Buyer | | | Market/All cash to seller | 22 | | Permits and Fees at Building Permit: $45,000 | |
|     | | Confirmed by: Jarrod Hodgson | | | | | | |

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.

| 3   | Natomas Meadows (Cypress Place) SEQ of Gateway Park Blvd. & Del Paso Blvd. | Granite Bay Natomos Meadows | 6/4/2018 | Finished | $3,534,000 | 1806140619 | Jarrod Hodgson | $62,000 |
|     | Sacramento (N. Natomas), Sacramento | Woodside OSN, LP | | Cluster | Fee Simple | 2,448 | Jarrod Hodgson | Remaining Site Development Costs: $0 | $45,000 |
|     | APN: 225-2870-001 | Confirmation: Secondary | | | Market/All cash to seller | 57 | | Permits and Fees at Building Permit: $45,000 | |
|     | | Confirmed by: Jarrod Hodgson | | | | | | |

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.

| 4   | Village at Natomas 2938 Mabry Drive | Trilogy Land Holdings/Legacy Land Partners | 4/28/2017 | Finished | $6,500,000 | 1704280948 | Jarrod Hodgson | $65,000 |
|     | Sacramento (N. Natomas), Sacramento | KB Home | | Cluster | Fee Simple | 3,500 | Jarrod Hodgson | Remaining Site Development Costs: $0 | $45,000 |
|     | APN: 201-1210-061 et al | Confirmation: Prior Listing Broker | | | Market/All cash to seller | 100 | | Permits and Fees at Building Permit: $45,000 | |
|     | | Confirmed by: Jarrod Hodgson | | | | | | |

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Property/Confirmation</th>
<th>Grantor Confirmation</th>
<th>Sale Date</th>
<th>Lot Status at Sale</th>
<th>Doc No.</th>
<th>Property Rights</th>
<th>Lot Size (±SF); No. of Lots</th>
<th>Sale Conditions/Financing</th>
<th>APN:</th>
<th>Sale Price</th>
<th>Price/Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Natomas Meadows (Poppy Lane) SEQ of Gateway Park Blvd. &amp; Del Paso Blvd. Sacramento (N. Natomas), Sacramento APN: 225-2960-001 et al</td>
<td>Granite Bay Natomas Meadows Lennar Homes of California, Inc Confirmation: Secondary</td>
<td>6/15/2018</td>
<td>Finished</td>
<td>1806150742</td>
<td>Fee Simple</td>
<td>2,830</td>
<td>Remaining Site Development Costs: 0</td>
<td>Market/All cash to seller</td>
<td>Inspected by: Jarrod Hodgson</td>
<td>$5,625,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Parkebridge (Village 1, por. Phase 1A/1A) Northern terminus of Fong Ranch Rd. Sacramento (S. Natomas), Sacramento APN: 225-2460-1283 et al</td>
<td>Jen California 7 LLC DR Horton Confirmation: Buyer</td>
<td>10/30/2018</td>
<td>Finished</td>
<td>201810301358</td>
<td>Fee Simple</td>
<td>2,500</td>
<td>Remaining Site Development Costs: 0</td>
<td>Market/All cash to seller</td>
<td>Inspected by: Jarrod Hodgson</td>
<td>$3,830,000</td>
</tr>
</tbody>
</table>

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.

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Property/Confirmation</th>
<th>Grantor</th>
<th>Sale Date</th>
<th>Lot Status at Sale</th>
<th>Lot Status at Sale</th>
<th>Grantee</th>
<th>Property Rights</th>
<th>Sale Conditions/Financing</th>
<th>No. of Lots</th>
<th>Sale Price</th>
<th>Price/Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Westshore (Village E/J/P)</td>
<td>Shea</td>
<td>10/10/2017</td>
<td>Finished</td>
<td>$4,615,000</td>
<td>K. Hovnanian</td>
<td>Traditional</td>
<td>Fee Simple</td>
<td>65</td>
<td>$71,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dnieper River Way at Bombill St.</td>
<td>Confirmation: Secondary (Public Records)</td>
<td>1710101232</td>
<td>Fee Simple</td>
<td>5,775</td>
<td>Remaining Site Development Costs: $0</td>
<td>Confirmed by: Jarrod Hodgson</td>
<td>Inspected by: Jarrod Hodgson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sacramento (N. Natomas), Sacramento</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>APN: 225-2540-068 et al</td>
<td>Confirmed by: Jarrod Hodgson</td>
<td></td>
<td>Market/All cash to seller</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

| 8   | Provence Meadows (Aspen) | JA Bray LLC | 8/30/2016 | Finished | $3,970,000 | $101,795 |
|     | Van Eyck way at Da Vinci Way | Western Pacific Housing | 160830-1423 | Traditional | | |
|     | North Natomas, Sacramento | Confirmation: Buyer | | Fee Simple | 5,775 | Remaining Site Development Costs: $0 | Confirmed by: Jarrod Hodgson | Inspected by: Jarrod Hodgson |
|     | APN: 201-1200-052 | Confirmed by: Jarrod Hodgson | | Market/All cash to seller | 39 | Permits and Fees at Building Permit: $50,000 | |

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.

| 9   | Parkebridge (Village 1, por. Phase 1A/2A) | Jen California 7 LLC | 10/30/2018 | Finished | $3,360,000 | $105,000 |
|     | Northern terminus of Fong Ranch Rd. | DR Horton | 201810301358 | Traditional | | |
|     | Sacramento (S. Natomas), Sacramento | Confirmation: Buyer | | Fee Simple | 3,600 | Remaining Site Development Costs: $0 | Confirmed by: Jarrod Hodgson | Inspected by: Jarrod Hodgson |
|     | APN: 225-2460-1283 et al | Confirmed by: Jarrod Hodgson | | Market/All cash to seller | 32 | Permits and Fees at Building Permit: $23,000 | |

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 complete 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).

| 10  | Parkebridge (Village 1, por. Phase 1A/2A) | Jen California 7 LLC | 10/30/2018 | Finished | $5,520,000 | $120,000 |
|     | Northern terminus of Fong Ranch Rd. | DR Horton | 201810301358 | Traditional | | |
|     | Sacramento (S. Natomas), Sacramento | Confirmation: Buyer | | Fee Simple | 5,000 | Remaining Site Development Costs: $0 | Confirmed by: Jarrod Hodgson | Inspected by: Jarrod Hodgson |
|     | APN: 225-2460-1283 et al | Confirmed by: Jarrod Hodgson | | Market/All cash to seller | 46 | Permits and Fees at Building Permit: $25,000 | |

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Property/Confirmation</th>
<th>Grantor</th>
<th>Sale Date</th>
<th>Lot Status at Sale</th>
<th>Sale Conditions/Financing</th>
<th>No. of Lots</th>
<th>Sale Price</th>
<th>Price/Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Marshall Crossing</td>
<td>Marshall Crossing LLC</td>
<td>6/30/2016</td>
<td>Finished</td>
<td>Market/All cash to seller</td>
<td>38</td>
<td>$4,750,000</td>
<td>$125,000</td>
</tr>
<tr>
<td></td>
<td>N. side of Marshall Road</td>
<td>DRH Energy Inc</td>
<td>17474</td>
<td>Traditional</td>
<td>Fee Simple</td>
<td>5,225</td>
<td>Remaining Site Development Costs: $0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>West Sacramento, Yolo</td>
<td>Confirmation: Buyer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>APN: 045-861-005</td>
<td>Confirmed by: Jarrod Hodgson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inspected by: Jarrod Hodgson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
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 Westhore 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 relatively the 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)

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

**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)

<table>
<thead>
<tr>
<th>Subject</th>
<th>Comparable 1</th>
<th>Comparable 2</th>
<th>Comparable 3</th>
<th>Comparable 4</th>
<th>Comparable 5</th>
<th>Comparable 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Westshore Natomas Meadows</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (S. Natomas)</td>
</tr>
<tr>
<td>City</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (N. Natomas)</td>
<td>Sacramento (S. Natomas)</td>
</tr>
<tr>
<td>Sale Date</td>
<td>Jun-17</td>
<td>Jun-17</td>
<td>Jun-18</td>
<td>Apr-17</td>
<td>Jun-18</td>
<td>Oct-18</td>
</tr>
<tr>
<td>No. Of Lots</td>
<td>48</td>
<td>96</td>
<td>22</td>
<td>57</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>Min. Lot Size</td>
<td>2,831</td>
<td>2,280</td>
<td>2,448</td>
<td>2,448</td>
<td>3,500</td>
<td>2,830</td>
</tr>
<tr>
<td>Applicable Lot Size Adj. Factor ($/SF)</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Lot Price</td>
<td>$56,500</td>
<td>$56,500</td>
<td>$62,000</td>
<td>$65,000</td>
<td>$75,000</td>
<td>$89,070</td>
</tr>
<tr>
<td>Remaining Site Dev. Costs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Profit on Completing Site Development</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Equivalent Finished Lot Price</td>
<td>$56,500</td>
<td>$56,500</td>
<td>$62,000</td>
<td>$65,000</td>
<td>$75,000</td>
<td>$89,070</td>
</tr>
<tr>
<td>Permits and Fees</td>
<td>$47,000</td>
<td>$43,000</td>
<td>$45,000</td>
<td>$45,000</td>
<td>$47,000</td>
<td>$21,000</td>
</tr>
<tr>
<td>Direct Levies &amp; Special Taxes</td>
<td>$1,762</td>
<td>$1,150</td>
<td>$1,631</td>
<td>$1,746</td>
<td>$1,100</td>
<td>$1,762</td>
</tr>
<tr>
<td>$ Adjustment</td>
<td>-$4,000</td>
<td>-$2,000</td>
<td>-$2,000</td>
<td>-$2,000</td>
<td>$0</td>
<td>-$26,000</td>
</tr>
<tr>
<td>Interim Adjusted Finished Lot Price</td>
<td>$50,818</td>
<td>$54,140</td>
<td>$59,956</td>
<td>$61,180</td>
<td>$75,000</td>
<td>$62,116</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Conditions of Sale</td>
<td>Market Similar</td>
<td>Market Similar</td>
<td>Market Similar</td>
<td>Market Similar</td>
<td>Market Similar</td>
<td>Market Similar</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Annual % Adjustment</td>
<td>31.50%</td>
<td>30.00%</td>
<td>6.00%</td>
<td>31.00%</td>
<td>6.00%</td>
<td>–</td>
</tr>
<tr>
<td>Cumulative Adjusted Price</td>
<td>$66,825</td>
<td>$70,382</td>
<td>$63,553</td>
<td>$81,370</td>
<td>$79,500</td>
<td>$62,116</td>
</tr>
<tr>
<td>Location - Regional</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30%</td>
</tr>
<tr>
<td>Location - Specific</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>No. Of Lots</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Min. Lot Size (rounded to 1%)</td>
<td>12%</td>
<td>8%</td>
<td>9%</td>
<td>12%</td>
<td>–</td>
<td>8%</td>
</tr>
<tr>
<td>Lot Premiums</td>
<td>Avg.</td>
<td>In Place</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other - Product Type</td>
<td>Alley</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10%</td>
</tr>
<tr>
<td>Net $ Adjustment</td>
<td>$8,019</td>
<td>$9,150</td>
<td>$8,897</td>
<td>-$1,627</td>
<td>$0</td>
<td>$29,816</td>
</tr>
<tr>
<td>Net % Adjustment (rounded to 1%)</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
<td>-2%</td>
<td>0%</td>
<td>48%</td>
</tr>
<tr>
<td>Final Adjusted Price</td>
<td>$74,844</td>
<td>$79,531</td>
<td>$72,451</td>
<td>$79,742</td>
<td>$79,500</td>
<td>$91,931</td>
</tr>
<tr>
<td>Overall Adjustment (After Site Costs/Fees/Bonds)</td>
<td>47%</td>
<td>47%</td>
<td>21%</td>
<td>30%</td>
<td>6%</td>
<td>48%</td>
</tr>
</tbody>
</table>

**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)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Comparable 7</th>
<th>Comparable 8</th>
<th>Comparable 9</th>
<th>Comparable 10</th>
<th>Comparable 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>Westshore</td>
<td>Provence Meadows</td>
<td>Parkebridge</td>
<td>Parkebridge</td>
<td>Marshall Crossing</td>
</tr>
<tr>
<td>City</td>
<td>Sacramento (N. Natomas)</td>
<td>North Natomas</td>
<td>Sacramento (S. Natomas)</td>
<td>Sacramento (S. Natomas)</td>
<td>West Sacramento</td>
</tr>
<tr>
<td>Sale Date</td>
<td>Oct-17</td>
<td>Aug-16</td>
<td>Oct-18</td>
<td>Oct-18</td>
<td>Jun-16</td>
</tr>
<tr>
<td>No. Of Lots</td>
<td>32</td>
<td>65</td>
<td>39</td>
<td>32</td>
<td>46</td>
</tr>
<tr>
<td>Mn. Lot Size</td>
<td>4,590</td>
<td>5,775</td>
<td>3,600</td>
<td>5,000</td>
<td>5,225</td>
</tr>
<tr>
<td>Applicable Lot Size Adj. Factor ($/SF)</td>
<td>$8</td>
<td>$8</td>
<td>$10</td>
<td>$10</td>
<td>$8</td>
</tr>
<tr>
<td>Lot Price</td>
<td>$71,000</td>
<td>$101,795</td>
<td>$105,000</td>
<td>$120,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Remaining Site Dev. Costs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Profit on Completing Site Development</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Equivalent Finished Lot Price</td>
<td>$71,000</td>
<td>$101,795</td>
<td>$105,000</td>
<td>$120,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Permits and Fees</td>
<td>$59,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$23,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>$ Adjustment</td>
<td>-$9,000</td>
<td>-$9,000</td>
<td>-$36,000</td>
<td>-$34,000</td>
<td>-$24,000</td>
</tr>
<tr>
<td>Direct Levies &amp; Special Taxes</td>
<td>$2,151</td>
<td>$1,500</td>
<td>$1,100</td>
<td>$1,415</td>
<td>$1,415</td>
</tr>
<tr>
<td>$ Adjustment</td>
<td>-$1,780</td>
<td>-$2,889</td>
<td>-$2,023</td>
<td>-$2,023</td>
<td>-$827</td>
</tr>
<tr>
<td>Interim Adjusted Finished Lot Price</td>
<td>$60,210</td>
<td>$89,906</td>
<td>$66,977</td>
<td>$83,977</td>
<td>$100,173</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Conditions of Sale</td>
<td>Market Below Market</td>
<td>Above Market</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>% Adjustment</td>
<td>25%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted Total</td>
<td>$75,263</td>
<td>$85,410</td>
<td>$66,977</td>
<td>$83,977</td>
<td>$100,173</td>
</tr>
<tr>
<td>Annual % Adjustment</td>
<td>24.00%</td>
<td>45.00%</td>
<td>–</td>
<td>–</td>
<td>48.00%</td>
</tr>
<tr>
<td>Cumulative Adjusted Price</td>
<td>$93,326</td>
<td>$123,845</td>
<td>$66,977</td>
<td>$83,977</td>
<td>$148,255</td>
</tr>
<tr>
<td>Location - Regional</td>
<td>–</td>
<td>–</td>
<td>30%</td>
<td>30%</td>
<td>–</td>
</tr>
<tr>
<td>Location - Specific</td>
<td>-5%</td>
<td>-5%</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>No. Of Lots</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Mn. Lot Size (rounded to 1%)</td>
<td>-10%</td>
<td>-8%</td>
<td>15%</td>
<td>-5%</td>
<td>-3%</td>
</tr>
<tr>
<td>Lot Premiums Avg.</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Entitlements In Place</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other - Product Type</td>
<td>Traditional</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net $ Adjustment</td>
<td>-$13,999</td>
<td>-$16,100</td>
<td>$30,140</td>
<td>$20,994</td>
<td>-$26,686</td>
</tr>
<tr>
<td>Net % Adjustment (rounded to 1%)</td>
<td>-15%</td>
<td>-13%</td>
<td>45%</td>
<td>25%</td>
<td>-18%</td>
</tr>
<tr>
<td>Final Adjusted Price</td>
<td>$79,327</td>
<td>$107,745</td>
<td>$97,116</td>
<td>$104,971</td>
<td>$121,569</td>
</tr>
<tr>
<td>Overall Adjustment (After Site Costs/Fees/Bonds)</td>
<td>32%</td>
<td>20%</td>
<td>45%</td>
<td>25%</td>
<td>21%</td>
</tr>
</tbody>
</table>

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
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.
**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

<table>
<thead>
<tr>
<th></th>
<th>Extraction Analysis</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability/Availability of Home Price Data</td>
<td>Avg. to Good</td>
<td>Subject project sales and nearby resales</td>
<td></td>
</tr>
<tr>
<td>Reliability/Availability of Absorption Data</td>
<td>Good</td>
<td>Estimate supported by regional data and local project sales</td>
<td></td>
</tr>
<tr>
<td>Reliability/Availability of Expense/Cost Data</td>
<td>Good</td>
<td>Cost comparables for direct/in direct costs available; total costs market supported.</td>
<td></td>
</tr>
<tr>
<td>Reasonableness of Discount Rate/Profit</td>
<td>Good</td>
<td>Supported by regional and national surveys</td>
<td></td>
</tr>
</tbody>
</table>

#### Sales Comparison Approach

<table>
<thead>
<tr>
<th></th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Recent Sales</td>
<td>Good</td>
<td>2018 sales</td>
</tr>
<tr>
<td>Proximity of Sales to Subject</td>
<td>Average</td>
<td>10 of 11 in North Natomas, with 3 in Natomas Meadows</td>
</tr>
<tr>
<td>Availability of Similar Projects</td>
<td>Good</td>
<td>Garden/cluster, alley and traditional comparables</td>
</tr>
<tr>
<td>Availability/Reliability of Comparable Cost/Fee Data</td>
<td>Good</td>
<td>Site costs and fees were provided by knowledgeable parties</td>
</tr>
</tbody>
</table>

#### SUMMARY OF LOT VALUE CONCLUSIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>No. Of Lots</th>
<th>Extraction Analysis</th>
<th>Sales Comparison Approach</th>
<th>Final Conclusion of Village Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</td>
<td>57</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>Tax Zone 6 - 2,831 SF (Alley)</td>
<td>48</td>
<td>$74,000</td>
<td>$80,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Tax Zone 7 - 4,590 SF (Traditional)</td>
<td>32</td>
<td>$103,000</td>
<td>$105,000</td>
<td>$104,000</td>
</tr>
</tbody>
</table>

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.
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

<table>
<thead>
<tr>
<th>Benchmark Village</th>
<th>No. Of Lots</th>
<th>Owner</th>
<th>Base Finished Lot Value Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</td>
<td>57</td>
<td>Woodside 05N, LP</td>
<td>$70,000</td>
</tr>
<tr>
<td>Tax Zone 6 - 2,831 SF (Alley)</td>
<td>48</td>
<td>Lennar Homes of California, Inc</td>
<td>$80,000</td>
</tr>
<tr>
<td>Tax Zone 7 - 4,590 SF (Traditional)</td>
<td>32</td>
<td>Anthem United Willow Homes</td>
<td>$104,000</td>
</tr>
<tr>
<td><strong>Subtotal:</strong></td>
<td><strong>137</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Groups of Lots</th>
<th>No. Of Lots</th>
<th>Owner</th>
<th>Base Finished Lot Value Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</td>
<td>11</td>
<td>Kit Construction Co. Inc</td>
<td>$70,000</td>
</tr>
<tr>
<td>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</td>
<td>84</td>
<td>Granite Bay-Natomas Meadows, LP</td>
<td>$70,000</td>
</tr>
<tr>
<td><strong>Subtotal:</strong></td>
<td><strong>95</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Overall Lot Total:** 232

- No. of Completed/Transferred Homes: 24
- No. of Completed Model Homes: 4

**Subject Property Total:** 260
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

<table>
<thead>
<tr>
<th>Tax Zone 5 - 2,448 SF (Garden/4-Pack Cluster)</th>
<th>Granite Bay Natomas Meadows, LP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Unit</td>
<td>Total</td>
</tr>
<tr>
<td>Base Finished Lot Value</td>
<td>$70,000</td>
</tr>
<tr>
<td>No. of Lots</td>
<td>x 84</td>
</tr>
<tr>
<td>Base Finished Lot Value in Bulk</td>
<td>$5,880,000</td>
</tr>
<tr>
<td>Less: Final Map Recording Fee</td>
<td>($55,000)</td>
</tr>
<tr>
<td>Existing Public Facilities Fee Credits</td>
<td>$2,760</td>
</tr>
<tr>
<td>No. of Eligible Remaining Lots of this ownership</td>
<td>x 84</td>
</tr>
<tr>
<td>Anticipated Fee Credits from the CFD</td>
<td>$13,560</td>
</tr>
<tr>
<td>No. of Eligible Remaining Lots of this ownership</td>
<td>x 84</td>
</tr>
<tr>
<td>Overall Bulk Value of 84 Lots with Fee Credits:</td>
<td>$7,195,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax Zone 7 - 4,590 SF (Traditional)</th>
<th>Anthem United Willow Homes, LP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Unit</td>
<td>Total</td>
</tr>
<tr>
<td>Base Finished Lot Value</td>
<td>$104,000</td>
</tr>
<tr>
<td>No. of Lots</td>
<td>x 32</td>
</tr>
<tr>
<td>Base Finished Lot Value in Bulk</td>
<td>$3,328,000</td>
</tr>
<tr>
<td>Avg. Gross Fees Paid for Tax Zone 7 (Approx.)</td>
<td>$59,000</td>
</tr>
<tr>
<td>No. of Homes Under Construction</td>
<td>x 9</td>
</tr>
<tr>
<td>Contributory of Fees Paid</td>
<td>$531,000</td>
</tr>
<tr>
<td>Existing Public Facilities Fee Credits</td>
<td>$3,301</td>
</tr>
<tr>
<td>No. of Eligible Remaining Lots of this ownership</td>
<td>x 23</td>
</tr>
<tr>
<td>Anticipated Fee Credits from the CFD</td>
<td>$15,766</td>
</tr>
<tr>
<td>No. of Eligible Remaining Lots of this ownership</td>
<td>x 23</td>
</tr>
<tr>
<td>Overall Bulk Value of 32 Lots with Fees Paid and Fee Credits:</td>
<td>$4,300,000</td>
</tr>
</tbody>
</table>

*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

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

*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

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

Market Value In Bulk: $3,990,000

### PROPERTY OWNED BY THE LENNAR HOMES OF CALIFORNIA, INC.

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

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

<table>
<thead>
<tr>
<th>Plan</th>
<th>Plan</th>
<th>Living Area (SF)</th>
<th># of Homes</th>
<th>Not-Less-Than Base Value</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cypress Village by Carson Homes</td>
<td>Plan 1 (smallest)</td>
<td>1,505</td>
<td>7</td>
<td>$330,000</td>
<td>$2,310,000</td>
</tr>
<tr>
<td>Willow by Anthem United</td>
<td>Plan 1 (smallest)</td>
<td>2,535</td>
<td>17</td>
<td>$480,000</td>
<td>$8,160,000</td>
</tr>
</tbody>
</table>

24

Aggregate Retail Value: $10,470,000
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

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

(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 Woodsides 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.
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.
APPRAISER QUALIFICATIONS
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.
A TECHNICAL REVIEW OF
AN APPRAISAL OF

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

PREPARED FOR:

Mr. Bill Sinclair
Real Property Agent
City of Sacramento/Department of Public Works

PREPARED BY:

SMITH & ASSOCIATES, INC.

John E. Carrothers, MAI
111 Woodmere Road, Suite 140
Folsom, CA 94630
Phone (916) 357-5860
Fax (916) 357-5868
April 15, 2019

Mr. Bill Sinclair  
Real Property Agent  
City of Sacramento, Department of Public Works  
915 I Street, 2nd Floor  
Sacramento, CA 95814

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

As requested, I have completed a “technical review” of the appraisal of the appraisal report for the property referenced above. The appraised property reflects properties in the Natomas Meadows Community Facilities District No. 2007-01. The values presented were in conjunction with the hypothetical condition that as of the date of value, the bonds have been sold and the property was encumbered by Special Taxes as described in the appraisal report.

The intended use of the appraisal review is for the City of Sacramento as an aid in bond financing. The intended user of the appraisal review is the client, the City of Sacramento for the stated intended use only as identified in the appraisal report.

The effective date of the appraisal review coincides with the effective date of value of the appraisal, which is April 11, 2019. The appraisal being reviewed was completed by Jarrod Hodgson, MAI with BBG – Northern California.

The scope of work is that of a “technical review” and therefore does not include the physical inspection of the property by the review appraiser. The appraisal review has been completed in the context of the market conditions that existed as of the effective date of the opinion of value of the appraisal being reviewed.

Within the context of the above scope of work, the purpose of the appraisal review is to;

- Develop an opinion as to the completeness of the material under review within the context required of that work.
- Develop an opinion as to the apparent adequacy and relevance of the data
- Develop an opinion as to the appropriateness of the appraisal methods and techniques used
- Develop an opinion as to whether the analyses, opinions and conclusions are appropriate and reasonable.
Based on the results of appraisal review, completed in compliance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP), and the results thereof;

- The appraisal report is within the context of USPAP reporting requirements.
- The data in the report is considered adequate and relevant.
- The propriety of the adjustments is considered adequate and relevant.
- The appraisal methods and techniques are considered appropriate.
- The analyses, opinions, and conclusions in the report under review are appropriate and reasonable.

In conclusion, as currently presented, the opinion of value presented in the appraisal report is considered credible and adequately supported by available market data and the analysis thereof.

Respectfully submitted,

John E. Carrothers, MAI
Certified General Real Estate Appraiser
AG014187, Exp. 4-11-2021
Value in the appraisal report were reported by ownership as of February 7, 2019. Conclusions noted below.

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Description</th>
<th>Value by Ownership ($)</th>
<th>Appraiser’s Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granite Bay-Natomas Meadows, LP and Anthem United Willow Homes, LP (2)</td>
<td>9 partially completed homes, 23 vacant finished lots and 84 near-finished lots</td>
<td>$11,485,000 (not-less than market value in bulk)</td>
<td></td>
</tr>
<tr>
<td>Kit Construction Co. Inc (dba Carson Homes)</td>
<td>4 Models, 10 partially completed homes, 1 completed and unclosed home</td>
<td>$2,455,000 (not-less than market value in bulk)</td>
<td></td>
</tr>
<tr>
<td>Woodside 05N, LP (dba Woodside Homes)</td>
<td>57 vacant finished lots</td>
<td>$3,990,000 (market value in bulk)</td>
<td></td>
</tr>
<tr>
<td>Lennar Homes of California, Inc</td>
<td>48 vacant finished lots</td>
<td>$3,840,000 (market value in bulk)</td>
<td></td>
</tr>
<tr>
<td>Individual Home Owners</td>
<td>24 completed homes</td>
<td>$10,470,000 (not-less than aggregate value)</td>
<td>$32,250,000 (not-less than aggregate value)</td>
</tr>
</tbody>
</table>
SIGNIFICANT FACTORS INFLUENCING THE VALUATION

The appraisal has been completed subject to the extraordinary assumption identified on the previous page. General Assumptions and Limiting Conditions as identified in the addendum of this report are appropriate.

REVIEW COMMENTS

General Description: The property appraised reflects properties within the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area 2). This 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. (dba Carson Homes), Woodside 05N LP (dba Woodside Homes), Lennar Homes of California Inc., and 24 individual homeowners. It excludes properties within the CFD not subject to Special Tax, such as public/quasi-public or miscellaneous land.

Opinion of the Completeness of Material Under Review: The appraisal appears to adequately address the relevant factors regarding the property being appraised, including the date of valuation, date of the report, purpose of the appraisal, property rights appraised, intended use and intended user, scope of work, property identification, ownership history, area analysis, property description, zoning, highest and best use, approach to valuation, sales comparison approach, income approach (extraction analysis) and related comparable sale data. Appropriate analysis was performed for this property to conform with USPAP and the California Debt and Investment Advisory Commission (CDIAC).

Of note, the appraiser reported values according to each ownership. Values were reported as either a not-less than market value in bulk, market value in bulk, or not less than aggregate value. This is adequate methodology as it applies to CDIAC, more specifically the section as it pertains to value allocations on page 21. This is identified as follows.

Interpretation and Correlation of Estimates

“The appraiser’s estimate of value should be explained and supported by relevant information”. (Appraisal Standards for Land-Secured Financings, May 1994, Revised July 2004, Page 21).

Appraisers should reconcile their estimates of value and state their reasons why the conclusions reached under the chosen valuation method(s) are indicative of the market value of the property.

Value Allocations

“To the extent that the development plan is composed of subunits of phases owned by different parties, the appraiser should seek to determine value of each subunit or phase independently. The to extend that the project is composed of different subunits or phases owned by a single party, the appraiser should not allocate these different subunits or phases separately, but value the project as a single property. In rare cases and for financial disclosure reasons, it may be appropriate to allocated value to different subunits of the project. The appraiser must assume a single owner and be able to separate costs associated with completing each component prior to doing so.” (Appraisal Standards for Land-Secured Financings, May 1994, Revised July 2004, Page 21).
Accordingly, to the extent that the development plan is composed of subunits or phases owned by different parties, the appraiser should seek to determine the value of each subunit or phase independently.

In the appraisal report, the property was adequately described to reflect the various ownerships. The various values reported were correct in that they were provided for each ownership and the document conforms to both USPAP and CDIAC guidelines.

**Reasons for Any Disagreement with Regard to the Completeness of the Material Under Review:**

The appraisal adequately supports the opinions of value presented for review in preparation of this assignment.

**Opinion as to the Apparent Adequacy and Relevance of the Data and the Propriety of any Adjustments to the Data:**

The overall data selection and analysis to be of the nature adequate to provide credible indication of value.

**Opinion As to the Appropriateness of the Appraisal Methods and Techniques Used:**

None

**Reasons for Any Disagreement of the Appraisal Methods and Techniques Used:**

No disagreement.

**Opinion as to Whether the Analyses, Opinions and Conclusions Are Appropriate and Reasonable:**

The analyses, opinions and conclusions appear to be reasonably researched in order to lead the reader to logical and credible value conclusions.

**Reasons for any Disagreement as to the Analyses, Opinions and Conclusions:**

No disagreement
## USPAP TECHNICAL REVIEW

### STANDARD 1

**DID THE APPRAISER:**

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-1(a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td>X</td>
<td>1-1(b)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td>X</td>
<td>1-1(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(b)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(d)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(e)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(f)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(g)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-2(h)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-3(a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-3(b)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-4(a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-4(b)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>X</td>
<td></td>
<td>1-4(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.

2. Commit a substantial error of omission or commission that significantly affects the appraisal?

3. Render appraisal services in a careless or negligent manner, such as making a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, are misleading?

4. Identify the client & other intended users?

5. Identify the intended use of the appraiser’s opinions & conclusions?

6. Identify the type & definition of value? If market value, is context most probable price?

7. Identify the effective date of the appraiser’s conclusions?

8. Identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal?

9. Identify any extraordinary assumptions necessary in the assignment?

10. Identify any hypothetical conditions necessary in the assignment?

11. Determine the scope of work necessary to produce credible assignment results in accordance with the Scope of Work Rule?

12. Identify & analyze the effect of existing land use regulations, reasonably probable modifications of such regulations, economic demand, the physical adaptability of the real estate & market trends?

13. Develop an opinion of highest & best use?

14. Analyze comparable sales data if a Sales Comparison Approach was used?

15. Develop a site value as vacant by an appropriate appraisal technique, analyze comparable cost new data, & analyze accrued depreciation data if a Cost Approach was used?

16. Analyze comparable rental data to estimate the market rent of the property; comparable operating expense data to estimate the operating expenses of the property; comparable data to estimate cap/discount rates if an Income Approach was used? Were the base projections of future rent & expenses supported by reasonably clear & appropriate evidence?
17. Analyze the terms & conditions of the lease(s) to determine the effect on value if a leased fee or leasehold estate value was developed?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-4(d)</td>
</tr>
</tbody>
</table>

18. Analyze the effect on value of the assemblage of the various estates or component parts of a property? Refrain from valuing the whole solely by adding together the individual values of the various estates or component parts?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-4(e)</td>
</tr>
</tbody>
</table>

19. Analyze the effect on value of anticipated public or private improvements, located on or off site, to the extent that market actions reflect such improvements?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
<td></td>
<td>1-4(f)</td>
</tr>
</tbody>
</table>

20. Analyze the effect on value of any personal property, trade fixtures, or intangible items that aren’t real property but are included in the appraisal?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-4(g)</td>
</tr>
</tbody>
</table>

21. Analyze any current agreement of sale, option, or listing of the property?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-5(a)</td>
</tr>
</tbody>
</table>

22. Analyze any prior sales of the property that occurred within the past 3 years?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-5(b)</td>
</tr>
</tbody>
</table>

23. Reconcile: the quality & quantity of data available within the approaches; the applicability or suitability of the approaches used?

<table>
<thead>
<tr>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td>1-6(c)</td>
</tr>
</tbody>
</table>
**STANDARD 2**

**DOES THE APPRAISAL REPORT:**

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>Yes</th>
<th>No</th>
<th>USPAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>24. Clearly and accurately set forth the appraisal in a manner that will not be misleading?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-1(a)</td>
</tr>
<tr>
<td>25. Contain sufficient information to enable intended users to understand it properly?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-1(b)</td>
</tr>
<tr>
<td>26. Clearly and accurately disclose any extraordinary assumption or limiting condition and indicate its impact on value?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-1(c)</td>
</tr>
<tr>
<td>27. Comply with the minimum reporting Standards Rules for An Appraisal report?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-2(a)</td>
</tr>
<tr>
<td>28. Comply with the minimum reporting Standards Rules for a Restricted Appraisal Report?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-2(b)</td>
</tr>
<tr>
<td>29. Include a signed certification in accordance with S.R. 2-3?</td>
<td></td>
<td>X</td>
<td></td>
<td>2-3</td>
</tr>
</tbody>
</table>

**COMMENTS:** Standards have been met.
STANDARD 3

REVIEW CLIENT/INTENDED USER: Bill Sinclair – City of Sacramento

REVIEW INTENDED USE: In connection with bond financing collateralized by the property named above.

REVIEW PURPOSE: To assess the appropriateness and reasonableness of the methodology, techniques, analyses, opinions and conclusions utilized in the appraisal and to determine the appraisal report’s compliance with USPAP.

REVIEW WORK SCOPE: I have performed a desk review of an appraisal report prepared by BBG – Northern California. The review appraiser clearly notes that the Intended User of this appraisal is the City of Sacramento. The real property interest appraised, the date of this review and additional information required in S.R. 3-1(b)/3-2(b) is noted in above text of this appraisal review report. I have not inspected the subject property. I have not inspected the comparable properties. I have not verified subject property information. I have not verified comparable property information.

Any differences of opinion with the original appraiser’s work, together with the reasoning, are noted in preceding portions of the accompanying review report.

The reviewer stipulates that the scope above and the analysis below are performed to the extent appropriate for a desk review.

REVIEW ANALYSIS:

The appraisal report is considered to be complete within the context of USPAP reporting requirements.

The data in the appraisal report are considered adequate and relevant.

The propriety of the adjustments is considered adequate and relevant.

The appraisal methods and techniques are considered appropriate.

The analyses, opinions, and conclusions in the report under review are appropriate and reasonable.

In conclusion, as currently presented, the estimate of value opined to in the appraisal report is considered credible and adequately supported by available market data and the analysis thereof. It is in compliance with both USPAP and CDIAC guidelines.

John E. Carrothers, MAI
Certified General Real Estate Appraiser
State of California #AG014187
Exp. 4-11-2021
CERTIFICATION

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

1. The facts and data reported by the reviewer and used in the review process are true and correct.

2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.

4. I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of the work under review with the three-year period immediately preceding acceptance of this assignment.

5. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.

8. My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.

9. My analyses, opinion, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

10. I have not made a personal inspection of the subject property of the work under review.

11. No one provided significant appraisal, appraisal review, or consulting assistance to the person signing this certification.

12. My educational background, appraisal experience and knowledge are sufficient to review the type of property. As of the date of this report, I have completed the Standards and Ethics Education requirement of the Appraisal Institute for Designated Members.

_________________________________
John E. Carrothers, MAI
Certified General Real Estate Appraiser
State of California #AG014187, exp. 4-11-21
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

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

(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.

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 Woodsides 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.
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**
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.

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.

**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.

**Ownership**
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.

**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.
| 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. |
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.