

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.



\$5,960,000
RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

The Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2015 Series (Bank Qualified) (the "Bonds") are being issued by the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD"), pursuant to a Fiscal Agent Agreement dated as of January 1, 2015 (the "Fiscal Agent Agreement"), by and between the CFD and Wilmington Trust, N.A., as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The Bonds are being issued to (i) finance certain public improvements, including, but not limited to a portion of improvements to the District's Water Treatment Plant #1 (including reimbursement of certain developer deposits related thereto), (ii) fund a reserve account for the Bonds, (iii) fund administrative expenses of the CFD, (iv) fund capitalized interest on the Bonds for 24 months commencing on the date of delivery of the Bonds, and (v) pay the costs of issuance of the Bonds. See "THE FINANCING PLAN" herein. The CFD was established by and is located within the boundaries of the Rancho Murieta Community Services District (the "District") in Sacramento County, California.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds shall be payable on each March 1 and September 1, commencing September 1, 2015 (the "Interest Payment Dates") to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from Special Tax prepayments prior to maturity as set forth herein. See "THE BONDS - Redemption" herein.

The Bonds are limited obligations of the CFD. The Bonds are payable solely from the Special Taxes (as defined herein) to be levied on and collected from the owners of the taxable land within the CFD, and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to a Rate and Method of Apportionment of Special Tax approved by the qualified electors within the CFD on September 5, 2014.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE FISCAL AGENT AGREEMENT, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CFD PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

THE PURCHASE OF THE BONDS IS AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST. SEE "SPECIAL RISK FACTORS" HEREIN FOR A DISCUSSION OF SUCH 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 quick reference only. It is *not* a complete summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued, subject to approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Richard P. Shanahan, Esq., General Counsel to the District, with respect to the issuance of the Bonds, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about January 29, 2015.



**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)**

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†]
2018	\$130,000	2.500%	2.660%	752135BE2
2019	130,000	2.750	2.890	752135BF9
2020	135,000	3.000	3.070	752135BG7
2021	140,000	3.125	3.300	752135BH5
2022	145,000	3.300	3.460	752135BJ1
2023	150,000	3.500	3.630	752135BK8
2024	155,000	3.500	3.680	752135BL6
2025	160,000	3.750	3.930	752135BM4
2026	165,000	4.000	4.020	752135BN2
2027	170,000	4.000	4.100	752135BP7
2028	180,000	4.000	4.170	752135BQ5

\$4,300,000 4.750% Term Bonds maturing September 1, 2044, Yield 4.862% CUSIP[†] 752135BR3

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**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
RANCHO MURIETA, CALIFORNIA**

BOARD OF DIRECTORS

Gerald Pasek, President
Betty Ferraro, Vice President
Paul Gumbinger, Director
Michael Martel, Director
Mark Pecotich, Director

DISTRICT STAFF

Darlene Gillum, General Manager
Suzanne Lindenfeld, Secretary
Richard P. Shanahan, District General Counsel

PROFESSIONAL SERVICES

Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California,

Special Tax Consultant

Willdan Financial Services
Temecula, California

Appraiser

Seevers Jordan Ziegenmeyer
Rocklin, California

Fiscal Agent

Wilmington Trust, N.A.
Costa Mesa, California

Developer Advisor

Kosmont Companies
Los Angeles, California

All information for investors regarding the District, the CFD, and the Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on that website is 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 District. No dealer, broker, salesperson or other person has been authorized by the District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. 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 of Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from the District, the owners of property in the CFD and certain other sources. Such information is believed to be reliable but is not guaranteed as to its accuracy or completeness. The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the District or the CFD. The information and expressions of opinion herein are subject to change without notice; and neither 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 District, the CFD or the owners of property within the CFD or any matters expressed herein since the date hereof. All summaries contained herein of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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 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.

**CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

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," "budget" and other similar words and include, but are not limited to, statements that describe possible future development of property within the CFD and the costs associated with such development.

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. While the CFD, the Developer and the Property Owners have agreed to provide certain on-going financial and operating data for a limited period of time (see "CONTINUING DISCLOSURE" and Appendix F hereto), they do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

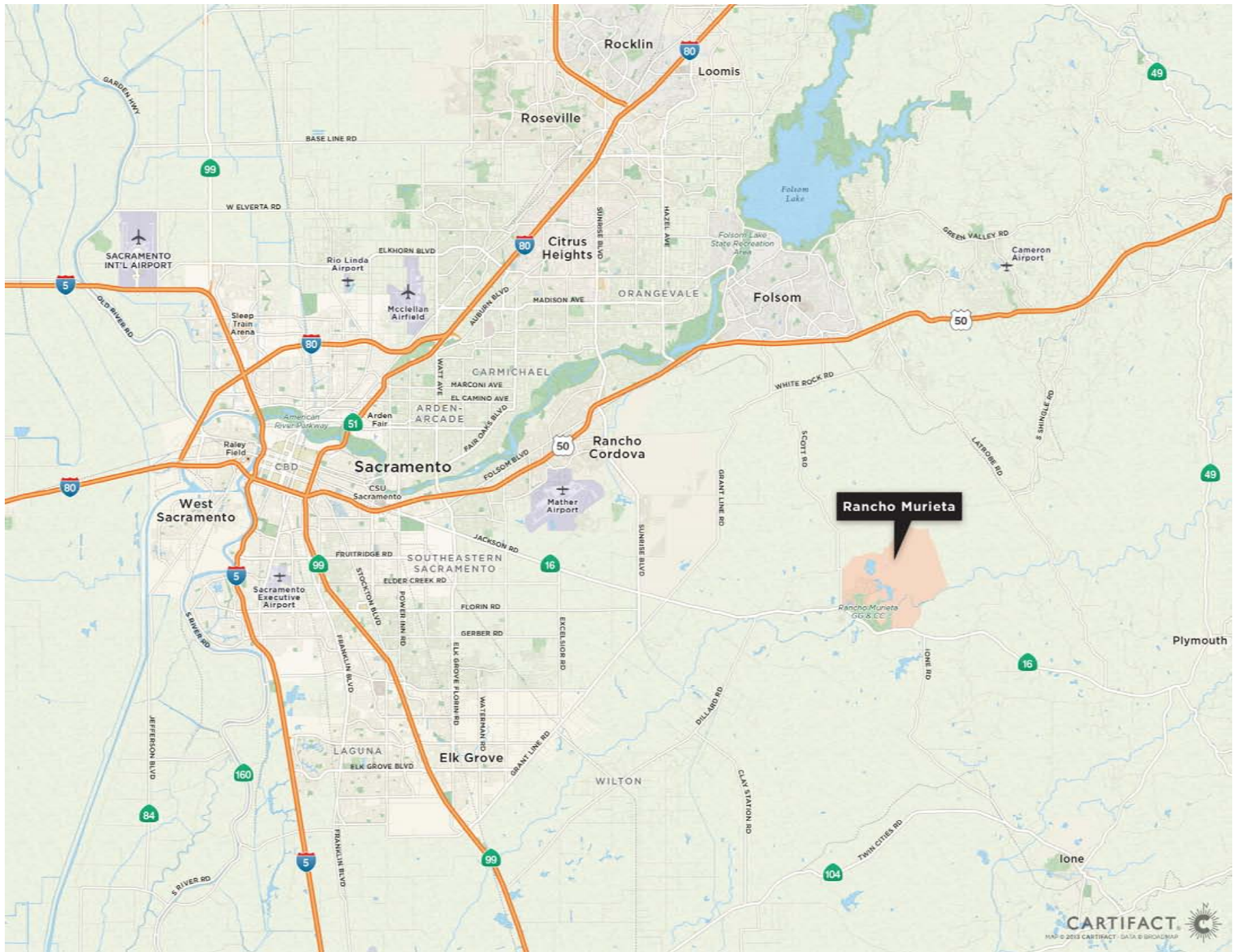
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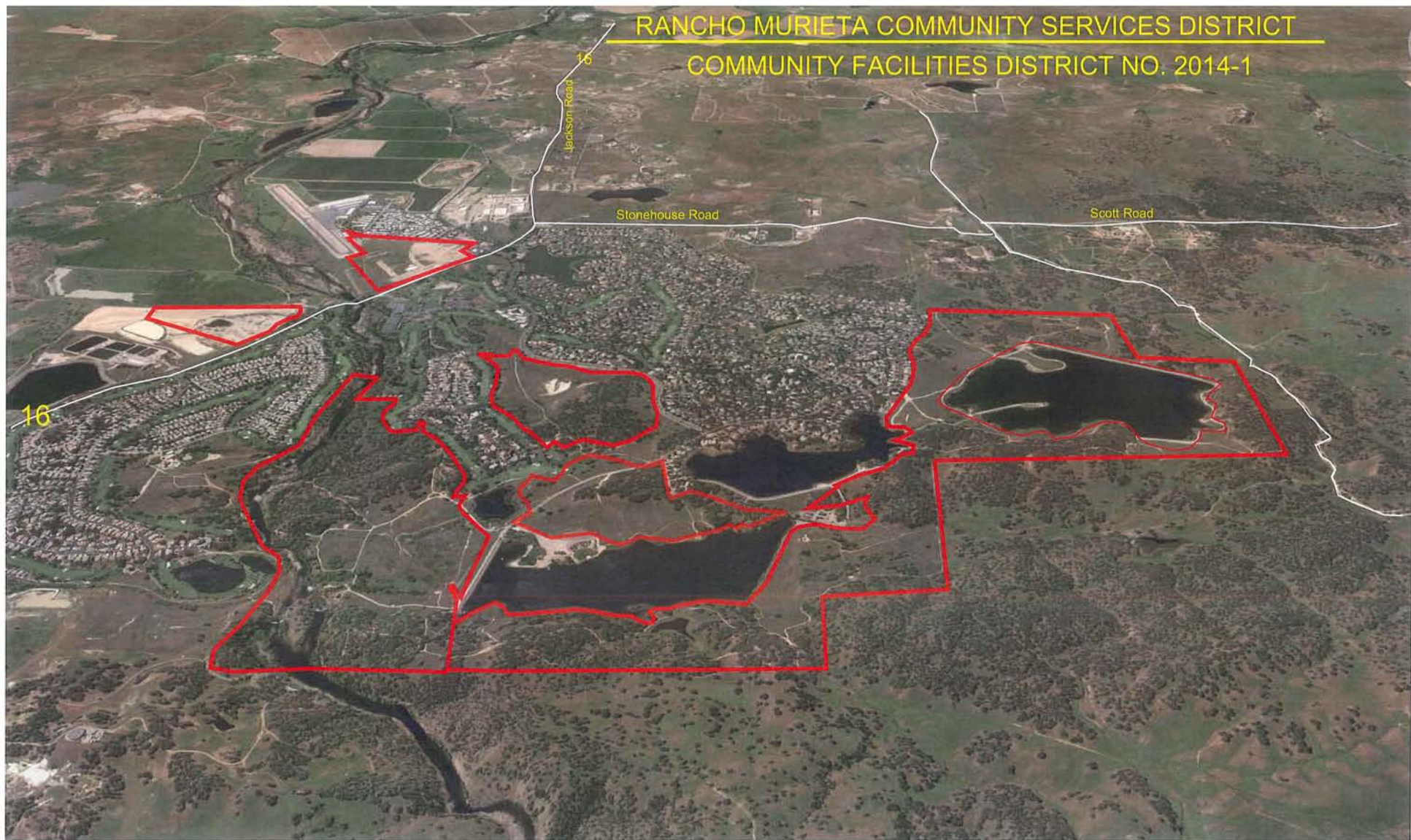
RANCHO MURIETA COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1

16
Jackson Road

Stonehouse Road

Scott Road

16



OFFICIAL STATEMENT

\$5,960,000
RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)

INTRODUCTION

General

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices hereto, is to provide certain information in connection with the issuance and sale by the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the “CFD”) of its Special Tax Bonds, 2015 Series (Bank Qualified) (the “Bonds”) in the aggregate principal amount of \$5,960,000. The Bonds will be issued pursuant to the provisions of a Fiscal Agent Agreement, dated as of January 1, 2015 (the “Fiscal Agent Agreement”), by and between the CFD and Wilmington Trust, N.A., as fiscal agent (the “Fiscal Agent”), and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”).

The Act was enacted by the California Legislature to provide an alternate method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental financing district established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified electors within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and levy and collect special taxes to repay its bonds. See “— The Special Tax” below.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.” The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. 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 Fiscal Agent, all as described in the Official Statement. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them. See “THE BONDS – Book-Entry System” herein.

Redemption

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking fund redemption as described in the Official Statement. For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX B — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Use of Proceeds

The Bonds are being issued to (i) finance certain public improvements, including but not limited to a portion of the improvements to the Rancho Murieta Community Services District’s (the “District”) Water Treatment Plant #1 (including reimbursement of certain Developer deposits related thereto), (ii) fund a reserve account for the Bonds, (iii) fund Administrative Expenses of the CFD for the current Fiscal Year and for Fiscal Year 2015-16, (iv) fund capitalized interest on the Bonds for 24 months commencing on the date of delivery of the Bonds and (v) pay the costs of issuance of the Bonds. See “THE FINANCING PLAN” herein.

The Special Tax

On September 5, 2014, at a special election held pursuant to the Act, the four landowners who comprised the qualified electors within the CFD, voted to authorize the CFD to incur bonded indebtedness in an aggregate amount not to exceed \$6,750,000, approved the levy by the CFD of special taxes within the CFD in accordance with the Rate and Method of Apportionment of Special Tax (the “Rate and Method”) to pay the principal of, and interest on, the authorized bonded indebtedness and approved an appropriations limit for the CFD equal to the maximum amount of bonded indebtedness authorized to be incurred for the CFD. See “SECURITY FOR THE BONDS,” “THE CFD” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Security for the Bonds

The Bonds are limited obligations of the CFD and are secured by the pledge of Special Taxes and other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account therein). Special Taxes means the amount of all Special Tax as described in the Rate and Method authorized to be levied within the CFD, together with the proceeds collected from the sale of property pursuant to the foreclosure provision of the Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions. See “SECURITY FOR THE BONDS - General.”

The CFD has established a Reserve Account pursuant to the Fiscal Agent Agreement. The Reserve Account will be funded from proceeds of the Bonds in the initial amount of \$391,560.00. The Reserve Requirement as of any date of calculation will be an amount equal to the lowest of (1) 10% of the issue price (as defined pursuant to section 148 of the Code), (2) Maximum Annual Debt Service, or (3) 125% of the average Annual Debt Service of the Outstanding Bonds; provided, however, that the Reserve Requirement on any date of calculation shall not exceed the Reserve Requirement as of the date of delivery of the Bonds. See “SECURITY FOR THE BONDS – Reserve Account.”

The CFD

The CFD is located within the unincorporated community of Rancho Murieta in Sacramento County (the “County”), approximately 23 miles southeast of the City of Sacramento. The majority of the property within the CFD is located north of Jackson Highway, east of Stonehouse Road with the balance located south along Jackson Highway, southeast of Murieta Drive. The CFD currently consists of approximately 828 gross acres of vacant land and is planned for residential and commercial land uses as well as open space. At build-out, the CFD is expected to include approximately 412.8 net acres of Taxable Property and approximately 413.2 acres of open space or other Exempt Property (as such terms are defined in the Rate and Method).

The property within the CFD is currently planned for a residential component including 925 residential units within a gated community to be known as “Rancho North” and a mixed-use component including an 83 room hotel with meeting and conference facilities, six two-story condominium villas (with 24 units), a grocery-anchored commercial shopping center with a number of parcels to be sold to individual tenants, a self-storage facility of approximately 77,000 square feet, a one-acre park, a storm detention/open space parcel, and 78 single family residences in a project known as “Murieta Gardens” (collectively, the “Development”).

A significant portion of the land comprising the CFD has not received the County subdivision map approval and other County and governmental permits and entitlements required to develop the land. Substantial backbone infrastructure for the existing residential units within the Rancho Murieta community is in place. Development of significant portions of the land within the CFD, however, is contingent upon construction or acquisition of (i) major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, gas, telephone and electrical facilities and the connection thereof to existing backbone infrastructure within the Rancho Murieta community and (ii) local in-tract improvements including site grading. See “THE DEVELOPMENT” and “SPECIAL RISK FACTORS – Failure to Develop Properties” herein.

The property owners within the CFD are Cosumnes River Land, LLC, a Delaware limited liability company (“CRL”), Murieta Industrial Park, LLC, a Delaware limited liability company (“MIP”) Murieta Lakeside Properties, LLC, a Delaware limited liability company (“MLP”) and Murieta Highlands, LLC a Delaware limited liability company (“MH,” and together with CRL, MIP and MLP, the “Property Owners”). The Property Owners constitute wholly-owned subsidiaries of Rancho Murieta Properties, LLC, a Delaware limited liability company (the “Developer”). See “THE DEVELOPMENT” for further information regarding the Development.

Appraisal

The District has obtained an appraisal of the property in the CFD dated October 6, 2014 (the “Appraisal”) with a date of value as of September 3, 2014 (the “Date of Value”). The Appraisal was prepared for the District by Seevers Jordan Ziegenmeyer, Rocklin, California (the “Appraiser”). Subject to the limitations set forth in the Appraisal, the Appraiser is of the opinion that, as of the Date of Value, the market value of the property within the CFD was \$22,090,000 (the “Appraised Value”). The Appraised Value represents the total market value of the property within the CFD and appraised values for individual parcels within the CFD are not provided by the Appraisal. A copy of the Appraisal is included as Appendix C to this Official Statement. It is a condition precedent to the issuance of the Bonds that the Appraiser deliver a certificate stating that nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal that would lead the Appraiser to

believe that the value of the property in the CFD is less than the minimum value of such property reported in the Appraisal. See “THE CFD — The Appraisal and Appraised Value to Lien Analysis.”

Limited Obligations

Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are neither general or special obligations of the District nor general obligations of the CFD, but are special obligations of the CFD payable solely from Special Taxes and amounts held under the Fiscal Agent Agreement as more fully described herein.

Tax Matters

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein. The CFD has designated the Bonds as “qualified tax-exempt obligations.” See “QUALIFIED TAX-EXEMPT OBLIGATIONS” herein.

Professionals Involved in the Offering

Alamo Capital is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. See APPENDIX E — FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the District and the CFD by Richard P. Shanahan, Esq., General Counsel to the District and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter’s Counsel. Other professional services have been performed by Willdan Financial Services, Temecula, California, as Special Tax Consultant.

Continuing Disclosure

The CFD, the Developer and the Property Owners will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system certain financial information and operating data. The CFD, the Developer and the Property Owners will further agree to provide notice of certain enumerated events to EMMA. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See “APPENDIX F – FORMS OF CONTINUING DISCLOSURE AGREEMENTS” hereto for a description of the specific nature of the reports to be filed on EMMA by the CFD, the Developer and the Property Owners and notices of enumerated events to be provided by the CFD, the Developer and the Property Owners. Within the last five years, the District failed to timely comply in certain respects with its prior continuing disclosure obligations under Rule 15c2-12(b)(5) as described herein. The Developer and the Property Owners have not had any continuing disclosure obligation under Rule 15c2-12(b)(5) within the last five years. See “CONTINUING DISCLOSURE.”

Bondowners' Risks

Certain events could affect the timely payment of 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 that should be considered, in addition to other matters set forth in the Official Statement, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency.

Forward Looking Statements

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

Further Information

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

Brief descriptions of the Bonds, the security for the Bonds, special risk factors, the District, the CFD, the planned development within the CFD, the Developer and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the Bonds, see "APPENDIX B – SUMMARY OF FISCAL AGENT AGREEMENT" hereto.

Copies of such documents may be obtained from the office of the General Manager of the District at P.O. Box 1050, 15160 Jackson Road, Rancho Murieta, California 95683.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the issuance of the Bonds are set forth below:

<u>Sources of Funds</u>	
Principal Amount of the Bonds	\$5,960,000.00
Less: Original Issue Discount.....	(91,491.60)
Less: Underwriter’s Discount.....	<u>(119,200.00)</u>
Total Sources	<u>\$5,749,308.40</u>
<u>Uses of Funds</u>	
Deposit to Acquisition and Construction Fund	\$4,358,245.00
Deposit to Reserve Account	391,560.00
Deposit to Interest Account ⁽¹⁾	523,120.00
Deposit to Costs of Issuance Account ⁽²⁾	435,983.40
Deposit to Administrative Expense Account ⁽³⁾	<u>40,400.00</u>
Total Uses	<u>\$5,749,308.40</u>

- ⁽¹⁾ Capitalized interest on the Bonds for 24 months commencing on the date of delivery of the Bonds.
- ⁽²⁾ Includes fees for Bond Counsel, the Appraiser, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the Bonds.
- ⁽³⁾ Includes Administrative Expenses for the current Fiscal Year and Fiscal Year 2015-16.

THE FINANCING PLAN

The District presently owns and operates two water treatment plants and facilities known as Water Treatment Plant #1 and Water Treatment Plant #2. A portion of the proceeds of the Bonds will be used to finance a portion of the cost for expansion and upgrade of Water Treatment Plant #1 and related public facilities (including reimbursement of certain Developer deposits related thereto). The expansion and upgrade of the Water Treatment Plant #1 is underway and is expected to be completed in May 2015. The balance of the proceeds of the Bonds will be used to fund the reserve account up to the initial Reserve Requirement, fund Administrative Expenses of the CFD for the current Fiscal Year and for Fiscal Year 2015-16, fund capitalized interest on the Bonds and to pay the costs of issuance of the Bonds.

THE BONDS

Authority for Issuance

The CFD was established and bonded indebtedness was authorized to be issued for the CFD pursuant to the provisions of the Act on September 5, 2014. A proposition relating to the incurring of the indebtedness for the CFD was consolidated with a proposition relating to the levying of the Special Tax into a single election at which the propositions were submitted to and approved by the qualified electors of the CFD on September 5, 2014. In accordance with the Act, the only qualified electors were the Property Owners, which were the then owners of all of the land located within the CFD. A Notice of Special Tax Lien was recorded in the office of the County Recorder on September 18, 2014 at Book No. 20140918, Page 0076. The Rate and Method and the amount of the Special Tax that can be collected from the land within the CFD are more fully described in the section herein entitled “SECURITY FOR THE BONDS — The Special Taxes” and “THE CFD.” See also Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.” On

September 5, 2014, the Board of Directors of the District, acting as the legislative body of the CFD, adopted Resolution No. 2014-24, authorizing the issuance of the Bonds, and on November 19, 2014 the Board of Directors of the District adopted Resolution No. 2014-30, which amended Resolution No. 2014-24 (collectively the “Resolution”).

The Bonds are being issued pursuant to the Act, the Resolution and the Fiscal Agent Agreement.

Description of the Bonds

The Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof and will be dated and bear interest from the date of their delivery (the “Dated Date”), at the rate set forth on the cover page hereof. The Bonds will be issued in fully registered form, without coupons.

Interest on the Bonds will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each, an “Interest Payment Date”), commencing September 1, 2015. Interest on the Bonds will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest shall be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond, interest on that Bond shall be payable from its dated date.

Redemption

The Bonds are subject to optional redemption, special mandatory redemption from Special Tax prepayments and mandatory sinking fund redemption as described below.

Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the CFD on any date on or after September 1, 2022, as a whole or in part, by lot, from any available source of funds at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be), together with accrued interest thereon to the date fixed for redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
September 1, 2022 through August 31, 2023	102%
September 1, 2023 through August 31, 2024	101
September 1, 2024 and thereafter	100

Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to maturity on any date, as a whole or in part, in a manner determined by the CFD from prepayments of Special Taxes at the following redemption prices (expressed as a

percentage of the principal amount of Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
Dated Date through August 31, 2022	103%
September 1, 2022 through August 31, 2023	102
September 1, 2023 through August 31, 2024	101
September 1, 2024 and thereafter	100

In connection with such redemption, the CFD may also apply amounts in the Reserve Account that will be in excess of the Reserve Requirement (adjusted to reflect such Special Tax prepayment) to redeem Bonds as set forth above.

Mandatory Sinking Fund Redemption. On September 1 of each year, commencing with September 1, 2029, Term Bonds, selected by lot, are subject to mandatory redemption, from Sinking Fund Payments that are to be deposited into the Redemption Account, at a redemption price equal to the principal amount of the Term Bonds so to be redeemed, without premium, plus accrued interest thereon to the date of redemption, as set forth in the following schedule; provided, however, that (i) in lieu of redemption of Term Bonds, the CFD may purchase and tender Term Bonds to the Fiscal Agent, and (ii) if some but not all of the Term Bonds have been redeemed (other than by reason of the preceding portion of this paragraph), the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 or any integral multiples of \$5,000 in excess thereof as determined by the CFD.

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
2029	\$185,000
2030	195,000
2031	205,000
2032	210,000
2033	225,000
2034	235,000
2035	245,000
2036	255,000
2037	270,000
2038	280,000
2039	295,000
2040	310,000
2041	325,000
2042	340,000
2043	355,000
2044 (maturity)	370,000

Selection of Bonds for Redemption. If less than all of the Bonds Outstanding of any maturity are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Fiscal Agent shall treat such Bonds as representing that

number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000.

Notice of Redemption. When Bonds are due for redemption under the Fiscal Agent Agreement, the Fiscal Agent shall give notice, in the name of the CFD, of the redemption of such Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments shall be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds of a maturity are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Fiscal Agent. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond or the original purchaser of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date.

Effect of Notice of Redemption. Notice of redemption having been duly given, as described above, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(1) The Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement;

(2) Upon presentation and surrender thereof at the office of the Fiscal Agent, the redemption price of such Bonds shall be paid to the Owners thereof;

(3) As of the redemption date the Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds, or portions thereof, shall cease to bear further interest; and

(4) As of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption shall be entitled to any of the benefits of this Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

The Fiscal Agent

Wilmington Trust, N.A. has been appointed as the Fiscal Agent for the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see “APPENDIX B – SUMMARY OF FISCAL AGENT AGREEMENT” hereto.

Book-Entry System

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Actual purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the actual purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants. See “APPENDIX G – BOOK-ENTRY ONLY SYSTEM.”

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Debt Service Schedule

The following is the annualized debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

<i>Year Ending (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2015	--	\$ 154,029.78	\$ 154,029.78
2016	--	261,560.00	261,560.00
2017	--	261,560.00	261,560.00
2018	\$ 130,000.00	261,560.00	391,560.00
2019	130,000.00	258,310.00	388,310.00
2020	135,000.00	254,735.00	389,735.00
2021	140,000.00	250,685.00	390,685.00
2022	145,000.00	246,310.00	391,310.00
2023	150,000.00	241,525.00	391,525.00
2024	155,000.00	236,275.00	391,275.00
2025	160,000.00	230,850.00	390,850.00
2026	165,000.00	224,850.00	389,850.00
2027	170,000.00	218,250.00	388,250.00
2028	180,000.00	211,450.00	391,450.00
2029	185,000.00	204,250.00	389,250.00
2030	195,000.00	195,462.50	390,462.50
2031	205,000.00	186,200.00	391,200.00
2032	210,000.00	176,462.50	386,462.50
2033	225,000.00	166,487.50	391,487.50
2034	235,000.00	155,800.00	390,800.00
2035	245,000.00	144,637.50	389,637.50
2036	255,000.00	133,000.00	388,000.00
2037	270,000.00	120,887.50	390,887.50
2038	280,000.00	108,062.50	388,062.50
2039	295,000.00	94,762.50	389,762.50
2040	310,000.00	80,750.00	390,750.00
2041	325,000.00	66,025.00	391,025.00
2042	340,000.00	50,587.50	390,587.50
2043	355,000.00	34,437.50	389,437.50
2044	370,000.00	17,575.00	387,575.00
Total	\$ 5,960,000.00	\$ 5,247,337.28	\$ 11,207,337.28

SECURITY FOR THE BONDS

General; Limited Obligations

The Bonds are special, limited obligations of the CFD and are secured by a pledge of the Special Taxes of the CFD and all moneys deposited in the Special Tax Fund established by the Fiscal Agent Agreement (other than amounts in the Administrative Expense Account therein). The Bonds are not secured by moneys on deposit in the Administrative Expense Account, the Acquisition and Construction Fund, the Rebate Fund or the Surplus Fund established by the Fiscal Agent Agreement.

Special Taxes means the Special Tax (as defined in the Rate and Method) authorized to be levied by the CFD on parcels within the CFD in accordance with the Resolution of Formation, the Act and the voter approval obtained at the September 5, 2014 election in the CFD and any additional special taxes authorized to be levied by the CFD from time to time that are pledged by the CFD to the repayment of the Bonds, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses; provided, however, that so long as the County has paid to the CFD the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County, Special Taxes shall not include any payment of Special Taxes 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 Fiscal Agent Agreement. See “—Collection of Special Taxes” and “— Teeter Plan.”

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds.

Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are neither general or special obligations of the County or the District, but are special, limited obligations of the CFD payable solely from the Special Taxes and other amounts pledged under the Fiscal Agent Agreement as more fully described herein.

In the event that delinquencies occur in the receipt of the Special Taxes within the CFD in any fiscal year, the CFD may increase its Special Tax levy on property within the CFD in the following fiscal year up to the maximum amount permitted under the Rate and Method. Under no circumstances, however, will Special Taxes levied against any parcel used for private residential purposes be increased by more than 10 percent as a consequence of delinquency or default by the owner of any other parcel or parcels within the CFD. Although the Special Tax levy on property within the CFD may be increased, Special Taxes resulting from the increase may not be collected and available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax levy may adversely affect the ability or willingness of property owners within the CFD to pay their Special Taxes. See “THE CFD – Rate and Method of Apportionment of Special Taxes” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto for a description of the CFD’s procedures for levying Special Taxes within the CFD, and “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

Although the Special Tax will be levied against taxable parcels within the CFD, it does not constitute a personal indebtedness of the respective property owners. There is no assurance that the property owners will be financially able to pay the annual Special Tax or that they will pay it even if financially able to do so. See “SPECIAL RISK FACTORS” herein.

Covenants and Warranties

The CFD will covenant in the Fiscal Agent Agreement to comply with the covenants and warranties therein. See APPENDIX B — “SUMMARY OF THE FISCAL AGENT AGREEMENT — Covenants and Warranty.”

The Special Taxes

The CFD will covenant in the Fiscal Agent Agreement that it will levy Special Taxes in accordance with the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund (other than amounts in the Administrative Expense Account therein), to pay the principal of and interest on all Outstanding Bonds, to replenish the Reserve Account to the Reserve Requirement and to pay the estimated Administrative Expenses.

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” 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 “SPECIAL RISK FACTORS — Insufficiency of Special Taxes” herein.

Collection of Special Taxes

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

The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the Special Taxes for the CFD. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. The CFD expects to participate in the County’s Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate and disburse 100 percent of property taxes billed to participating taxing entities (regardless of delinquencies) in exchange for the county retaining future delinquent tax payments, penalties and interest. See “—Teeter Plan.”

The CFD will make certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the CFD’s ability to collect sufficient Special Taxes to pay debt service on the Bonds when due. The CFD will covenant in the Fiscal Agent Agreement that it will not initiate proceedings to reduce the maximum Special Tax rates for the CFD, unless, in connection therewith, (i) the CFD receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax that may be levied on then existing Developed Property (as defined in the Rate and Method) in each Bond Year for all Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the CFD finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. For purposes of

estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant will compute the Administrative Expenses for the then-current Fiscal Year and escalate that amount by two percent in each subsequent Fiscal Year. See APPENDIX B — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Although the Special Taxes constitute liens on taxed parcels within the CFD, they do not constitute a personal indebtedness of the owners of those parcels. In addition to the obligation to pay Special Taxes, properties in the CFD are subject to other assessments and special taxes as described under the caption “THE CFD — Direct and Overlapping Debt.” The lien of these other special taxes and assessments on a parcel and the lien of the Special Taxes on that parcel are of equal priority. Moreover, other liens for taxes and assessments on a parcel subject to the Special Taxes could come into existence in the future in certain situations without the consent or knowledge of the County or the landowners in the CFD. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “SPECIAL RISK FACTORS.”

Teeter Plan

The District expects that taxes levied by the CFD will be included in the County’s Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the CFD and the taxable parcels located therein, the CFD will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, the County’s Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties and interest associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “SPECIAL RISK FACTORS – Teeter Plan Termination.”

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments

(if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment that was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

In June 1993, the County Board of Supervisors approved the implementation of the Teeter Plan. 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 respective taxing entities and in respect of 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 such eligibility determinations annually, and may exclude a financing or assessment district or individual parcel that had previously been included in the plan. The County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. There can be no assurance that the County will determine that any given delinquent special tax is eligible for the Teeter Plan. If the County determines that delinquent Special Taxes are not eligible for the Teeter Plan, the CFD retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions.

Covenant for Superior Court Foreclosure

So long as the Teeter Plan is in effect with respect to all parcels in the CFD, the CFD will receive 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies as described under the caption “— Teeter Plan” above. If the Teeter Plan is discontinued with respect to all or a portion of the property within the CFD and in the event of a delinquency in the payment of any installment of Special Taxes, the CFD is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the CFD to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.” Such judicial foreclosure proceedings are not mandatory.

Pursuant to Section 53356.1 of the Act, the CFD will covenant in the Fiscal Agent Agreement that it will determine or cause to be determined, no later than March 1 and August 1 of each year, whether or not any owner of the property within the CFD is delinquent in the payment of Special Taxes and, if delinquency exists, the CFD will order and cause to be commenced no later than April 15 (with respect to the March 1 determination date) or September 1 (with respect to the

August 1 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due, provided, however, that the CFD shall not be required to order the commencement of foreclosure proceedings if (i) the total Special Tax delinquency in the CFD for such Fiscal Year is less than five percent (5%) of the total Special Tax levied in such Fiscal Year, (ii) the amount in the Reserve Account is equal to the Reserve Requirement, and (iii) the CFD shall have established from any source of lawfully available funds (other than Special Taxes) an escrow fund to provide for the payment of principal of and interest on the Bonds. Notwithstanding the foregoing, if the CFD determines that any single property owner in the CFD is delinquent in excess of five thousand dollars (\$5,000) in the payment of the Special Tax, then it will diligently institute, prosecute and pursue foreclosure proceedings against such property owner. Special Taxes that are not timely paid will not be considered delinquent under the Fiscal Agent Agreement so long as the CFD has received such Special Taxes from the County under the Teeter Plan.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes, the Fiscal Agent Agreement authorizes the CFD to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in the Act, or such less amount as provided in the Fiscal Agent Agreement or otherwise under the Act.

The CFD is authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the CFD of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the CFD. The CFD may, however, adjust the Special Taxes levied on all property within the CFD up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, but not more than a 10% increase on a residential parcel from the prior Fiscal Year.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revised judgment and any liens extinguished by the sale are revised as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

No Obligation of the District Upon Delinquency

The District is under no obligation to transfer any funds of the District into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes. See "SECURITY FOR THE BONDS - Covenant for Superior Court Foreclosure" for a discussion of the CFD's obligation to foreclose Special Tax liens upon delinquencies.

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held and maintained by the Fiscal Agent. In the Special Tax Fund there is further established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account. The amounts on deposit in the foregoing funds and accounts will be held by the Fiscal Agent in trust and the Fiscal Agent will invest and disburse the amounts in such funds and accounts in accordance with the provisions of the Fiscal Agent Agreement and will disburse investment earnings thereon in accordance with the provisions of the Fiscal Agent Agreement.

On each date on which it receives Special Taxes, the CFD will transfer the Special Taxes to the Fiscal Agent for deposit into the Special Tax Fund in accordance with the terms of the Fiscal Agent Agreement to be held in trust. Subject to the use of amounts to pay costs of foreclosure of delinquent Special Taxes, the Fiscal Agent will transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Fiscal Agent Agreement in the following order of priority:

1. The Administrative Expense Account of the Special Tax Fund;
2. The Interest Account of the Special Tax Fund;
3. The Principal Account of the Special Tax Fund;
4. The Redemption Account of the Special Tax Fund;
5. The Reserve Account of the Special Tax Fund; and
6. The Surplus Fund.

Administrative Expense Account. The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund an amount equal to the Administrative Expense Requirement for the Fiscal Year (for Fiscal Year 2016-17 an amount equal to \$20,808 and escalating two percent each year thereafter), which will be disbursed by the Fiscal Agent upon the Written Request of the CFD. Amounts deposited in the Administrative Expense Account are not pledged to the repayment on the Bonds. The Administrative Expense Requirement for Fiscal Years 2014-15 and 2015-16 will be funded with proceeds of the Bonds.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds until maturity, other than principal due upon redemption including sinking fund redemption, will be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively. At least five Business Days prior to each March 1 and September 1, the Fiscal Agent will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account:

1. To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date that remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

2. To the Principal Account, an amount such that the balance in the Principal Account five Business Days prior to September 1 of each year, commencing September 1, 2018 shall at least equal the principal payment due on the Bonds maturing on such September 1 and any principal payment due on a previous September 1 that remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund. On each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund, the Fiscal Agent will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 1 equal to the Sinking Fund Payment due on Outstanding Term Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account. Moneys so deposited in the Redemption Account will be used and applied by the Fiscal Agent to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in the Fiscal Agent Agreement and in any Supplemental Fiscal Agent Agreement for such Term Bonds.

All prepayments of Special Taxes shall be deposited in the Redemption Account to be used to redeem Bonds on the next date for which notice of redemption can timely be given.

Surplus Fund. After making the transfers required by the Fiscal Agent Agreement as described above, as soon as practicable after each September 1, the Fiscal Agent shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which the CFD directs the Fiscal Agent by Written Request of the CFD to retain because the CFD has included such funds as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Fiscal Agent Agreement. Moneys deposited in the Surplus Fund shall be transferred by the Fiscal Agent at the written direction of the CFD to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses or, upon the Written Request of the CFD, may be disbursed to the CFD to be expended for any other lawful purpose of the CFD. The amounts in the Surplus Fund are not pledged to the repayment of the Bonds.

Reserve Account

Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due. If the amounts in the Interest Account, the Principal Account or the Redemption

Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on Bonds when due, the Fiscal Agent will withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund, as applicable, moneys necessary for such purposes.

Whenever moneys are withdrawn from the Reserve Account, after making the required transfers under the Fiscal Agent Agreement, the Fiscal Agent will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds that the CFD elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Fiscal Agent determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the CFD will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy for property within the CFD to the extent of the maximum permitted Special Tax rates, however, Special Taxes on residential parcel may not be increased more than 10% from the prior Fiscal Year.

No Parity Obligations

Other than refunding bonds, the CFD may not issue bonds, notes or other similar evidences of indebtedness payable from the Special Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Bonds.

THE DISTRICT

The District was formed in 1982 under the California Government Code 61000 to provide essential services in Rancho Murieta, which is an unincorporated community within Sacramento County's 4th Supervisor District. The District provides services to an area of 3,500 acres (covering roughly five and a half square miles). The approved master plan for development within the District, which includes the parcels within the CFD, calls for residential development on 1,920 acres with single-family residences, townhouses, apartments, and mobile homes for a total of 5,189 units. Current estimates indicate Rancho Murieta has 2,506 households with a population of approximately 5,488 persons (2010 census). The Rancho Murieta community includes custom and production homes, townhouses, mobile homes, and a retail complex. In addition, an airport, office building, fire station, and equestrian center are located in the District.

See "APPENDIX C – APPRAISAL REPORT" for certain economic and demographic information regarding the Sacramento metropolitan area as well as the Rancho Murieta community.

The District is an independent special district which provides the following services:

- Water supply collection, treatment, and distribution
- Wastewater collection, treatment, and reuse
- Storm drainage collection, disposal, and flood control
- Security
- Solid Waste collection

The District's affairs are directed and governed by a five-member Board of Directors, elected at large by registered voters within the District. Policy direction is set by the Board of Directors and administered by the District's general manager.

THE CFD

General

On August 1, 2014, the Board of Directors adopted a Resolution of Intention to form the CFD under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing public facilities, including but not limited to the improvements to the District's Water Treatment Plant #1. After conducting a noticed public hearing, on September 5, 2014, the Board of Directors adopted the Resolution of Formation, which established the CFD and approved the Rate and Method for the levy and collection of Special Taxes within the CFD. On September 5, 2014, an election was held within the CFD in which the landowners eligible to vote unanimously approved the incurrence of bonded indebtedness in an amount not to exceed \$6,750,000 and the levy of the Special Tax within the CFD.

The CFD is located within the unincorporated community of Rancho Murieta in the County, approximately 23 miles southeast of the City of Sacramento and is bisected by Jackson Highway and the Cosumnes River. The majority of the property within the CFD is located north of Jackson Highway, east of Stonehouse Road with the balance located south along Jackson Highway, southeast of Murieta Drive. The CFD currently consists of approximately 828 gross acres of vacant land and is planned for residential and commercial land uses as well as open space. The property within the CFD to the north of Jackson Highway is currently planned for 925 residential units in a gated community to be known as Rancho North. Current development plans for the portion of the CFD to the south of Jackson Highway include a mixed-use project known as "Murieta Gardens." See "THE DEVELOPMENT — Development Within the CFD."

Water and sewer service to the CFD will be supplied by the District. Electricity will be supplied by the Sacramento Municipal Utilities District and telephone service is available from AT&T. However, significant extension of facilities to connect such utilities and services to the property within the CFD will need to occur as such property is developed.

Although, like much of California, the land within the CFD is subject to seismic activity, it is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Earthquake Special Study Zone).

According to the Federal Emergency Management Agency ("FEMA") National Flood Insurance Program, Flood Insurance Rate Map (FIRM), the majority of the property within the CFD is located within Zone X (areas outside of the 500-year flood plain) as reflected by FEMA map panel No. 0607C0275H (dated August 6, 2012). A portion of the 39.8 acre parcel located to the south of Jackson Highway (APN No. 073-0180-029) is located within Zone A (within a 100-year flood plain) as reflected by FEMA map panel No. 06067C0400H (dated August 16, 2012).

Expansive Ione soils formation are known to exist in the areas within the vicinity of the CFD and have led to failed foundations in certain existing structures. Such Ione soils exist on portions of property within the CFD and will require geotechnical investigations, civil and structural design efforts, geotechnical monitoring during construction, remedial grading and specialty foundation

systems. As part of the process of developing Murieta Gardens, the Developer engaged a soils engineering consultant to be on site daily to observe and test the site while over-excavation, grading and re-compaction work was performed. Unsuitable soils have been identified and stockpiled for removal from the site. The Developer expects to use similar remedial processes during development of the Rancho North Properties (as defined below). The CFD can make no assurance that such additional investigations and remedial efforts will be undertaken or the manner in which they are undertaken.

Additional information with respect to the property within the CFD is contained in the Appraisal. See Appendix C — “APPRAISAL REPORT.”

The Project

The Project includes certain public improvements, including the CFD’s share of the costs of the acquisition or construction of improvements to the District’s Water Treatment Plant #1 that are required in order to provide water service to the property within the CFD. According to the Financing and Services Agreement dated May 27, 2014, by and among the District and the Property Owners, the total cost of the improvements to the District’s Water Treatment Plant #1 are estimated to be approximately \$12,852,588, of which approximately \$4,358,245 are expected to be paid from Bond proceeds. The improvements to the District’s Water Treatment Plant #1 are underway and are expected to be completed in May 2015.

Rate and Method of Apportionment of Special Taxes

The following is a summary of the provisions of the Rate and Method. This summary does not purport to be comprehensive and should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached hereto as APPENDIX A. All capitalized terms not defined in this section have the meanings set forth in APPENDIX A.

Commencing with Fiscal Year 2016-17 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement. Special Tax Requirement means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

First: All Original Parcels will be assigned the Maximum Special Tax.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

(a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of the but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels."

(b) The Maximum Special Tax assigned to a Parent Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:

(1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special Tax assigned to the Parent Parcel by the number of Final Map Parcels in the Subdivision.

(2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels, allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.

(3) If Child Parcels are created by means other than a Subdivision allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The CFD Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

(a) Compute the Special Tax Requirement

(b) Compute 100 percent of the Maximum Special Tax revenue for all Developed Parcels.

(c) If the amount from Step (b) is greater than the Special Tax Requirement in Step (a), proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.

(d) If the amount from Step (b) is less than the Special Tax Requirement in Step (a), increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to

100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in Step (b) for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.

(e) If the amounts from Step (b) for all Developed Parcels and Step (d) for all Final Map Parcels together are less than the Special Tax Requirement in Step (a), increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in Steps (b) and (d) plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.

(f) Levy on each Taxable Parcel the amount calculated above.

(g) Prepare the tax collection schedule and, unless an alternative method of collection has been selected, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year.

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

Under the Rate and Method, each of the 10 Original Parcels within the CFD will be subject to the Maximum Special Tax as set forth below. As the Original Parcels are subdivided for development, the Maximum Special Tax will be allocated among the subdivided parcels as described in the Rate and Method.

<i>APN/Project Name</i>	<i>Number of Gross Acres</i>	<i>Maximum Special Tax</i>
Murieta Gardens		
073-0470-004	16.60	\$24,336
073-0470-005	21.81	36,786
073-0470-006	14.73	1,132
Rancho North		
073-0800-007	3.01	566
073-0800-008	92.75	84,891
073-0800-009	65.08	70,743
073-0090-062	117.62	28,297
073-0790-023	238.36	113,188
073-0800-003	218.03	155,633
Remaining Parcel⁽¹⁾		
073-0180-029	<u>39.81</u>	<u>22,638</u>
Total	827.80	\$538,210

⁽¹⁾ The Developer and the Property Owners do not have any current development plans for this parcel. See “THE DEVELOPMENT – Development Within the CFD.”
Source: District and Special Tax Consultant.

Appraisal and Appraised Value-to-Lien Analysis

The Bonds are secured by Special Taxes which may include amounts realized upon foreclosure sale of delinquent parcels. Therefore, the ability of the CFD to meet debt service on the Bonds may depend on the ability of delinquent parcels to generate sufficient proceeds upon foreclosure sale to pay delinquent Special Taxes. The District, on behalf of the CFD, has commissioned the Appraiser to perform an appraisal of the value of the property within the CFD. See “APPENDIX C – APPRAISAL REPORT” hereto. The Appraisal was prepared with a date of value of September 3, 2014. In the opinion of the Appraiser, the market value of the property within the CFD, subject to the hypothetical condition that the improvements to be financed by the Bonds are in place, is \$22,090,000 (the “Appraised Value”).

The ratio of the Appraised Value to the \$5,960,000 total principal amount of the Bonds is approximately 3.71-to-1. This ratio does not include other overlapping debt within the CFD. See “— Direct and Overlapping Debt” below. Taking that overlapping debt into account, the ratio of the Appraised Value to the total amount of existing bonded debt for the CFD of \$340,819 (which includes other land secured property tax and assessment debt payable from other special taxes applicable to property within the CFD and overlapping general obligation debt) is approximately 3.51-to-1. The Appraisal provides the Appraised Value for property within the CFD in the aggregate and does not provide appraised values for each individual parcel within the CFD. As a result, the ratio of value to existing and proposed bonded debt may vary for individual parcels within the CFD.

The Appraisal Report indicates the Appraiser’s opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. 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 property, within the CFD and there can be no assurance that market conditions will not change adversely in the future.

An updated Appraisal has not been requested by the District or completed by the Appraiser since the original Date of Value. It is a condition precedent to the issuance of the Bonds, however, that the Appraiser deliver to the CFD a certification to the effect that, while the Appraiser has not updated the Appraisal since the date of the Appraisal and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in the CFD is less than the value reported in the Appraisal. However, the Appraiser notes 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 within the CFD.

The Appraisal’s value estimates reflect certain assumptions set forth in the Appraisal. Any variance in costs could impact the value conclusions reported in the Appraisal. For a full description of the assumptions relied upon by the Appraiser, as well as a description of the valuation methodology, see “APPENDIX C – APPRAISAL REPORT.”

The Appraisal was prepared in accordance with and subject to the requirements of The Appraisal Standards for Land Secured Financing as published by the California Debt and Investment Advisory Commission, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The Appraiser was selected by the District and has no material relationships with the District or the owners of the land within the CFD other than the

relationship represented by the engagement to prepare the Appraisal Report and other similar engagements for the District. See “APPENDIX C – APPRAISAL REPORT.”

Prospective purchasers of the Bonds should not assume that any particular parcel in the CFD could be sold for an amount sufficient to cure its delinquency at a foreclosure sale of the respective parcel(s) for delinquent Special Taxes. For example, it is possible that the aggregate appraised value of the land in the CFD will not be realized through foreclosure sales of multiple delinquent parcels because at foreclosure each parcel may be sold separately for the Special Tax lien claims against it and multiple parcels may not be foreclosed in a single “bulk” foreclosure sale. None of the parcels secure the unpaid Special Taxes of another parcel. A property owner that owns multiple parcels may determine not to pay Special Taxes only with respect to one or more of the parcels owned by such property owner, which may result in Special Taxes that are insufficient to pay debt service on the Bonds.

Direct and Overlapping Debt

Within the CFD’s boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding obligations in the form of general obligation, lease, revenue, and special assessment bonds. The following table represents the total assessed valuation and the direct and overlapping “bonded” debt relating to property within the CFD as of December 1, 2014, according to California Municipal Statistics, Inc. The CFD makes no assurances as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc.

2014-15 Local Secured Assessed Valuation: \$4,580,153

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/14</u>
Los Rios Community College District General Obligation Bonds	0.003%	\$ 10,578
Elk Grove Unified School District Community Facilities District No. 1 Special Tax Bonds	0.157	279,989
Rancho Murieta Community Services District Community Facilities District No. 2014-1	100.000	- ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$290,567
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	0.004%	\$ 10,366
Sacramento County Pension Obligation Bonds	0.004	34,636
Sacramento County Board of Education Certificates of Participation	0.004	285
Los Rios Community College District Certificates of Participation	0.003	166
Sacramento Metropolitan Fire District Pension Obligation Bonds	0.008	<u>5,021</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$50,474
Less: Sacramento County supporting obligations		<u>222</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$50,252
 GROSS COMBINED TOTAL DEBT		 \$341,041 ⁽²⁾
NET COMBINED TOTAL DEBT		\$340,819

Ratios to 2014-15 Assessed Valuation:

Direct Debt	- %
 Total Direct and Overlapping Tax and Assessment Debt	6.34%
Gross Combined Total Debt	7.45%
Net Combined Total Debt.....	7.44%

⁽¹⁾ Excludes the Bonds described herein.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquency History

Fiscal Year 2016-17 will be the first year in which the Special Taxes will be levied within the CFD. Therefore, no delinquent Special Tax information for the CFD currently exists. The Developer has represented to the District that the Developer, the Property Owners and their affiliated entities have never been delinquent in the payment of special taxes or assessments within the State of California.

THE DEVELOPMENT

Representatives of the Developer have provided the information under this heading. None of the Underwriter, the District or the CFD has independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.

General Description of the Development

Rancho Murieta. Rancho Murieta is a 3,500 acre mixed use master planned community originally developed by the Pension Trust Fund for Operating Engineers Local #3 in 1969 as a training facility for heavy earth moving equipment operators. The original Rancho Murieta Planned Development Ordinance (the “Ordinance”) was approved by the County in 1969 and allowed for development of up to 7,000 residential units. In 1977, Ordinance No. 77-PD-10 was approved, amending the prior development ordinances and reduced the total allowable residential units to 5,000 plus 189 mobile home units on 1,920 acres. The property within the CFD is located approximately 23 miles southeast of the City of Sacramento and is bisected by Jackson Highway and the Cosumnes River. Currently, there are 2,506 total residential units within the gated community of Rancho Murieta with substantial “backbone” infrastructure for the existing units in place. The District is the primary provider of public services within the CFD, including water, sewer, drainage, solid waste and security services and owns reservoirs and diversion facilities for water storage, two water treatment plants and a wastewater plant and tertiary recycled treatment facilities. Within the gated community of Rancho Murieta there are two 18-hole golf courses, a clubhouse, tennis facilities, walking trails, numerous parks and three reservoir lakes. The first golf course was completed in October 1971 and the second golf course was completed in September, 1979. The opening of 189 mobile home pads and clubhouse occurred in November 1972 with initial home sales commencing in the fall of 1973.

Development within the CFD

The current plans for development within the CFD include (1) a residential component within six assessor’s parcels of approximately 733 acres, generally located to the north of Jackson Highway and north of the Cosumnes River, within the gated community to be known as Rancho North (the “Rancho North Properties”), (2) a mixed-use component within three assessor’s parcels of approximately 53.1 acres located to the south of Jackson Highway and north of the Cosumnes River (“Murieta Gardens”) and (3) one parcel of approximately 39.8 acres located to the south of Jackson Highway and south of the Cosumnes River for which the Developer currently does not have any development plans. At build-out, the Developer expects the CFD to include 412.8 net acres of Taxable Property and 413.2 acres of open space or other Exempt Property.

A significant portion of the land comprising the CFD has not received the County subdivision map approval and other County and governmental permits and entitlements required to develop the land. Substantial backbone infrastructure for the existing residential units within the Rancho Murieta community is in place. Development of significant portions of the land within the CFD, however, is contingent upon construction or acquisition of (i) major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, gas, telephone and electrical facilities and the connection thereof to existing backbone infrastructure within the Rancho Murieta community and (ii) local in-tract improvements including site grading.

Residential Component – Rancho North Properties. A development application was submitted to the County on October 24, 2014 (the “Application”) for the Rancho North Properties and the 39.8 acre parcel located to the south of Jackson Highway, (which parcel is not included within the Murieta Gardens development as further described below). The development of the six parcels comprising the Rancho North Properties will be the next phase of a 40-year build-out that conforms to the existing general plan for the area and is consistent with existing land uses. The Rancho North Properties currently includes approximately 733 acres that are part of the Rancho Murieta master plan as set forth in the Ordinance, and is proposed for development of 925 residential units. The land within the Rancho North Properties is presently undeveloped.

The Application proposes the development of the Rancho North Properties in two phases. Phase I consists of three individual tentative maps creating 464 single family lots over 240 gross acres. Phase II consists of five individual tentative maps creating 461 single family lots over 367 gross acres. Phase II properties pose greater development challenges as they are located further from existing “backbone” infrastructure and are also expected to be developed later in time.

Lots within the Rancho North Properties are currently contemplated as 6,000, 8,000 and 10,000 square foot semi-custom/ merchant build lots, ¼ and ½ acre custom lots and up to one acre ranchettes. The Developer currently plans to complete the entitlement of the lots and sell finished or “blue top super pads” to regional or national merchant homebuilders. The entitlement process for the Rancho North Properties is estimated to take approximately 18-24 months and initial lot sales are not expected to occur until 2016. No assurances can be given that such entitlement process or lot sales will be completed within the currently projected timeframe.

The following table provides a summary of the currently proposed neighborhoods to be included within the Rancho North Properties and the approximate lot sizes thereof.

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Proposed Development Within Rancho North Properties

<i>Development</i>	<i>Formerly</i>	<i>Total Lots</i>	<i>Custom Lots</i>	<i>100' x 100' Lots</i>	<i>80' x 100' Lots</i>	<i>60' x 100' Lots</i>	<i>Parks Open Space (acres)</i>	<i>Total Area (acres)</i>
<i>Phase I</i>								
Village A	The Terraces	171	7	40	37	87	44.5	94.5
Village B	River Canyon	159	62	24	73	0	24.3	81.9
Village C	Highlands	134	7	8	74	45	25.7	63.3
<i>Total Phase I Lots</i>		464	76	72	184	132	94.5	239.7
<i>Phase II (South)</i>								
Village D	Chesbro Square	59	4	9	46	0	6.5	27.7
Village E	Lake Jean	115	29	10	63	13	36.3	79.9
Village F	Granlee	97	8	17	45	27	43.4	77.1
<i>Phase II (North)</i>								
Village G	Calero North	53	20	21	12	0	88.8	115.7
Village H	Calero South	137	0	40	97	0	20.4	66.6
<i>Total Phase II Lots</i>		461	61	97	263	40	195.4	367.0
<i>Total Lots</i>		925	137	169	447	172	289.9	606.7⁽¹⁾

⁽¹⁾ Excludes approximately 126.4 acres of anticipated Exempt Property and other open space.
Source: The Developer.

The residential development of the Rancho North Properties will require County approval of tentative subdivision maps and preparation of an Environmental Impact Report (EIR). In order to prepare the EIR and obtain approval of subdivision maps, the Developer will be required to conduct comprehensive geotechnical, biological (special status plants and wildlife), native oak tree, cultural resources, hydrology, and traffic studies, which a number of such technical reports have been completed.

The completion of the Water Treatment Plant #1 expansion will provide the necessary water treatment capacity for the District to be able to provide potable water service to the proposed development and is one of the prerequisites to gaining the necessary governmental approvals. The Water Treatment Plant #1 expansion is underway and is expected to be complete in May 2015.

There are no guarantees that the Developer will be able to obtain the remaining governmental approvals necessary to develop the property within the Rancho North Properties as currently planned. Completion of development within the Rancho North Properties will require the construction of certain backbone infrastructure, including in-tract improvements. No assurances can be given with respect to the ability of any merchant homebuilder who purchases property within the Rancho North Properties to complete such improvements or the residential units as described herein.

Mixed-Use Component – Murieta Gardens. The mixed-use component within the CFD includes three assessor's parcels consisting of approximately 53.1 acres, generally referred to as "Murieta Gardens." The Murieta Gardens development is expected to include a four-story, 83 room hotel with meeting and conference facilities, six two-story condominium villas (with 24 units), a grocery-anchored commercial shopping center with a number of parcels to be sold to individual tenants, a self-storage facility of approximately 77,000 square feet, a one-acre park, a storm detention/open space parcel, and 78 single family residences. Financing for the estimated \$19.8 million construction costs for the hotel consists of a \$9.1 million bank loan with the balance of the costs provided through equity/cash on hand. Grading of the site has been completed and the hotel is expected to open in April, 2016.

The assessor's parcels within Murieta Gardens have received all necessary discretionary entitlement approvals for development with a few remaining conditions to the issuance of building permits. One condition is the completion of the Water Treatment Plant #1 expansion (to be funded in part with Bond proceeds) to enable the District to issue "will-serve" letters to the Developer. Construction of the Water Treatment Plant #1 expansion is underway and completion is expected in May 2015. The other primary condition to the issuance of building permits is that the Developer and the County must reach an agreement regarding the sharing of certain costs related to increasing capacity on area streets, mainly Jackson Highway. Negotiations with the County are in progress. No assurances can be given regarding the timing or outcome of such negotiations.

Remaining Parcel. Within the CFD to the south of Jackson Highway and south of the Consmnes River is a 39.8-acre parcel (APN 73-01280-029) that is not contiguous with and not currently included in the Rancho North Properties or Murieta Gardens developments (but is part of the Application). See "—Residential Component – Rancho North Properties" above. Such parcel is currently being used for training heavy equipment operators. The requested approval for this site is for a flexible Mixed Use/General Commercial designation which would allow commercial uses, light industrial or business park uses, or a combination thereof. The Developer currently does not have specific development plans for this parcel, though specific development plans for this parcel are not necessary to obtain the foregoing application approval.

See “APPENDIX D – STATUS OF LAND USE APPROVALS AND REGULATIONS FOR CFD PARCELS” for information concerning the land use approval and entitlement status of the property within the CFD.

Financing Plan

Neither the Property Owners nor the Developer have provided information regarding the projected costs to complete the development within the CFD as currently planned or their expected financing sources. Such financing sources may be cash generated from development operations, sales of parcels to merchant builders, credit facilities, loans on the property owned by the Property Owners within the CFD, available equity, or any combination of the foregoing. There can be no assurance that the Property Owners or the Developer will have timely access to the sources of funds which will be necessary to complete the proposed development in the CFD. Neither the Developer nor the Property Owners have any legal obligation to Bond Owners to make any such funds available to fund the development costs or to pay *ad valorem* property taxes or Special Taxes related to their property in the CFD. Many factors beyond the Developer’s and the Property Owners’ control, or a decision by the Developer or the Property Owners to alter their current plans, may cause the actual sources of financing and their uses to differ from current projections. Any such decision could impact the development of property within the CFD.

THE PROPERTY OWNERS AND THE DEVELOPER

Representatives of the Developer and the Property Owners have provided the information under this heading. None of the Underwriter, the District or the CFD has independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.

The information in this section of the Official Statement regarding ownership of certain property in the CFD has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to the Developer and the Property Owners should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the Bonds, are recourse obligations of the Developer, the Property Owners or any other property owner in the CFD. A property owner may sell or otherwise dispose of land within the CFD or a development or any interest therein at any time.

The Bonds and the Special Taxes are not personal obligations of the Developer, the Property Owners or any other current or subsequent property owners and, in the event that the Developer, the Property Owners or any other current or subsequent property owner defaults in the payment of the Special Taxes, the CFD may proceed with judicial foreclosure but has no direct recourse to the assets of the Developer, the Property Owners or any other current or subsequent property owner. As a result, other than as provided in the Official Statement, no financial statements or information is, or will be, provided about the Developer, the Property Owners or any other current or subsequent property owner. The Bonds are secured solely by the Special Taxes and other amounts pledged under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS” and “SPECIAL RISK FACTORS.”

Property Owners

The property owners within the CFD are Cosumnes River Land, LLC, a Delaware limited liability company, Murieta Industrial Park, LLC, a Delaware limited liability company Murieta Lakeside Properties, LLC, a Delaware limited liability company and Murieta Highlands, LLC a Delaware limited liability company. The Property Owners constitute wholly-owned subsidiaries of the Developer.

The founding members of the Developer are Cosumnes River Land, LLC (66.67%), an entity owned by Carol Anderson Ward and John M. Sullivan, and deRegt Investment Holdings, LLC (33.33%), an entity owned by Thomas S. deRegt. Ward, Sullivan and deRegt are the managers of the Developer. The investor members of the Developer, in addition to the managers, are generally local investors who are residents of the Greater Sacramento Metropolitan Area and are knowledgeable of the Rancho Murieta community. The initial capitalization was \$17,500,000 which was used for land acquisition and various administrative and predevelopment expenses.

The current ownership, assessor’s parcel numbers and certain other information regarding the proposed use of each parcel are summarized below:

<i>Project Name/Property Ownership</i>	<i>APN</i>	<i>Number of Gross Acres</i>	<i>Existing Use</i>	<i>Proposed Use</i>
Murieta Gardens				
Cosumnes River Land, LLC	073-0470-004	16.60	Vacant	Approved for hotel, commercial center, residential and self- storage
	073-0470-005	21.81	Vacant	
	073-0470-006	14.73	Vacant	
Rancho North Properties				
Murieta Highlands, LLC	073-0800-007	3.01	Vacant	Residential
	073-0800-008	92.75	Vacant	Residential
	073-0800-009	65.08	Vacant	Residential
Murieta Lakeside Properties, LLC	073-0090-062	117.62	Vacant	Residential
	073-0790-023	238.36	Vacant	Residential
	073-0800-003	218.03	Vacant	Residential
Remaining Parcel				
Murieta Industrial Park, LLC	073-0180-029	39.81	Equipment Training	To be determined

Source: Developer.

Developer Managers

Brief biographies of the managers of the Developer are as follows:

Thomas S. deRegt

With more than 30 years of experience Mr. deRegt's career has focused on strategic real estate investment and capitalization, single-family land and home development, and in-fill, medium-to-high density mixed-use and multi-family developments.

Mr. deRegt founded deRegt Development, Inc. in 1989 which entered into diversified partnerships, each with a core focus, with prominent institutional investors and advisors including Institutional Housing Partners, Prudential Investors, BlackRock, Fidelity, Wells Fargo Advisors and Farallon Capital Management and other private equity investors. deRegt Development, Inc. joined with two development partners to form New Cities Development Group ("NCDG") with a primary focus in single family master planned community development in California, Nevada and Colorado developing small lot subdivisions to 1,500+ unit master planned communities grossing more than \$500 million of revenue from single family homes sales. NCDG also developed the Pasadera Country Club, a Jack Nicklaus Signature golf course residential community in Monterey, California.

In 2000, Mr. deRegt founded BayRock Residential, LLC which executed construction of over 2,000 garden style and walk-up rental residential units and wood-frame over podium, steel-frame and high-rise for-sale residential condominiums until 2008.

In 2003, Mr. deRegt founded Valley Community Homes as a Monterey County based homebuilder. VCH entitled, developed and continues to build homes at an 853 lot subdivision in Salinas, California which includes a park and school component.

Prior to 1989, Mr. deRegt held various investment and underwriting positions with subsidiaries of Security Pacific Corporation and Weyerhaeuser Corporation. Mr. deRegt holds a B.S. degree in Business Administration from California State University at San Luis Obispo as well as undergraduate studies in the School of Architecture and Engineering.

Carol Anderson Ward

Ms. Ward has been in the building products and construction industry since her father Frederick E. Anderson founded Anderson Lumber Co. as a family partnership in 1953. After a series of acquisitions and expansion into trucking, contracting and other building products related businesses, Anderson Lumber was merged with Pacific Coast Wood Products in the mid 1970's; and later changed its name to Pacific Coast Building Products, Inc. In the 1980's Pacific Coast became the largest family owned building materials company west of the Rockies.

In 2010, Ms. Ward acquired controlling interest in PacCapital, LLC, a financial services entity which was wholly owned by Pacific Coast Companies. She has since changed the name to Live Oak Legacy and is its Managing Director. Along with her brother James F. Anderson, sister Cathy Aronson, and daughter Erin Sullivan, Ms. Ward has majority interest in Rancho Murieta Properties, LLC. Ms. Ward also owns the 100 acre, Murieta Equestrian Center and two additional ranches adjacent to Rancho Murieta.

John M. Sullivan

Mr. Sullivan has spent nearly 35 years in the building materials distribution, contracting and manufacturing business. A 1973 graduate of California State University-Chico, Mr. Sullivan went to work for Pacific Coast Wood Products, holding a variety of positions including Corporate Credit Manager, Chief Financial Officer, and Corporate Director, during the 1970's and 1980's as the company grew from 7 branches and 63 employees to over 60 branches, 2,300 employees and half a billion in revenues.

Mr. Sullivan was a fiduciary of the Pacific Coast Building Products, Inc. Profit Sharing Plan and Trust, its Employee Stock Ownership Trust(s), and President of Rancho Murieta Airport, Inc.

Mr. Sullivan was the co-founder of the Raley's Senior Gold Rush, the Sacramento International Airshow, and the Rancho Murieta Grand Prix in collaboration with KCRA-TV(3) and Murieta Equestrian Center.

In 1992, Mr. Sullivan left Pacific Coast Building Products, began a negociant and wholesale winery operation in Sonoma County and in 1995 purchased land, financed and constructed the Oakville Wine Cellars on the Silverado Trail, in Napa Valley. The Winery was eventually sold to Mary Miner and operates today as the Miner Family Vineyards and Winery.

Since 2009, Mr. Sullivan has been consulting and performing construction management for the expansion and upgrades of Murieta Equestrian Center, developed plans for a new boutique hotel, completed the 2012 acquisition and re-entitlement of the 53.1 acre Murieta Gardens mixed-use development. In conjunction with Tom deRegt and Carol Anderson Ward, as co-managers, Mr. Sullivan completed the 1,200 acre purchase of the property within Rancho Murieta that is now included in the CFD in the summer of 2013, including the two Rancho Murieta championship golf courses, tennis complex, and training center facilities from Rancho North Properties and the Pension Trust Fund for Operating Engineers Local #3.

Tony Velez

Tony is the Chief Financial Officer for the Developer and its related entities. Mr. Velez has been a CPA for 30 years and has experience working in real estate investment and development, construction and distribution. This includes 8 years of public accounting experience working for a Big 4 international accounting firm and large regional firm. Mr. Velez graduated from California State University, Sacramento with a business degree in accounting. He has served on the board as past treasurer and director for Safety Center, Inc. (a non-profit organization), past president and director of Sheldon High School football booster club and past president and director of the Construction Financial Managers Association (CFMA) for the Sacramento Chapter.

SPECIAL RISK FACTORS

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. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the CFD to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the CFD to make full and punctual payments of debt service on the Bonds. In addition, the

occurrence of one or more of the events discussed herein could adversely affect the value of the property in the CFD.

Concentration of Ownership

As of September 3, 2014, the Property was owned by the Property Owners, which are all subsidiaries of the Developer. There is no guarantee that the Property Owners, the Developer or any future merchant builder will complete the development of the property within the CFD as currently planned or when such development will be completed. A general slowing of sales in the commercial and housing markets, both nationally and locally, could slow or prevent altogether the Property Owners' or the Developer's development plans. Unless and until ownership of property within the CFD is broadly diversified, the inability or refusal of the Property Owners or any future merchant builder to pay the Special Taxes when due could result in the rapid total depletion of the Reserve Account. Under such circumstances, there would be insufficient moneys with which to pay principal of and/or interest on the Bonds. See the sections hereof entitled "THE DEVELOPMENT" for information supplied by the Developer and the Property Owners with respect to the development plan within the CFD.

Development Uncertainties - General

The property within the CFD is presently undeveloped and in-tract improvements as well as improvements to connect such property to the backbone infrastructure of the developed communities within Rancho Murieta remain to be constructed. In general, undeveloped land is less valuable than developed land and, therefore, will provide less security for the repayment of the Bonds in the event that the CFD is required to initiate sale or foreclosure proceedings as a result of delinquencies in the payment of Special Taxes prior to development of such land.

A number of contingencies exist which could slow the rate of, or prevent altogether, the future planned development of the property within the CFD. A substantial reduction in the rate at which such portions of such property may be developed could reduce its value and restrict the diversification of ownership.

Land development operations are subject to comprehensive federal, state and local regulations. Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits or the developer has entered into a development agreement with the applicable city or county. Approvals are required from various governmental agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning and building requirements and numerous other matters. Failure to obtain any such approval could adversely affect land development operations. The development and marketing of land within the CFD may also be adversely affected by competition from other developments, changes in general economic conditions, fluctuations in the real estate market in the area, and other similar factors. Further, the continuation of the severe and extended drought in California, coupled with the difficulty in obtaining regulatory approval of new sources of potable water, can restrain development that might otherwise proceed.

Development of significant portions of the land within the CFD is contingent upon construction or acquisition of (i) major public improvements such as arterial streets, water

distribution facilities, sewage collection and transmission facilities, gas, telephone and electrical facilities and the connection thereof to existing backbone infrastructure within the Rancho Murieta community and (ii) local in-tract improvements including site grading. While a very small portion of these improvements have been or are expected to be constructed with proceeds of the Bonds, there can be no assurance that all of these improvements will be constructed. The cost of these public and private in-tract and off-site improvements could increase the public and private debt for which the land within the CFD provides security. This increased debt could reduce the willingness and/or ability of the property owners to pay the annual Special Taxes levied against their property.

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

The development and marketing of land within the CFD may be particularly dependent on factors which are peculiar to Northern California and the County. Beginning in 2007, the real estate market in the County has experienced a significant downturn with taxable values dropping significantly and many homeowners and developers experiencing foreclosure, bankruptcy and other financial strains. According to the County, between fiscal year 2006-07 and fiscal year 2012-13, the aggregate secured assessed value of property in the County decreased by approximately 6.2%. While the aggregate secured assessed value in the County has increased in fiscal year 2014-15 by approximately 11.6% from fiscal year 2012-13 levels, there is no assurance that the real estate market within the County and the CFD will not experience future downturns. Any downturn in the real estate market could slow or alter the development of property within the CFD from current projections. Unemployment in the Sacramento Metropolitan Statistical Area has decreased to 6.6% in October 2014 from 9.6% in October 2012.

Development Uncertainties - Financing

The successful development of the property within the CFD requires the construction of certain additional back-bone infrastructure, installation of private in-tract improvements as well as funding sources for the construction of the planned residential units. There is no assurance that the Developer, the Property Owners or any of future owner of property within the CFD will be able to obtain the financing necessary to complete the such required improvements and the residential and commercial units as currently planned. If and to the extent that the cost of such improvements required for such development is financed through borrowings, such borrowings will increase the private debt for which such portions of property within the CFD serve as security. An increase in such debt could reduce the ability or desire of the property owners in the CFD to pay the Special Taxes applicable to their property. There is no assurance that any of the Developer, the Property Owners or any future owner of property within the CFD will be able to obtain the financing necessary to complete such required improvements.

Undeveloped Property

The property within the CFD is undeveloped and substantial portions have not received the entitlements necessary for development. The inability or failure to develop property due to adverse regulatory or economic conditions may reduce the value of undeveloped property. The undeveloped property also provides less security to the Bondowners should it be necessary for the CFD to foreclose on undeveloped property in the CFD due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the CFD as currently proposed will make the Bondowners more dependent upon timely payment of the Special Tax levied on the undeveloped property. See “SPECIAL RISK FACTORS – Concentration of Ownership” above. A slowdown or stoppage in the continued development of the CFD could reduce the willingness and ability of the Property Owners to make Special Tax payments on undeveloped property, and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Future Land Use Regulations and Growth Control Initiatives

Bondowners are advised that any event that impacts the ability to develop land in the CFD could cause the land values within the CFD to decrease and could affect the willingness and ability of the owners of land within the CFD to pay the Special Taxes when due. See “THE CFD – Appraisal and Appraised Value to Lien Analysis.”

In evaluating the investment quality of the Bonds, investors are advised that the possible enactment of more restrictive land use regulations by the County or by voter initiative presents a substantial risk to the timely construction and completion of development.

The failure to complete the Development as planned, or substantial delays in the completion of the Development, due to litigation or other causes may reduce the value of the property within the CFD, and will increase the amount of Special Taxes to be paid by the owners of undeveloped property and may affect the willingness and ability of the owners of land within the CFD to pay the Special Taxes when due. Depending on the nature of the Development eventually approved and completed, the value of the land within the CFD may be reduced.

Disclosure to Future Homebuyers

Pursuant to Section 53328.3 of the Act, the CFD has recorded a Notice of Special Tax Lien in the Office of the Sacramento County Recorder. The sellers of property within the CFD are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller’s notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a home or commercial facility or the lending of money thereon. Failure to disclose the existence of the Special Taxes may affect the willingness and ability of future owners of land within the CFD to pay the Special Taxes when due.

Parity Taxes and Special Assessments

The Special Taxes 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 coequal to and independent of

the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The CFD, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the CFD. In addition, the landowners within the CFD may, without the consent or knowledge of the CFD, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See “THE CFD – Direct and Overlapping Debt.”

Appraised Value; Land Value

The value of land within the CFD is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of Special Tax installments, the CFD’s only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the CFD could be sold for the assessed or appraised value described in the Official Statement at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments. Reductions in property values within the CFD due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the Special Taxes.

The property values set forth herein are the property values determined by the Appraiser. The Appraisal was prepared for the purpose of estimating the market value of the property in the CFD as of September 3, 2014 on the basis of certain assumptions. See the Appraisal included as APPENDIX C hereto for a brief description of the analysis used and assumptions made by the Appraiser. The actual value of the property is subject to future events that might render invalid the assumptions relied upon by the Appraiser in determining the appraised value.

The actual market value of the property is subject to future events such as a downturn in the economy, and occurrences of certain acts of nature, all of which could adversely impact the value of the land in the CFD which is the security for the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay land development within the CFD. Furthermore, the estimated value-to-lien ratio of individual parcels may vary. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes.

Value to Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (i.e. a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are more volatile in the early stages of a development, and are especially sensitive to economic cycles. A downturn of the economy or other market factors such as increase in building materials cost or labor cost to construct homes may depress land values and hence the value-to-lien ratios, by increasing risk to investors and lenders, and lengthening the absorption period for new development projects.

Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio (with a ratio below 1:1, the land is worth less than the debt secured by such land).

If property ownership in a community facilities district is highly concentrated during the early stages of development, the delinquency of a major property owner can deplete the bond's reserve fund and threaten the timely payment of the debt service, even though the value-to-lien ratio is adequate. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. The value-to-lien ratios set forth herein are based on the Appraised Value of the property within the CFD as set forth in the Appraisal. The Appraisal does not provide values for the individual parcels within the CFD. As a result, the value-to-lien ratios for individual parcels may vary. See "SECURITY FOR THE BONDS – Estimated Appraisal and Value-to-Lien Analysis."

Insufficiency of Special Taxes

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the CFD becomes exempt from taxation due to the transfer of title to a public agency.

Timely payment of Special Taxes is necessary for the payment of debt service on the Bonds. Should the Special Taxes not be paid on time, the CFD has established a Reserve Account in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See "SECURITY FOR THE BONDS — Reserve Account." The CFD will covenant in the Fiscal Agent Agreement to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Special Taxes in amounts sufficient to do so and to the limitation that the CFD may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method of Apportionment. As a result, if a significant number of delinquencies occurs within the CFD, the CFD could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the CFD 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, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the CFD 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 limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the CFD. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to

pay the Special Tax. Moreover, if a substantial portion of additional land within the CFD became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The CFD will covenant that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes 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 “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure” for provisions which apply in the event of such foreclosure and which the CFD 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 necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the CFD of the proceeds of sale. The CFD may adjust the future Special Tax levied on taxable parcels in the CFD, subject to limitations described above under the caption “THE CFD — Rate and Method of Apportionment of Special Taxes,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the CFD will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays – Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the CFD to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Fiscal Agent Agreement do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the CFD), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.).

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the CFD on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – Reserve Account” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the CFD is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Teeter Plan Termination

In 1993, the County 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 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. The CFD expects to participate in the County’s Teeter Plan. Thus, the County’s Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. 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 and parcels covered thereby. A termination of the Teeter Plan with respect to the CFD or certain delinquent parcels in the CFD would eliminate such protection from delinquent Special Taxes. If the Teeter Plan is terminated with respect to the CFD or certain parcels therein and in the event of a delinquency in the payment of any installment of Special Taxes, the CFD is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose on the Special Tax lien on the applicable property. See “SECURITY FOR THE BONDS – Teeter Plan” and “– Covenant for Superior Court Foreclosure.”

Future Indebtedness

The cost of additional improvements may well increase the public and private debt for which the land in the CFD provide security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in the CFD. In addition, in the event additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvement or fees may have a lien on a parity with the lien of the Special Taxes. See “THE CFD – Direct and Overlapping Debt.”

Natural Disasters

The District and the CFD, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, or flooding in the event of significant

rainfall. According to the California Emergency Management Agency, the CFD is located in an area subject to “moderate” ground shaking (which is typical for properties located in California), and is not located in an area subject to earthquake-induced landslides or liquefaction or in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Earthquake Special Study Zone). Seismic hazards encompass both potential surface rupture and ground shaking. The occurrence of seismic activity, fires or flooding in or around the CFD could result in substantial damage to properties in the CFD, which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Account may become depleted. In addition, the value of land in the CFD could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Soil Conditions

Expansive Ione soils formation are known to exist in the areas within the vicinity of the CFD and have led to failed foundations in certain existing structures. Such Ione soils exist on portions of property within the CFD and will require geotechnical investigations, civil and structural design efforts, geotechnical monitoring during construction, remedial grading and specialty foundation systems. As part of the process of developing Murietta Gardens, the Developer engaged a soils engineering consultant to be on site daily to observe and test the site while over-excavation, grading and re-compaction work was performed. Unsuitable soils have been identified and stockpiled for removal from the site. The Developer expects to use similar remedial processes during development of the Rancho North Properties. The CFD can make no assurance that such additional investigations and remedial efforts will be undertaken or the manner in which they are undertaken.

Endangered and Threatened Species

On a regular basis, new species are proposed to be added to the State and federal protected species lists. Any action by the State or federal governments to protect species located on or adjacent to the property within the CFD could negatively affect the Property Owners’ or the Developer’s ability to complete the development of the properties within the CFD as planned. This, in turn, could reduce the ability or willingness of the property owners to pay the Special Taxes when due and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Special Taxes.

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 State 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 owner, will become obligated to remedy the condition just as is the seller.

The value of the property within the CFD, as set forth in this Official Statement and in the Appraisal, 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. According to information provided by the Developer, parcels within the CFD that were previously used for heavy equipment training could have been contaminated by products used to operate such equipment. Further, the Developer notes that there are several buildings on such parcels that may contain lead and asbestos in their building materials. The CFD has not independently verified, and other than the foregoing information provided by the Developer, is not aware, that any owner (or operator) of any of the parcels within the CFD has a current liability to remedy any hazardous substance with respect to any such parcel. However, it is possible that such liability currently exists and that the CFD is not aware of them.

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. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substances. All of these possibilities could significantly affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Taxes.

Cultural Resources

Land development activity can be impacted by the presence of sites identified in the National Register of Historic Places and by the presence of antiquities and/or the remains of Native Americans. The Developer or the Property Owners have undertaken studies relating to cultural resources necessary for entitlement and have identified all such resources located in the CFD. The Developer and the Property Owners have used such studies to avoid disturbance of cultural resources that have been identified and are working with the County with respect to areas within the CFD where development is to be avoided. The Developer and the Property owners do not believe that the presence of antiquities or other cultural resources will prevent development of the property within the CFD as currently planned; however, any future discovery thereof could negatively affect the ability to develop certain areas of the CFD as currently projected by the Developer.

Bankruptcy and Foreclosure

The payment of property owners' taxes and the ability of the CFD 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 "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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.

In addition, bankruptcy of a property owner (or a property owner's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

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.

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 Taxes are 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 Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

Property Controlled by FDIC

The CFD's ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies has or obtains an interest. The CFD is not aware of any such interest of a federal agency in the land within the CFD. On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real 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 proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not ad valorem taxes and therefore not payable by the FDIC, and seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Law that the federal government is exempt from special taxes.

The CFD is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the CFD will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Account and perhaps, ultimately, a default in payment of the Bonds. The CFD has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Exempt Properties

Under the Rate and Method, the CFD will classify as Exempt Property: (i) Public Property, or (ii) Property Owner Association Property. At build-out, the CFD is expected to include approximately 412.8 net acres of Taxable Property which is subject to the Special Tax and 413.2 acres of open space or other Exempt Property that is not subject to the Special Tax. See "THE

DEVELOPMENT – Development within the CFD.” However, the foregoing amounts are only the current estimates of the Developer. No guarantee can be given that the amount of Taxable Property and Exempt Property within the CFD upon completion of development will not change significantly from these current estimates.

In addition, the Act provides that properties or entities of the State, federal or local government are exempt from the Special Taxes; provided, however, the property within the CFD acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes. The Act further provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within the CFD, it may be unconstitutional.

If for any reason property within the CFD becomes exempt from taxation by reason of its status under the Rate and Method, or by reason of its ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized rates, the Special Taxes will be reallocated to the remaining taxable properties within the CFD. This would result in the owners of such property paying a greater amount of the Special Taxes and could have an adverse impact upon the timely payment of the Special Taxes.

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the CFD to levy and collect both existing and future taxes, assessments, fees and charges. According to the “Official Title and Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1, 1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the CFD under the Act must be conducted in conformity with the provisions of Section 4 of Article XIIC. The CFD has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIIC. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a Special Tax (including any constitutional challenge) must be commenced within 30 days after the Special Tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. 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 a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the

timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Directors, as the legislative body of the CFD, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the Board of Directors, acting as the legislative body of the CFD, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes 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 Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218's balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

With respect to the approval of the Special Taxes, on September 5, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego (the "City"). 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 the entire City. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

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

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (*viz.*, all of the registered voters in the City). The elections held in the CFD therein had no registered voters at the time of the elections 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 elections in the CFD. Moreover, Section 53341 of the Act provides that any "action or proceeding to

attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters in the CFD approved Special Tax and the issuance of bonds on September 5, 2014. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion 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 Proposition 218 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.

Ballot Initiatives and Legislative Measures

Articles XIII A, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State’s constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the District, or other local agencies to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the vacant land within the CFD. See “SPECIAL RISK FACTORS – Future Land Use Regulations and Growth Control Initiatives” above.

No Acceleration

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the CFD. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in “APPENDIX B – SUMMARY OF FISCAL AGENT AGREEMENT.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS – Tax Exemption,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the CFD will covenant in the Fiscal Agent Agreement not to 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 interest on the Bonds under Section 103 of the Internal Revenue Code of 1986. 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 acts or omissions of the CFD or the District in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement.

Limitations on Remedies

Remedies available to the Bond Owners 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 the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement 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. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. 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 Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the CFD, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure."

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 the Bonds can be sold for any particular price. Although the CFD, the Developer and the Property Owners have committed to provide certain financial information and operating data on an annual and semi-annual basis, as applicable, there can be no assurance that such information will be available to Beneficial Owners of the Bonds on a timely basis. The failure to provide the required annual information 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, or 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.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. Each of the CFD and the District has covenanted to

maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. It is the further opinion of Bond Counsel that under existing law, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and for that reason that interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Fiscal Agent Agreement the CFD, and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the District and the CFD in connection with the issuance of the Bonds, the District and the CFD will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the CFD and the District with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the CFD and the District described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the CFD as the “taxpayer”, and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the CFD may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax

purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX E.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds. Bond Counsel will express no opinion regarding such determination or such tax consequences.

Other Federal Income Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may be otherwise affected by the ownership or disposition of the

Bonds. The nature and extent of these other tax consequences will depend, *inter alia*, upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequence.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(a) of the Code provides, in general, that interest expense on indebtedness incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265(b) of the Code generally disallows 100% of any deduction for interest expense that is incurred by a "financial institution" of the type described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b)(3) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) that are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The CFD has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, the CFD anticipates that financial institutions that purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. The CFD notes, however, that if Bonds treated as "qualified tax-exempt obligations" are acquired by a financial institution that is subject to section 265(b) of the Code, the deduction otherwise allowable for interest expense incurred by that financial institution that is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

Bond Counsel will express no opinion as to the status of the Bonds as "qualified tax-exempt obligations" or to the consequences of such status. See "TAX MATTERS."

CONTINUING DISCLOSURE

The CFD, the Developer and the Property Owners each have covenanted in separate Continuing Disclosure Agreements for the benefit of the owners of the Bonds to provide, or cause to be provided, annually, and in the case of the Developer and the Property Owners annually and semi-annually, certain financial information and operating data, and to provide notices of the occurrence of certain enumerated events. The Developer and Property Owners' annual and semi-annual and enumerated event reporting obligations will terminate if and when the land owned by such Developer and Property Owners is collectively subject to less than 20% of the Special Tax levy in the CFD. See APPENDIX F – FORMS OF CONTINUING DISCLOSURE AGREEMENTS. The covenants of the CFD, the Developer and the Property Owners have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). A default by the CFD, the Developer or the Property Owners under a Continuing Disclosure Agreement will not, in itself, constitute a default under the Fiscal Agent Agreement. The Developer and the Property Owners have not had any obligation or undertaking under the Rule within the last five years.

In connection with the issuance of the Rancho Murieta Community Services District Community Facilities District No. 1 2002 Special Tax Refunding Bonds (the "2002 CFD No. 1 Bonds"), the District executed and delivered a Continuing Disclosure Certificate pursuant to which the District was required to file certain annual operating information and notices of the occurrence of certain enumerated events (the "Undertaking").

Within the last five years, the District has had certain instances of noncompliance with the Undertaking. Such instances of noncompliance included the untimely filing of the financial statements for Fiscal Year 2009-10 (55 days late) and Fiscal Year 2008-09 (4 days late). Further, in none of these circumstances did the District file its unaudited financial statements. In addition, operating information required under the Undertaking for Fiscal Year 2011-12 was not filed. Such operating information was timely filed for Fiscal Years 2010-11, 2009-10 and 2008-09, however, only the Top 2 Largest Special Taxpayers were reported for such years, rather than the Top 4 Largest Special Taxpayers as required by the Undertaking.

The 2002 CFD No. 1 Bonds were redeemed on October 1, 2013. Accordingly, District has determined not to undertake remedial filings for the instances of noncompliance described above. The District has engaged NBS Government Finance Group, Temecula, California, a firm that is experienced in providing continuing disclosure compliance services, to assist with future compliance with the District's and the CFD's continuing disclosure obligations.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased by the Underwriter at a purchase price of \$5,749,308.40 (which represents the aggregate principal amount of the Bonds, less original issue discount of \$91,491.60, less an underwriter's discount of \$119,200.00). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Legal Opinion

The legal opinion of Norton Rose Fulbright US LLP, Los Angeles, California, approving the validity of the Bonds, in substantially the form set forth in APPENDIX E hereto, will be made available to purchasers of the Bonds at the time of original delivery. A copy of the legal opinion for the Bonds will be provided with each definitive bond. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein, other than the information under the headings "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and Appendices B and E. Certain legal matters will be passed upon for the CFD by General Counsel with respect to the issuance of the Bonds.

No Litigation

A certificate of the CFD to the effect that no litigation is pending or threatened concerning the validity of the Bonds will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the District nor the CFD is aware of any litigation pending or threatened that questions the existence of the District or the CFD or contests the authority of the CFD to levy and collect the Special Taxes or to issue the Bonds.

No Rating on the Bonds

The Bonds are not rated and the CFD does not anticipate applying for a rating on the Bonds.

Miscellaneous

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, 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. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on 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.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Building Permit" means a permit issued for the construction of a Residential or Nonresidential structure.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“Debt Service” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the bonds.

“Developed Parcel” means a parcel receiving one of the following development approvals from the County:

<u>Land Use</u>	<u>Development Approval</u>
Single Family Parcel	Final Subdivision Map
Multi-Family Use Residential	Building Permit issuance
Nonresidential Use	Building Permit issuance

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Final Map Parcel” means a Taxable Parcel designated for new development, which is part of a Final Subdivision Map. Once a parcel is classified as a Final Map Parcel, it shall remain a Final Map Parcel.

“Final Subdivision Map” means a recorded map in compliance with the Subdivision Map Act (California Government Code § 66410 et seq.).

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of parcels (such as developed parcels) by levying the Maximum Special Tax.

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

“Multifamily” or **“Multifamily Residential Parcel”** means any parcel designated or

developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments, condominiums, townhomes, time-share units, row houses, duplexes, or triplexes.

“Nonresidential Parcel” means a Taxable Parcel with land uses other than Residential Uses.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Single-Family Parcel” means, in any Fiscal Year, all parcels in the CFD for which a Building Permit was issued or may be issued for construction of a dwelling unit designated for Residential Use other than Multifamily Residential Use.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“**Taxable Acreage**” means that area of a parcel that is determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. In determining the Taxable Acreage of a Taxable Parcel, the CFD Administrator should consider the development potential of a Taxable Parcel.

“**Taxable Property**” or “**Taxable Parcel**” means a parcel that is not exempt from the Special Tax pursuant to the Act or Section G.

“**Tentative Map**” means a tentative subdivision map as defined by the Subdivision Map Act.

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

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. In addition, each such Fiscal Year, Taxable Property shall be further classified by the CFD Administrator as a Developed Parcel, Final Map Parcel, or Undeveloped Parcel. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX

APN	Maximum Special Tax
073-0470-004	\$24,336
073-0470-005	\$36,786
073-0470-006	\$1,132
073-0180-029	\$22,638
073-0090-062	\$28,297
073-0790-023	\$113,188
073-0800-003	\$155,633
073-0800-007	\$566
073-0800-008	\$84,891
073-0800-009	\$70,743

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The Maximum Special Tax assigned to a Parent Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:
 - (1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special Tax assigned to the Parent Parcel by the number Final Map Parcels in the Subdivision.
 - (2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.
 - (3) If Child Parcels are created by means other than a Subdivision allocate the Maximum

Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Special Tax Requirement using the definition of Special Tax Requirement in **Section 2**.
- b. Compute 100 percent of the Maximum Special Tax revenue for all Developed Parcels.
- c. If the amount from **Step b** is greater than the Special Tax Requirement in **Step a**, Proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.
- d. If the amount from **Step b** is less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to 100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in **Step b** for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.
- e. If the amounts from **Step b** for all Developed Parcels and **Step d** for all Final Map Parcels together are less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in **Steps b** and **d** plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.
- f. Levy on each Taxable Parcel the amount calculated above.
- g. Prepare the tax collection schedule and, unless an alternative method of collection has been selected pursuant to **Section I**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the

proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

	Bond Redemption Amount
plus (+)	Redemption Premium
plus (+)	Future Facilities Amount
plus (+)	Defeasance Amount
plus (+)	Administrative Fees and Expenses
less (-)	Reserve Fund Credit
less (-)	Capitalized Interest Credit
less (-)	Reinvestment Earnings Credit
equals (=):	Special Tax Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5 (the "Future Facilities Amount").
7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor's Parcel in the current Fiscal Year that has not yet been paid (the "Defeasance Amount").
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds ("Administrative Fees and Expenses").
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the "Reserve Fund Credit"). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.

10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the "Capitalized Interest Credit").
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the "Reinvestment Earnings Credit").
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the "Special Tax Prepayment Amount").

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year's Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. For any Assessor's Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor's Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor's Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is

partially prepaying the Special Tax
A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

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APPENDIX B

SUMMARY OF FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement, and is supplemental to the summary of other provisions of such document described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to such document for full and complete statement of its provisions. All capitalized terms used but not otherwise defined in this Appendix shall have the meanings assigned to such terms in the Fiscal Agent Agreement.

DEFINITIONS

Unless the context requires, the following terms shall have the following meanings:

“Acquisition and Construction Fund” means the fund by such name created and established pursuant to the Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

“Administrative Expense Account” means the account by such name in the Special Tax Fund created and established pursuant to the Fiscal Agent Agreement.

“Administrative Expense Requirement” means an amount equal to \$20,000 for Bond Year ending September 1, 2015 and escalating 2% each Bond Year thereafter, or such lesser amount as may be designated in a Written Request of the CFD.

“Administrative Expenses” means the costs directly related to the administration of the CFD consisting of the costs with respect to the calculation and collection (including any foreclosure actions) of the Special Taxes, including all attorneys’ fees and other costs related thereto; the costs of remittance of the Special Taxes to the Fiscal Agent; the fees and expenses of the Fiscal Agent, including attorneys’ fees and other costs related thereto, in the discharge of the duties required of it under this Agreement; the costs of the CFD, the District or any designee of either the CFD or the District for complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Taxes and disclosure to Bondowners; the costs of the CFD or the District or any designee of either the CFD or the District related to an appeal of the Special Tax; any amounts required to be rebated to the federal government to comply with Section 5.2; an allocable share of the salaries of District staff directly related to the foregoing and a proportionate amount of District general administrative overhead related thereto. Administrative expenses shall also include amounts advanced by the CFD or the District for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with Section 5.2, costs related to the administration of any joint community facilities agreement regarding the CFD and any fees for credit enhancement for the Bonds which are not otherwise paid as Costs of Issuance.

“Annual Debt Service” means the principal amount of any Outstanding Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America (“Direct Obligations”).

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (“Eximbank”)

Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (“FmHA”)

Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration Debentures (“FHA”)

General Services Administration

Participation certificates

Government National Mortgage Association (“GNMA” or “Ginnie Mae”)

GNMA-guaranteed mortgage-backed bonds

GNMA-guaranteed pass-through obligations

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself:

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (“FNMA” or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Student Loan Marketing Association (“SLMA” or “Sallie Mae”)

Senior debt obligations

Resolution Funding Corp. (“REFCORP”) obligations

Farm Credit System CM. - Consolidated system-wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G”, “AAAm” or “AAM”, and, if rated by Moody’s, rated “Aaa”, “Aa1” or “Aa2” (including those of the Fiscal Agent and its affiliates).

(e) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or which are with a bank rated “AA” or better by Standard & Poor’s and “Aa” or better by Moody’s (including those of the Fiscal Agent and its affiliates).

(g) Investment Agreements with any corporation, including banking or financial institutions, provided that

(i) the long-term debt of the provider of any such investment agreement is rated, at the time of investment, at least “AA” and “Aa” by the Rating Agency (without regard to gradations of plus or minus within such category), and

(ii) any such investment agreement is collateralized with United States Treasury or agency obligations which at least equal 102% of the principal amount invested thereunder, and

(iii) any such agreement shall include a provision to the effect that, in the event the long-term debt rating of the provider of such agreement is downgraded below “AA-” or below “Aa” by the applicable Rating Agency, the CFD has the right to withdraw or cause the Fiscal Agent to withdraw all funds invested in such agreement and thereafter to invest such funds pursuant to the Fiscal Agent Agreement.

(h) Commercial paper rated, at the time of purchase, “Prime - 1” by Moody’s and “A-1” or better by Standard & Poor’s.

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and Standard & Poor’s in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured or unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A-1” or “A” or better by Standard & Poor’s.

(k) Repurchase agreements collateralized by Direct Obligations, GNMMAs, FNMMAs or FHLMMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated “P-1” or “A3” or better by Moody’s, and “A-1” or “A-” by Standard & Poor’s; provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Fiscal Agent or an independent third party acting solely as agent (“Agent”) for the Fiscal Agent, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million, or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Fiscal Agent shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Fiscal Agent; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Fiscal Agent; and

(iv) the repurchase agreement has a term of 180 days or less, and the Fiscal Agent or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%

(l) Local Agency Investment Fund (“LAIF”) of the State of California.

(m) Any other investment which the CFD is permitted by law to make.

“Authorized Representative of the CFD” means the Board President, the District General Manager, the District Treasurer, or any other person or persons designated by the Board of Directors and

authorized to act on behalf of the CFD by a written certificate signed on behalf of the CFD by the Board President or the General Manager and containing the specimen signature of each such person.

“Board” means the Board of Directors of the District.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the CFD of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds shall begin on the Delivery Date and end of the first September 1 which is not more than 12 months after the Delivery Date.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the \$5,960,000 Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2015 Series, issued pursuant to the Fiscal Agent Agreement.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Certificate of Authorized Representative of the CFD” means a written certificate or warrant request executed by an Authorized Representative of the CFD.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“CFD” means the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) established pursuant to the Act and the Resolution of Formation.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Corporate Trust Office” means the corporate trust office of the Fiscal Agent at Costa Mesa, California, or such other office designated from time to time by the Fiscal Agent in writing to the CFD.

“Costs of Issuance” means the costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Fiscal Agent and its counsel, legal fees and expenses, filing and recording fees, closing costs, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants,

expenses incurred by the CFD or the District in connection with the issuance of the Bonds, and the establishment of the CFD, and all other related fees and expenses, Bonds, as set forth in a written certificate of an Authorized Representative.

“Costs of Issuance Account” means the account by such name in the Acquisition and Construction Fund created and established pursuant to the Fiscal Agent Agreement.

“Defeasance Securities” means any of the following:

- (i) Cash
- (ii) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series -- “SLGS”)
- (iii) Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself, *e.g.*, CATS, TIGRS and similar securities.
- (iv) The interest component of Resolution Funding Corp. strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form.
- (v) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s.
- (vi) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration - certificates of beneficial ownership

Federal Financing Bank

General Services Administration - participation certificates

U.S. Maritime Administration - guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD) - Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

“Delivery Date” means the date on which the Bonds were issued and delivered to the initial purchasers thereof.

“Depository” shall mean The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Certificates, or any other securities depository acting as Depository under the Fiscal Agent Agreement.

“District” means the Rancho Murieta Community Services District.

“Fiscal Agent” means Wilmington Trust, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its corporate trust office in Costa Mesa, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Fiscal Agent Agreement and any successor thereto.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, together with any Supplemental Fiscal Agent Agreement approved pursuant to the Fiscal Agent Agreement.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Independent Financial Consultant” means a financial consultant or special tax consultant or firm of either such consultants generally recognized to be well qualified in the financial consulting or special tax consulting field, appointed and paid by the CFD, who, or each of whom:

- (1) Has experience in matters relating to the issuance and administration of bonds under the Act;
- (2) is, in fact, independent and not under the domination of the CFD;
- (n) does not have any substantial interest, direct or indirect, in the CFD; and
- (o) is not connected with the CFD or the District as a member, officer or employee of the CFD or the District, but who may be regularly retained to make annual or other reports to the CFD.

“Interest Account” means the account by such name created and established in the Special Tax Fund pursuant to the Fiscal Agent Agreement.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2015; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next preceding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the CFD complying with the criteria therefor as set forth in Subsection (7) of the definition of Authorized Investments.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (p) the interest payable on the aggregate principal amount of all Bonds Outstanding in such Bond Year if the Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Fiscal Agent Agreement.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore issued by the CFD, except:

(l) Bonds theretofore cancelled by the Fiscal Agent or surrendered by the Fiscal Agent for cancellation in accordance with the Fiscal Agent Agreement;

(m) Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Fiscal Agent Agreement;

(n) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the CFD pursuant to the Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement; and

(o) Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to the Fiscal Agent Agreement or for which a replacement has been issued pursuant to the Fiscal Agent Agreement.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Principal Account” means the account by such name in the Special Tax Fund created and established pursuant to the Fiscal Agent Agreement.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within the CFD, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the CFD from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds, including, but not limited to, remarketing, credit enhancement, Fiscal Agent and other fees and expenses relating to the issuance of the Bonds and the formation of the CFD, and to pay any other “incidental expenses” of the CFD, as such term is defined in the Act.

“Rating Agency” means Moody’s and Standard & Poor’s, or both, as the context requires.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by such name created and established in the Special Tax Fund pursuant to the Fiscal Agent Agreement.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the CFD to the Depository as described in the Fiscal Agent Agreement.

“Reserve Account” means the account by such name created and established in the Special Tax Fund pursuant to the Fiscal Agent Agreement.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lowest of (1) 10% of the issue price (as defined pursuant to section 148 of the Code), or (2) Maximum Annual Debt Service, or (3) 125% of the average Annual Debt Service of the Outstanding Bonds. Provided, however, the Reserve Requirement on any date of calculation shall not exceed the Reserve Requirement as of the Delivery Date.

“Resolution of Formation” means the Resolution No. 2014-21 adopted by the Board on September 5, 2014, pursuant to which the Board formed the CFD.

“RMA” means the Rate and Method of Apportionment of the Special Tax approved by the qualified electors of the CFD at the September 5, 2014 election, as amended from time to time.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Fiscal Agent Agreement.

“Special Taxes” means the Special Tax (as defined in the RMA) authorized to be levied by the CFD on parcels within the CFD in accordance with the Resolution of Formation, the Act and the voter approval obtained at the September 5, 2014 election in the CFD and any additional special taxes authorized to be levied by the CFD from time to time that are pledged by the CFD to the repayment of the Bonds, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses.

“Special Tax Fund” means the fund by such name created and established pursuant to the Fiscal Agent Agreement.

“Standard & Poor’s” means Standard & Poor’s, a division of McGraw-Hill, its successors and assigns.

“Supplemental Fiscal Agent Agreement” means any supplemental fiscal agent agreement amending or supplementing the Fiscal Agent Agreement that is authorized by a resolution which has been duly adopted by the District under the Act.

“Surplus Fund” means the fund by such name created and established pursuant to the Fiscal Agent Agreement.

“Tax Certificate” means the certificate by that name to be executed by the CFD on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Underwriter” means the institution or institutions, if any, with whom the CFD enters into a purchase contract for the sale of the Bonds.

“Written Request of the CFD” means a request in writing executed by the Board President, the District’s General Manager, the District Treasurer, or written designee, on behalf of the CFD.

INVESTMENTS

Moneys held in any of the funds and accounts under the Fiscal Agent Agreement shall be invested at the Written Request of the CFD in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. Any loss resulting from such Authorized Investments shall be credited or charged to the fund or account from which such investment was made, and any investment earnings on a fund or account shall be applied as follows: (i) investment earnings on all amounts deposited in the Special Tax Fund (other than the Reserve Account), Acquisition and Construction Fund and Surplus Fund and each Account therein shall be deposited in those respective funds and accounts, and (ii) all other investment earnings shall be deposited in the Interest Account of the Special Tax Fund; provided, however, investment earnings in the Reserve Account shall be deposited in the Interest Account of the Special Tax Fund only to the extent moneys in such Reserve Account exceed the Reserve Requirement. Moneys in the funds and accounts held under the Fiscal Agent Agreement may be invested by the Fiscal Agent at the Written Request of the CFD received at least 2 Business Days prior to the investment date, from time to time, in Authorized Investments subject to the following restrictions:

(1) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(t) Moneys in the Acquisition and Construction Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the CFD estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, amounts in the Acquisition and Construction Fund on the Delivery Date for the Bonds shall not be invested at yields greater than those set forth in the Tax Certificate.

(u) One-half of the amount in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which mature not later than two years from their date of purchase by the Fiscal Agent, and one-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not more than three years from the date of purchase by the Fiscal Agent; provided that such amounts may be invested in an Investment Agreement to the final maturity of the Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Fiscal Agent Agreement; and provided that no such Authorized Investment of amounts in the Reserve Account shall mature later than the respective final maturity date of the Bonds.

(v) In the absence of Written Request of the CFD providing investment directions, the Fiscal Agent shall invest solely in Authorized Investments specified in clause (4) of the definition thereof.

The Fiscal Agent shall sell at the best price obtainable, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the fair market value thereof and marked to market at least annually. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Fiscal Agent

Agreement. The Fiscal Agent or an affiliate may act as principal or agent in connection with the acquisition or disposition of any Authorized Investments and shall be entitled to its customary fees therefor. Any Authorized Investments that are registrable securities shall be registered in the name of the Fiscal Agent. The Fiscal Agent is authorized, in making or disposing of any investment permitted by the Fiscal Agent Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

COVENANTS AND WARRANTY

Warranty. The CFD shall preserve and protect the security pledged under the Fiscal Agent Agreement to the Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds issued under the Fiscal Agent Agreement are Outstanding and unpaid, the CFD makes the following covenants with the Bondowners under the provisions of the Act and the Fiscal Agent Agreement (to be performed by the CFD or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the CFD to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(1) Punctual Payment; Against Encumbrances. The CFD covenants that it will receive all Special Taxes in trust and will immediately deposit such amounts with the Fiscal Agent, and the CFD shall have no beneficial right or interest in the amounts so deposited except as provided by the Fiscal Agent Agreement. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Fiscal Agent Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the CFD.

The CFD covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Fiscal Agent Agreement, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with the Fiscal Agent Agreement to the extent that Special Taxes are available therefor, and that the payments into the Funds and Accounts created under the Fiscal Agent Agreement will be made, all in strict conformity with the terms of the Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Fiscal Agent Agreements and of the Bonds issued under the Fiscal Agent Agreement.

The CFD will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Taxes except as provided in the Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Special Taxes superior to the Bonds. Nothing in the Fiscal Agent Agreement shall prevent the CFD from issuing or incurring indebtedness which is payable from a pledge of Special Taxes which is subordinate in all respects to the pledge of Special Taxes to repay the Bonds.

(w) Levy of Special Tax. So long as any Bonds issued under the Fiscal Agent Agreement are Outstanding, the legislative body of the CFD covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on the Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

(x) Commence Foreclosure Proceedings. The CFD covenants for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than March 1 and August 1 of each

year, whether or not any owner of the property within the CFD is delinquent in the payment of Special Taxes and, if such delinquency exists, the CFD will order and cause to be commenced no later than April 15 (with respect to the March 1 determination date) or September 1 (with respect to the August 1 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due, provided, however, that the CFD shall not be required to order the commencement of foreclosure proceedings if (i) the total Special Tax delinquency in the CFD for such Fiscal Year is less than five percent (5%) of the total Special Tax levied in such Fiscal Year, (ii) the amount in the Reserve Account is equal to the Reserve Requirement, and (iii) the CFD shall have established from any source of lawfully available funds (other than Special Taxes) an escrow fund to provide for the payment of principal of and interest on the Bonds. Notwithstanding the foregoing, if the CFD determines that any single property owner in the CFD is delinquent in excess of five thousand dollars (\$5,000) in the payment of the Special Tax, then it will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes, the Fiscal Agent Agreement authorizes the CFD to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in the Act, or such less amount as provided in the Fiscal Agent Agreement or otherwise under the Act.

The CFD is expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

A CFD property owner that has not timely paid the Special Tax will not be considered delinquent if the CFD nevertheless receives the Special Tax revenue from the County of Sacramento under the County's Teeter Plan (which is an alternative method for the distribution of property taxes that the County has adopted under California Revenue and Taxation Code sections 4701-4717 that allows the County to disburse the taxes to the local taxing agency as billed with the County assuming the responsibility to collect delinquencies and retain the interest and penalties).

(y) Payment of Claims. The CFD will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Special Taxes or; other funds in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account), or which might impair the security of the Bonds then Outstanding; provided that nothing contained in the Fiscal Agent Agreement shall require the CFD to make any such payments so long as the CFD in good faith shall contest the validity of any such claims.

(z) Books and Accounts. The CFD will keep proper books of records and accounts, separate from all other records and accounts of the CFD, in which complete and correct entries shall be made of all transactions relating to the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of the Bonds then Outstanding or their representatives authorized in writing.

(aa) Tax Covenants. The CFD covenants that it shall take all actions necessary in order that interest on the Bonds be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, and that it shall not use or invest, and shall not permit the use or investment of, and shall not omit to use or invest Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes.

(bb) Reduction of Maximum Special Taxes. The CFD finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the CFD determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the CFD below the levels provided in the Fiscal Agent Agreement would interfere with the timely retirement of the Bonds. The CFD determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the CFD does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the CFD, unless, in connection therewith, (i) the CFD receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the RMA) in each Bond Year for any Bonds Outstanding will equal at least 110% of the sum on the estimated Administrative Expenses and gross debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the CFD finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

(cc) Covenants to Defend. The CFD covenants that in the event that any initiative is adopted by the qualified electors in the CFD which purports to reduce the maximum Special Tax below the levels specified in the Fiscal Agent Agreement or to limit the power of the CFD to levy the Special Taxes for the purposes set forth in the Fiscal Agent Agreement, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(dd) Continuing Disclosure. The CFD covenants to comply with the term of the Continuing Disclosure Agreement executed by it with respect to the Bonds. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the CFD to comply with the Continuing Disclosure Agreement shall not be considered a default under the Fiscal Agent Agreement; however, any Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the CFD of its obligations under the Continuing Disclosure Agreement, including seeking mandate or specific performance by court order.

AMENDMENTS TO FISCAL AGENT AGREEMENT

Supplemental Fiscal Agent Agreements or Orders Not Requiring Bondowner Consent. The CFD may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Fiscal Agent Agreements for any of the following purposes:

(1) to cure any ambiguity, to correct or supplement any provisions in the Fiscal Agent Agreement which may be inconsistent with any other provision in the Fiscal Agent Agreement, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(ee) to add to the covenants and agreements of and the limitations and the restrictions upon the CFD contained in the Fiscal Agent Agreement, other covenants, agreements, limitations and restrictions to be observed by the CFD which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect or which further secure Bond payments;

(ff) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to permit the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds then Outstanding; or

(gg) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than that permitted under the Fiscal Agent Agreement; or

(hh) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners.

Supplemental Fiscal Agent Agreements or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Fiscal Agent Agreements described in the Fiscal Agent Agreement, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have the right to consent to and approve the adoption by the CFD of such Supplemental Fiscal Agent Agreements as shall be deemed necessary or desirable by the CFD for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Fiscal Agent Agreement; provided, however, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond over any other Bond, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Fiscal Agent Agreement, without the consent of the Owners of all Bonds then Outstanding.

If at any time the CFD shall desire to adopt a Supplemental Fiscal Agent Agreement, which pursuant to the terms of the Fiscal Agent Agreement shall require the consent of the Bondowners, the CFD shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Fiscal Agent Agreement. The Fiscal Agent shall, at the expense of the CFD, cause notice of the proposed Supplemental Fiscal Agent Agreement to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Fiscal Agent Agreement and shall state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Fiscal Agent Agreement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by the Fiscal Agent Agreement. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Fiscal Agent Agreement described in such notice, and shall specifically consent to and approve the adoption thereof by the CFD substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Fiscal Agent Agreement, when duly adopted by the CFD, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Fiscal Agent Agreement, Bonds which are owned by the CFD or by any person directly or indirectly controlling or controlled by or under the direct or indirect

common control with the CFD shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Fiscal Agent Agreement and the receipt of consent to any such Supplemental Fiscal Agent Agreement from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of the Fiscal Agent Agreement, the Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the CFD and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Fiscal Agent Agreement, subject in all respects to such modifications and amendments.

Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as provided in the Fiscal Agent Agreement, the CFD may determine that the Bonds may bear a notation, by endorsement in form approved by the CFD, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the CFD shall so determine, new Bonds so modified as, in the opinion of the CFD, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an “event of default”:

(i) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(ii) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(iii) Except as described in (a) or (b), default shall be made by the CFD in the observance of any of the agreements, conditions or covenants on its part contained in the Fiscal Agent Agreement or the Bonds, and such default shall have continued for a period of 30 days after the CFD shall have been given notice in writing of such default by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds.

The CFD agrees to give notice to the Fiscal Agent immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the CFD’s knowledge of an event of default under (c) above. The Fiscal Agent shall not be deemed to have knowledge of any event of default described in (c) above unless a responsible officer shall have actual knowledge thereof or the Fiscal Agent shall have received written notice at its Corporate Trust Office.

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(1) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the CFD and any of the members, officers and employees of the CFD, and to compel the CFD or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Fiscal Agent Agreement;

(ii) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(jj) By a suit in equity to require the CFD and its members, officers and employees to account as the fiscal agent of an express trust.

Nothing in the Fiscal Agent Agreement, the Bonds shall affect or impair the obligation of the CFD, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Special Taxes and other amounts pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon 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 conferred upon the Owners by the Act or by the Fiscal Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the CFD and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy in the Fiscal Agent Agreement conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Fiscal Agent Agreement or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

In case the moneys held by the Fiscal Agent after an event of default pursuant to (a) or (b) above shall be insufficient to pay in full the whole amount so owing and unpaid upon the Outstanding Bonds, then all available amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

DEFEASANCE

Defeasance. If the CFD shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Special Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the CFD to the Owner of such Bond under the Fiscal Agent Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to the Fiscal Agent Agreement,

the Fiscal Agent shall execute and deliver to the CFD all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the CFD's general fund all money or securities held by it pursuant to the Fiscal Agent Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid if such Bond is paid in any one or more of the following ways:

(i) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;

(ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(iii) by depositing with the Fiscal Agent or another escrow bank appointed by the CFD, in trust, noncallable Defeasance Securities, in which the CFD may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the CFD, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the CFD under the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the CFD contained in certain section of the Fiscal Agent Agreement or any covenants in a Supplemental Fiscal Agent Agreement relating to compliance with the Code. Notice of such election shall be filed with the Fiscal Agent not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (c) above, there shall be provided to the CFD a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with the Fiscal Agent Agreement, as and when the same shall become due and payable, and with respect to defeasance under (b) or (c) above an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Fiscal Agent Agreement and any applicable Supplemental Fiscal Agent Agreement. If a forward supply contract is employed in connection with an advance refunding to be effected under (c) above, (i) such verification report shall expressly state that the adequacy of the amounts deposited with the bank under (c) above to accomplish the refunding relies solely on the initial escrowed investments and the maturity principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement executed to effect an advance refunding in accordance with (c) above shall provide that, in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Upon a defeasance, the Fiscal Agent, upon request of the CFD, shall release the rights of the Owners of such Bonds which have been defeased under the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement and execute and deliver to the CFD all such instruments as may be

desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Fiscal Agent Agreement of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the CFD any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of, premium, if any, or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the CFD, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the CFD, stating that the defeasance has occurred.

APPENDIX C
APPRAISAL REPORT

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Appraisal Report

Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North / Murieta Gardens)

North and South of Jackson Highway (Highway 16),
East of Stonehouse Road, Rancho Murieta,
Sacramento County, CA 95683



Date of Report: October 6, 2014

Prepared For:

Mr. Joseph Blake, General Manager
Rancho Murieta Community Services District
15160 Jackson Highway (P.O. Box 1050)
Rancho Murieta, CA 95683

Prepared By:

Eric A. Segal, Appraiser
Kevin K. Ziegenmeyer, Appraiser



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

October 6, 2014

Mr. Joseph Blake, General Manager
Rancho Murieta Community Services District
15160 Jackson Highway (P.O. Box 1050)
Rancho Murieta, CA 95683

Re: Rancho Murieta Community Services District
CFD No. 2014-1 (Rancho North/Murieta Gardens)
Rancho Murieta, CA 95683

Mr. Blake:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an Appraisal Report pertaining to Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North/Murieta Gardens) [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 (2004).

The CFD contains 827.80± gross acres planned for residential and commercial land uses, with significant open space. The subject is planned for 939 residential units and 92.95± acres of commercial land. The CFD is located within the unincorporated, master planned, community known as Rancho Murieta, Sacramento County, California. As of the date of inspection, September 3, 2014, the subject consisted of raw, unimproved land with a segment of the project fully approved, pending the expansion of a water treatment facility, which is to be partially funded through the bond proceeds of the CFD. The subject property is more fully described within the attached report.

As a result of our analysis, it is our opinion the market value of the subject property, subject to the hypothetical condition the improvements to be financed by the Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North/Murieta Gardens) Bonds are in place, as of September 3, 2014 and in accordance with the extraordinary assumptions, general assumptions and limiting conditions on pages 6 through 8 of this report, is...

TWENTY TWO MILLION NINETY THOUSAND DOLLARS

\$22,090,000

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

Mr. Joseph Blake
October 6, 2014
Page 2

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

The subject property does not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This letter must remain attached to the report, which contains 83 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

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

Sincerely,



Eric A. Segal, Appraiser
State Certification No.: AG026558
Expires: February 18, 2015



Kevin K. Ziegenmeyer, Appraiser
State Certification No.: AG013567
Expiration Date: June 4, 2015

/mlm

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property: Rancho Murieta Community Service District CFD No. 2014-1 (Rancho North / Murieta Gardens), which contains approximately 827.80 total acres of vacant land.

Location: The majority of the subject property’s residential component is generally located north of Jackson Highway, east of Stonehouse Road. The balance of the property is located south along Jackson Highway, southeast of Murieta Drive. The entirety of the property is located within the unincorporated community known as Rancho Murieta, Sacramento County, California.

Owner(s) of Record:

073-0470-004	Consumnes River Land, LLC
073-0470-005	Consumnes River Land, LLC
073-0470-006	Consumnes River Land, LLC
073-0180-029	Murieta Industrial Park, LLC
073-0090-062	Murieta Lakeside Properties, LLC
073-0790-023	Murieta Lakeside Properties, LLC
073-0800-003	Murieta Lakeside Properties, LLC
073-0800-007	Murieta Highlands, LLC
073-0800-008	Murieta Highlands, LLC
073-0800-009	Murieta Highlands, LLC

Gross Acres, APNs & Land Use:

APN	Gross Acres	Land Use
073-0470-004	16.6	Mixed-Use
073-0470-005	21.81	Mixed-Use
073-0470-006	14.73	Mixed-Use
073-0180-029	39.81	Non-Residential
073-0090-062	117.62	Residential
073-0790-023	238.36	Residential
073-0800-003	218.03	Residential
073-0800-007	3.01	Residential
073-0800-008	92.75	Residential
073-0800-009	65.08	Residential
Total:	827.8	

Zoning: The subject property is located within the master planned community known as Rancho Murieta. The Rancho Murieta community, approved in 1969, is a Planned Development of about 3,500 acres. The Rancho Murieta Planned Development (PD) Ordinance and Rancho Murieta Master Plan regulate land uses in Rancho Murieta, both of which have been amended several times since their original adoption in 1969. The

County's General Plan also guides development within Rancho Murieta, though to a more general level.

The 1984 Planned Development Ordinance 77-PD-10E explicitly states that build-out shall not exceed 5,000 units (plus an additional 189 mobile home units south of Highway 16). This residential unit cap pertained to the entire Rancho Murieta development. Although the Rancho Murieta Planned Development Ordinance caps development at 5,000 units, existing and future residential build out is currently estimated to ultimately total 4,183 dwelling units, according to the Rancho Murieta Community Service District. A more detailed discussion of entitlements and zoning is found in the *Property Legal Data* section.

Flood Zoning:

Zone X – Areas determined to be outside of the 500-year floodplain and determined to be outside of the 1% and 0.2% annual chance floodplains

Zone A – an area inundated by 1% annual chance flood, for which no base flood elevations have been determined

Earthquake Zone:

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

Current Use:

Vacant land

Highest and Best Use:

Phased development as demand warrants and infrastructure allows

Date of Inspection:

September 3, 2014

Date of Value:

September 3, 2014

Date of Report:

October 6, 2014

Exposure and Marketing Time:

12 months (in bulk)

Conclusion of Value:

\$22,090,000

The concluded value is subject to the extraordinary assumptions, general assumptions and limiting conditions on pages 6 through 8.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user of the report is the Rancho Murieta Community Services District. It is our understanding the report will be used for bond underwriting purposes.

APPRAISAL REPORT FORMAT

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

TYPE AND DEFINITION OF VALUE

The purpose this appraisal is to estimate the market value (fee simple estate) of the appraised property, as of September 3, 2014, subject to the hypothetical condition the improvements to be financed by the Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North/Murieta Gardens) Bonds are in place. Market value is defined as follows:

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

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Please refer to the *Glossary of Terms* in the Addenda to this report for the definition of *value as-is*.

PROPERTY RIGHTS APPRAISED

The market value estimate derived herein is for the fee simple estate, defined as follows:

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

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.²

DATES OF INSPECTION, VALUE AND REPORT

An inspection of the subject property was completed on September 3, 2014, which represents the effective date of market value. This appraisal report was completed and assembled on October 6, 2014.

SCOPE OF WORK

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

Several legal and physical aspects of the subject property was researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. We met with Mr. Joseph Blake, General Manager of the Rancho Murieta Community Services District, who provided us with a history of the property, and a description of the development plan. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the County of Sacramento Planning Department. The subject’s earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Sacramento Assessor’s Office on-line resources.

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

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

The subject property consists of 734.85 acres on the north side of Jackson Highway, behind the gates of the Rancho Murrieta Community, with the remainder, 92.95 acres, situated south of Jackson Highway, opposite the gated Rancho Murrieta Community. The entire subject property is essentially

² The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 78.

held under a single ownership group. As will be discussed in the *Highest and Best Use* section presented later in this Report, the subject property would likely be assembled and transfer to a single developer/land speculator as a master planned community; though, it is our conclusion a likely buyer would differentiate the land areas north of Jackson Highway from those land areas south of Jackson Highway. Consequently, in order to value the subject property, we have utilized the sales comparison approach to value and arrayed comparable sales of similar land transactions in various stages of entitlement similar to the subject property.

The individuals involved in the preparation of this appraisal include Kevin K. Ziegenmeyer and Eric Segal, Appraisers. Messrs. Ziegenmeyer and Segal inspected the subject property; collected and confirmed data related to the subject property and the neighborhood/market area; analyzed market data; and prepared an appraisal report with an estimate of value.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

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

Extraordinary Assumptions

1. The appraisal of the subject property is based on development maps and exhibits provided by the property owner/developer. It is an extraordinary assumption of this report that the subject property is as presented in the development maps and exhibits provided with respect to acreages and location. The use of this extraordinary assumption may have affected the assignment results.

Hypothetical Conditions

1. The market value estimated herein is based on a hypothetical condition. USPAP defines a hypothetical condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.” As of the date of value, the improvements to be financed in part by the CFD were not in place. The market value estimated herein is based on the hypothetical condition the improvements to be financed by CFD Bonds were in place as of the date of value. Further, the market value estimate accounts for the impact of the lien of the Special Taxes securing the Bonds.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by

the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
15. The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors/omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.
16. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
17. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
18. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.

CERTIFICATION STATEMENT

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Kevin K. Ziegenmeyer, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Eric A. Segal, Appraiser
State Certification No.: AG026558 (February 18, 2015)

October 6, 2014

DATE

CERTIFICATION STATEMENT

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Eric A. Segal, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Kevin K. Ziegenmeyer, Appraiser
State Certification No.: AG013567 (June 4, 2015)

October 6, 2014

DATE

PROPERTY DESCRIPTION AND HISTORY

The subject property is identified as the undeveloped areas within the guard-gated community of Rancho Murieta and 92.95 acres of mixed-use land situated opposite the gated community, south of Jackson Highway. The area encompasses approximately 3,500 acres and was originally purchased by the Pension Trust Fund of the Operating Engineers Local 3 and utilized for heavy earth moving equipment training. The first development occurred with an 18-hole golf course (North Course) in 1971, and the first residential development taking place in 1972 with the establishment of The Murieta Mobile Home Village; traditional single-family detached residential development began the next year. In 1974 the community instituted a 24-hour guard at the front gate, and the same year plans to construct an additional 18-hole golf course (South Course) were announced. The South Course was opened in 1979. In 1985 a Davis farmer, Jack Anderson, purchased the Rancho Murieta Development from the Pension Trust Fund of the Operating Engineers, and ultimately defaulted on the loan in 1997. In the late 90s to early 2000s, developer Reynen and Bardis constructed five subdivisions around the South Course area. Since this time, however, additional production home residential development has not occurred.

The most prominent land use is the Rancho Murieta Golf Course and Country Club, which includes a 40,000-square foot country club, six lighted tennis courts, a restaurant, pro shop, and two 18-hole championship golf courses. Horseback riding is offered at the 100-acre Rancho Murieta Equestrian Center. The community is served by the local Rancho Murieta Airport, which has lighted runways and hangars. Five lakes are located within the community, offering tournament quality bass fishing. In addition, Rancho Murieta is situated along a 2.5-mile stretch of the Cosumnes River, which offers recreational activities such as hiking, biking, boating, fishing and swimming.

One of the subject's commercial components, located at the southeast quadrant of Jackson Highway and Murieta Parkway, was formerly known as Murieta Gardens. It was fully approved in 2011, pending the establishment of a water treatment facility (which is to be financed, in part, by the proposed CFD), for 95 homes and a shopping center. Entitlements for the Murieta Gardens development have been modified and now include 166,000 square feet of commercial development, a 83 room hotel, 24 extended stay condominium units, 78 residential lots and a 77,000 square foot self-storage facility.

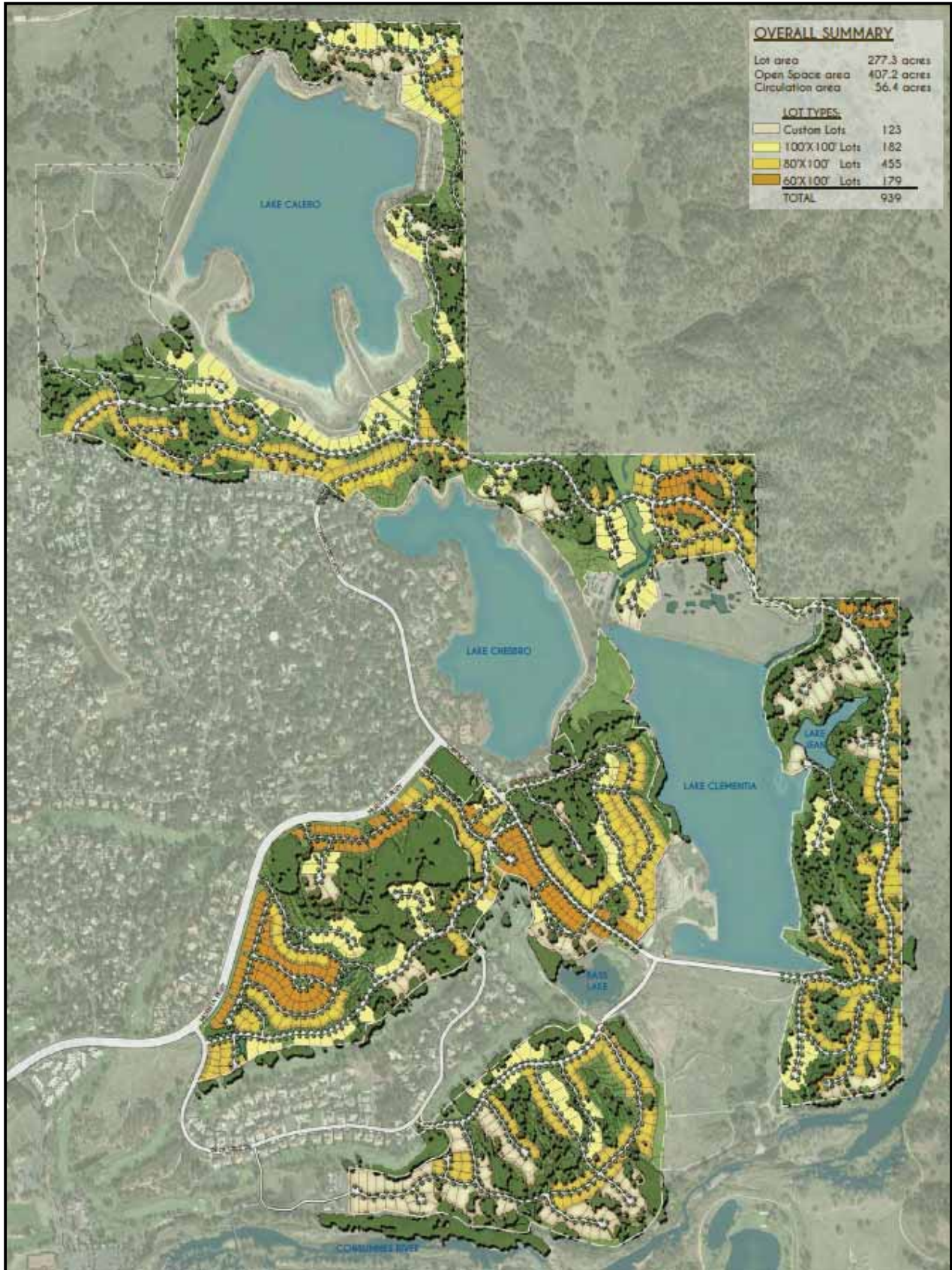
A more detailed discussion of entitlements and zoning is found in the *Property Legal Data* section. The following table summarizes the subject's parcels and gross acres, along with a table for the proposed development of the residential component.

APN	Gross Acres	Land Use
073-0470-004	16.6	Mixed-Use
073-0470-005	21.81	Mixed-Use
073-0470-006	14.73	Mixed-Use
073-0180-029	39.81	Non-Residential
073-0090-062	117.62	Residential
073-0790-023	238.36	Residential
073-0800-003	218.03	Residential
073-0800-007	3.01	Residential
073-0800-008	92.75	Residential
073-0800-009	65.08	Residential
Total:	827.8	

Development	Total Lots	Custom			
		100' x 100' Lots	80' x 100' Lots	60' x 100' Lots	
Phase I:					
The Terraces	172	7	30	43	92
The Highlands	153	6	15	82	50
River Canyon	<u>159</u>	62	24	73	0
<i>Phase I Total Lots</i>	484				
Phase II (North):					
Calero North	53	12	30	11	0
Calero South	<u>128</u>	0	33	95	0
<i>Phase II Total Lots</i>	181.00				
Phase II (South):					
Chesbro Square	100	6	22	48	24
Lake Jean	115	29	10	63	13
Granlee	<u>59</u>	5	14	40	0
	274.00				

The following maps identify the boundaries, locations of each of the subject's residential phases, followed by a brief description of each.

COMPOSITE LAND USE PLAN



PHASE 1 LAND USE PLAN



PHASE 2 (NORTH) LAND USE PLAN



PHASE 2 (SOUTH) LAND USE PLAN



According to public records, subject parcels 073-0800-007, 008 and 009 transferred to the Murieta Highlands LLC on August 9, 2013. Public records report a transfer price of \$315,000 for all three parcels. Also on August 9, 2013, public records reflect the transfer of parcels 073-0090-062, 073-0790-023 and 073-0800-003 to Murrieta Lakeside Properties LLC for a total transaction amount of \$702,000. Again on August 9, 2013, three additional parcels transferred to Murrieta Industrial Park LLC at a transaction amount of \$375,000. Only one of these parcels is a subject parcel (APN: 073-0180-029), the remaining two parcels (APNs: 073-0180-009 and 073-0460-007) represent a combined total of less than one acre. Assessor's parcel 073-0180-029 represents 39.81 acres. The final transfer of properties that includes the subject parcels (as well as additional land) occurred on May 31, 2012 and included parcels 073-0470-004, 005 and 006, as well as additional non-developable parcels (i.e., private streets). The transfer amount was \$2,375,000.

We interviewed the current owners for clarification on their acquisition of the subject property. Presumably, some of the transfers above relate to non-arm's length transactions to establish ownership entities. The owners report the subject property was acquired in two transactions. Undeveloped parcels included in the transactions included streets (private roads); namely, Cantova Way, Murieta Drive, Lone Pine Drive and Alameda Drive. The acquisition of the proposed residential land north of Jackson Highway was negotiated in 2010 when the current owners were selected as the buyer (multiple offers were submitted). The transfer of the parcels north of Jackson Highway occurred in 2013 at a price of \$12,179,000 (743.85 acres at \$16,573 per acre). In a separate transaction the current owners acquired the 92.95 acres, and additional land, for \$2,300,000, or \$24,745 per acre. Again, the additional land acquired was reportedly mostly undevelopable. The Gardens acquisition occurred in 2012. Considering the market conditions at the time these sales were negotiated, as well as reported seller motivation at the time, these prior transfers of the subject property are not considered indicative of the subject's current market value. It should also be noted that in addition to some improvement in the overall market for developable land, the subject property is appraised under the hypothetical condition the water treatment facility has been expanded and, thus, an incremental enhancement in the subject property as a development project has been achieved. To the best of our knowledge, the subject property is currently not being marketed for sale.

PROPERTY LEGAL DATA

Location

The majority of the subject property's residential component is generally located north of Jackson Highway, east of Stonehouse Road. The subject property also includes a mixed-use land component located south along Jackson Highway, southeast of Murieta Drive. The entirety of the property is located within the unincorporated community known as Rancho Murieta, Sacramento County, California.

Owner(s) of Record

Title to the subject property is held by the following related entities:

073-0470-004	Consumnes River Land, LLC
073-0470-005	Consumnes River Land, LLC
073-0470-006	Consumnes River Land, LLC
073-0180-029	Murieta Industrial Park, LLC
073-0090-062	Murieta Lakeside Properties, LLC
073-0790-023	Murieta Lakeside Properties, LLC
073-0800-003	Murieta Lakeside Properties, LLC
073-0800-007	Murieta Highlands, LLC
073-0800-008	Murieta Highlands, LLC
073-0800-009	Murieta Highlands, LLC

Legal Description

A legal description of the subject property, which would be contained in a preliminary title report, was not provided for use in this analysis.

Property Taxes (*Ad Valorem Taxes*)

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

subsequently approved by a two-thirds vote of the political jurisdiction in which the property is located, can be added to the 1% tax rate.

According to the Sacramento County Tax Collector's Office, the subject property is located within multiple tax rate areas due to its three encumbered jurisdictions. However, the existing taxes will be adjusted substantially as the boroughs are developed. Further, as part of the development of the subject property, the master developer intends to use land secured bond financing (Community Facilities District or Assessment District) to facilitate completion of backbone infrastructure improvements.

Conditions of Title

A preliminary title report was not provided for this analysis. It is assumed there are no adverse conditions on title. The appraiser assumes no negative title restrictions and accepts no responsibility for matters pertaining to title.

Zoning and Entitlements

The Rancho Murieta community, approved in 1969, is a Planned Development of about 3,500 acres. The Rancho Murieta Planned Development (PD) Ordinance and Rancho Murieta Master Plan regulate land uses in Rancho Murieta, both of which have been amended several times since their original adoption in 1969. The County's General Plan also guides development within Rancho Murieta, though to a more general level.

The 1984 Planned Development Ordinance 77-PD-10E explicitly states that build-out shall not exceed 5,000 units (plus an additional 189 mobile home units south of Highway 16). This residential unit cap pertained to the entire Rancho Murieta development. Although the Rancho Murieta Planned Development Ordinance caps development at 5,000 units, existing and future residential build out is currently estimated to ultimately total 4,183 dwelling units, according to the Rancho Murieta Community Service District.

Assessor's parcels 073-0470-004, -005 and -006 are zoned LC, Limited Commercial, with a General Plan designation for commercial/office development. The balance of the property within the District is encumbered by the A2, general agricultural designation, which is an interim land use designation. The General Plan designates the residential property within Rancho Murieta North (north of Jackson Highway) LDR, low density residential, with Assessor's parcel 073-0180-029 designated for public/quasi-public land uses.

Flood Zone

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM), the subject is located within Zone X (areas outside of the 500-year flood plain), as reflected by FEMA map panel 060262-0275D (dated July 6, 1998).

Earthquake Zone

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

Easements

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. Please refer to a preliminary title report for information regarding potential easements, as the appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed that any easements noted in a preliminary title report do not have an impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

SITE DESCRIPTION

Property: The majority of the subject property’s residential component is generally located north of Jackson Highway, east of Stonehouse Road. The mixed-use component is located south along Jackson Highway, southeast of Murieta Drive. The entirety of the property is located within the unincorporated community known as Rancho Murieta, Sacramento County, California.

Land Area:

APN	Gross Acres	Land Use
073-0470-004	16.6	Mixed-Use
073-0470-005	21.81	Mixed-Use
073-0470-006	14.73	Mixed-Use
073-0180-029	39.81	Non-Residential
073-0090-062	117.62	Residential
073-0790-023	238.36	Residential
073-0800-003	218.03	Residential
073-0800-007	3.01	Residential
073-0800-008	92.75	Residential
073-0800-009	65.08	Residential
Total:	827.8	

Topography: The topography of the subject varies from generally level to rolling and undulating terrain.

Shape: The subject is irregular yet functional in shape.

Access, Frontage, Visibility: The subject’s primary access, frontage and visibility are from Jackson Highway (Highway 16) and Stonehouse Road. Jackson Highway is the primary transportation route in the neighborhood. Overall, the accessibility and visibility of the property is average for the area.

Utilities: Public utilities, including electricity, water, sewer and telephone service, are available. Significant extension of the facilities and utilities onto the subject will be required as the property is developed.

Drainage: It is assumed the subject property will have adequate drainage as part of suburban development. Drainage infrastructure is not complete.

Soils: The appraiser has not been provided a soils report to determine the load bearing capacity of the subject property. The soils appear to be similar to other local parcels within Rancho Murieta North that, to the best of our knowledge, have been improved with no adverse effects.

Environmental Issues:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property.

No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

The subject property represents vacant land with numerous unknowns. The value estimated herein reflects the risk associated with potential hazardous substances. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value stated herein.

On-Site Improvements:

The subject property primarily consists of vacant land with no on-site improvements.

Site Utility:

The subject property appears functional in terms of size, topography, shape and overall location.

Conclusion:

Overall, the subject property is deemed functional in terms of its size, topography, shape and overall location. The subject property is considered physically suitable for development and comprises a substantial portion of the remaining undeveloped land within the Rancho Murieta North master planned community, as well as 92.95 acres of mixed-use land south of Jackson Highway. It represents a sizable infill development capable of providing a significant inventory of residential lots in the area over several years.

SUBJECT PHOTOGRAPHS



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land
north of Jackson Highway



Subject Property – Residential/Transitional Land north of Jackson Highway



Subject Property – Residential/Transitional Land north of Jackson Highway



Subject Property – Residential/Transitional Land north of Jackson Highway



Subject Property – Mixed-Use Land south of Jackson Highway



Subject Property – Mixed-Use Land south of Jackson Highway



Subject Property – Mixed-Use Land south of Jackson Highway



Subject Property –Transitional Land south of Jackson Highway



Subject Property –Transitional Land south of Jackson Highway



Subject Property –Transitional Land south of Jackson Highway



Subject Property –Transitional Land south of Jackson Highway

SACRAMENTO REGION



Introduction

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

Population

The region has a population of nearly 2.2 million, and has grown at a moderate rate of 0.8% per year for the past five years. The following table illustrates recent population trends for each county in the region over the past few years.

POPULATION TRENDS							
County	2008	2009	2010	2011	2012	2013	%/Yr
Sacramento	1,394,510	1,406,168	1,417,259	1,427,961	1,433,525	1,445,806	0.7%
Placer	333,805	340,995	347,133	351,463	355,455	357,463	1.4%
El Dorado	177,897	179,150	180,682	180,483	181,711	182,286	0.5%
Yolo	196,219	198,642	200,484	201,071	204,349	205,999	1.0%
Total	2,102,431	2,124,955	2,145,558	2,160,978	2,175,040	2,191,554	0.8%

Source: California Department of Finance

Placer County has led the region with growth of 1.4% per year over the past five years. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln. Much of the region’s growth is attributed to in-migration of residents from other California and U.S. areas.

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

Employment & Economy

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

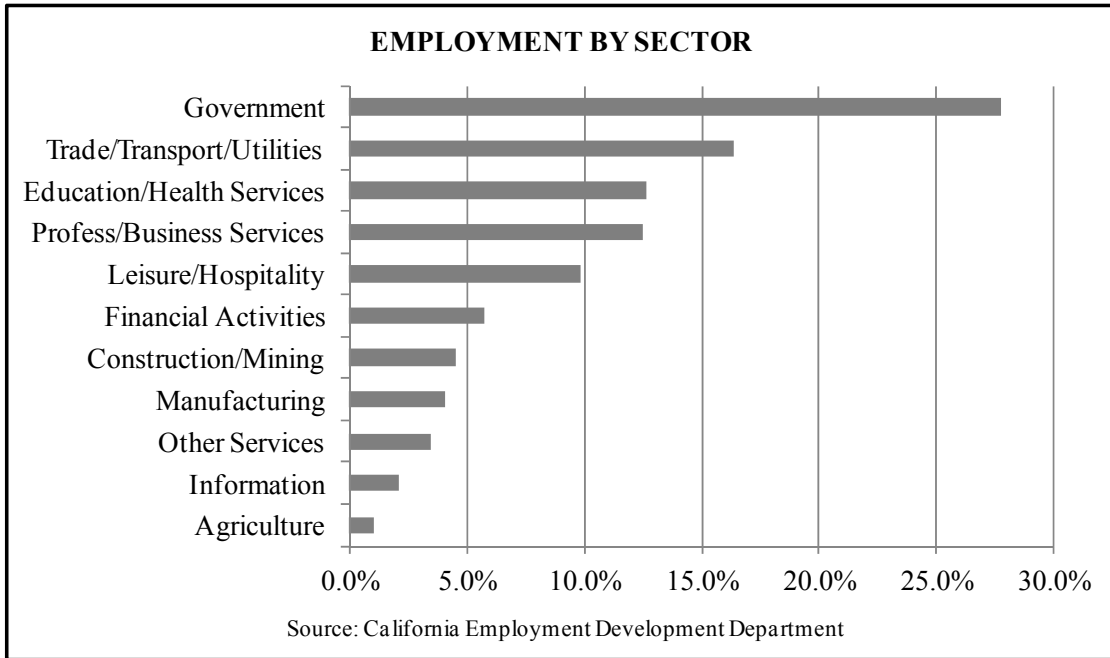
EMPLOYMENT TRENDS						
	2008	2009	2010	2011	2012	2013
Labor Force	1,047,000	1,052,000	1,049,900	1,044,300	1,051,600	1,046,600
Employment	973,200	935,200	918,700	920,300	942,900	956,400
Job Growth	(9,200)	(38,000)	(16,500)	1,600	22,600	13,500
Unemployment Rate	7.0%	11.1%	12.5%	11.9%	10.3%	8.6%

Source: California Employment Development Department

The unemployment rate in the four-county region was 6.7% in May 2014, which compares to rates of 7.6% for California and 6.3% for the U.S. For most areas within the state and nation, including the Sacramento MSA, unemployment declined from 2004 through 2006, increased from 2007 to 2010, and declined in 2011-2013.

The region experienced a significant decline in jobs in 2009, but the rate of decline moderated in 2010, and job growth was positive in 2011, 2012 and 2013. In the one-year period ending in May 2014, the region gained 20,000 jobs, which equates to a job growth rate of 2.3%. Employment conditions should continue to slowly improve over the next few years.

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



As can be seen in the chart above, the region’s largest employment sectors are Government, Trade/Transportation/Utilities (including retail and wholesale trade), Education and Health Services, and Professional and Business Services. Government jobs account for about 28% of total employment in the region. This percentage has remained fairly constant for many years – government employment was about 30% of the total in 1990. The region’s 10 largest employers are listed in the following table (number of employees in four-county region).

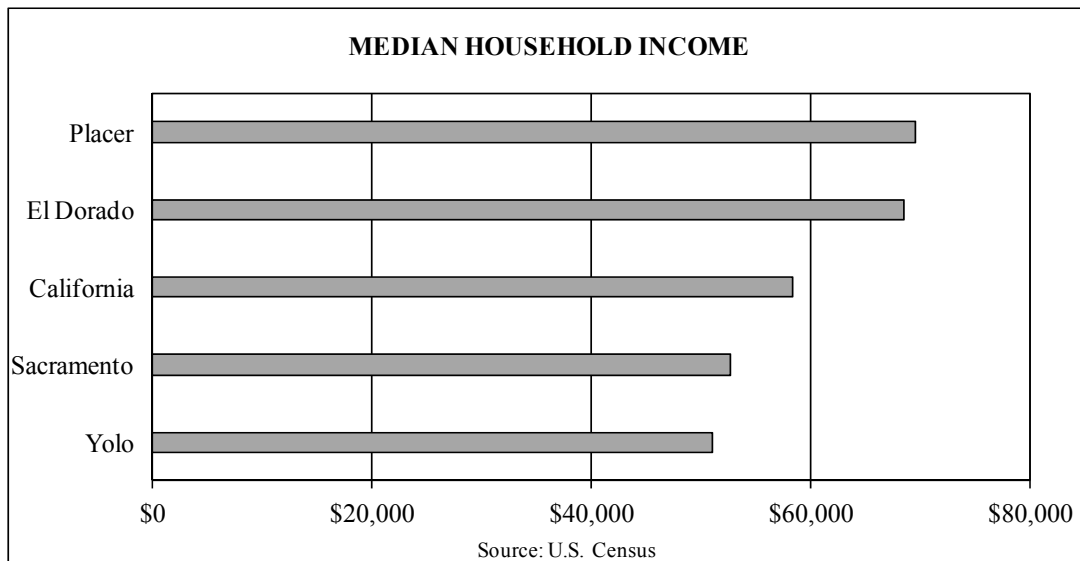
LARGEST EMPLOYERS			
	Company	Industry	Employees
1	State of California	Government	73,424
2	University of California Davis	University	12,639
3	Sacramento County	Government	10,634
4	UC Davis Health System	Healthcare	9,985
5	Sutter Health	Healthcare	9,494
6	Kaiser Permanente	Healthcare	9,109
7	Dignity Health (formerly Mercy)	Healthcare	7,397
8	U.S. Government	Government	6,550
9	Raley's Inc.	Retail Grocery	6,240
10	Intel Corp.	Semiconductors	6,000

Source: Sacramento Business Journal, Book of Lists 2013

Other large private sector employers include Hewlett-Packard, Wells Fargo, Health Net, Cache Creek Casino Resort, Pacific Gas & Electric, VSP Global (Vision Service Plan), Thunder Valley Casino Resort, and Union Pacific Railroad.

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The following chart shows income for each county in the region, as well as the state of California, for the year 2012 (most recent available).



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

Transportation

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

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

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

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

The region has good water transportation capabilities. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going

vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products.

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

Recreation & Culture

The Sacramento region offers innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both sides of the river for 30 miles, with Folsom Lake situated at the eastern end. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region. Professional sports teams in Sacramento include an NBA team (the Kings) and a Triple-A minor league baseball team (the River Cats).

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

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

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

Conclusion

The Sacramento region is the fourth-largest metropolitan area in California, and has seen moderate population growth of about 0.8% per year over the past five years. Between 2004 and 2006, the regional economy expanded rapidly with large gains in the housing market and relatively strong job growth. However, the housing market began a rapid decline in late 2005, and most sectors of the commercial real estate market began to deteriorate in 2007. Like most metropolitan areas in the state and nation, the Sacramento region experienced high unemployment and real estate market declines during the period of roughly 2008-2010. However, employment conditions have been improving since 2011 and most real estate sectors are showing signs of recovery or growth. As the economy continues to improve, the long-term outlook for the region is good. The area's advantages include a diverse economy, mild climate, seismic stability, ample recreational and cultural opportunities, and expansive transportation systems. Further, the region offers greater affordability than the Bay Area and Southern California.

NEIGHBORHOOD



Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.”³

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 within the unincorporated community of Rancho Murieta. Specifically, Rancho Murieta is located approximately 24 miles southeast of Sacramento’s Central Business District, along State Highway 16 (Jackson Highway/Road). The subject’s neighborhood boundaries can generally be defined as Deer Creek Hills to the north and east, the southern edge of Rancho Murieta Airport to the south and Stonehouse Road to the west. This location is

³ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 133.

approximately 25 miles west of Jackson, the County seat of Amador County in the “Mother Lode” area of the Sierra Nevada foothills. The terrain in the area generally consists of gently rolling hills with many large, mature oak trees. Elevations range from 140 to 300 feet above sea level.

Demographics

According to reports prepared by STDB Online, current demographics within the subject’s neighborhood boundaries are summarized in the following table.

Population (2013)	5,549
Population (2018), % change	5,705 persons, +2.81%
Median Age	50.3
Number of Households	2,315
Average Household Size	2.38 persons
% of Households Owner-Occupied	87.7%
% of Households Renter-Occupied	12.3%
Median Household Income	\$107,602

The demographics reported for the neighborhood boundaries in the previous table include Rancho Murieta, which skews the demographics for the subject’s immediate neighborhood. Primarily, population, number of households, and median household income are affected. Specifically, excluding Rancho Murieta the neighborhood’s population as of 2013 is 11,527 and is estimated to increase to 13,009 by 2018 (12.86% increase). Similarly, the subject’s neighborhood has 3,700 households (86.9% owner-occupied and 13.2% renter-occupied) excluding the Rancho Murieta community. Finally, the median household income in Rancho Murieta is \$107,602.

Transportation

The subject property is located both north and south of Jackson Highway/State Highway 16, which is an east/west thoroughfare that connects Rancho Murieta with the Sacramento area to the west and Amador County and the Sierra Nevada foothills to the east where it intersects with State Route 124, terminating at State Route 49 near Drytown, California. Jackson Highway/ State Highway 16 intersects with the major north/south arterials in the area, including Sunrise Boulevard, Grant Line Road and Latrobe Road. Grant Line Road is a primary arterial through the subject neighborhood, which provides access to State Highway 99 to the southwest. State Highway 99 is a main north-south transportation route in the area, providing direct access to the Central Business District of Sacramento to the north, and the Central Valley cities of Stockton, Modesto and Fresno to the south. Overall, linkage from the subject neighborhood to the surrounding cities and region is considered typical of a rural neighborhood. In addition to Sunrise Boulevard, Stonehouse Road (the western boundary of the neighborhood) is a rural road linking Rancho Murieta with White Rock Road and

Prairie City Road, which provides access to U.S. Highway 50. White Rock Road runs in an east/west direction and links Rancho Cordova to the west and Folsom and El Dorado Hills to the east.

U.S. Highway 50 is one of two primary east-west routes through Sacramento (Interstate 80 being the other). To the east, it provides access to El Dorado County, various foothills communities, the Sierra Nevada Mountains and Lake Tahoe. To the west, U.S. Highway 50 is the principal route to Sacramento's Central Business District and other major freeways (less than 20 miles to the west), including State Highway 99, Interstates 5 and 80, and the Capital City Freeway.

Land Uses

The subject neighborhood primarily consists of vacant land in all directions, with sporadic rural residences. Besides Rancho Murieta, the bulk of development is situated to the northwest in the city of Rancho Cordova and to the north in the city of Folsom, which will also be discussed herein.

Rancho Murieta

Rancho Murieta is generally considered an affluent golf course community within its own Urban Services Boundary, surrounded by agricultural land. The development of the community was initiated by the Operating Engineers Union Local 3 in the early 1970s. The heavy equipment operators chose this site as a training school and constructed the reservoirs, streets and sites for Rancho Murieta's first subdivisions. The first homes appeared about 40 years ago, and development of the community continues today.

Rancho Murieta is predominantly a residential community, with few commercial uses or employment centers. The most prominent land use in the area is the Rancho Murieta Golf Course and Country Club, which includes a 40,000-square foot country club, six lighted tennis courts, a restaurant, pro shop, and two 18-hole championship golf courses. Horseback riding is offered at the 100-acre world-class Rancho Murieta Equestrian Center, which hosts over 40 local, regional, national and international riding competitions with over 100,000 visitors annually. The community is served by the local Rancho Murieta Airport, which has lighted runways and taxiways, permanent hangars, fueling and overnight tie-downs. Five lakes are located within the community, offering tournament quality bass fishing. In addition, Rancho Murieta is situated along a 2.5-mile stretch of the Cosumnes River. These areas offer recreational activities such as walking, hiking, biking, boating, fishing and swimming.

The community currently has limited supporting retail options. At the intersection of Jackson Highway and Murieta Drive are a Country Store/Chevron, which includes a Burger King restaurant and car wash. Immediately east of Murieta Drive is Sac Metro Fire Station 59, Business Center, four additional restaurants, coffee shop, neighborhood grocery, hardware store, bank and U.S. Post

Office. The balance of the shopping plaza includes an exercise club, offices and day care (66,000 square feet). In addition to this shopping center, several produce stands from area farms are situated in and around Rancho Murieta.

There are a total of about 2,500 housing units in Rancho Murieta, consisting of detached single-family homes, townhouses and mobile homes. The community is generally divided into Rancho Murieta North (and North Golf Course/Clubhouse), Rancho Murieta South (and South Golf Course) and the mixed-use areas south of Highway 16 (Training Center, Airport, Business Park, Murieta Mobile Village, Equestrian Center, Shopping Plaza and Murieta Gardens).

Rancho Murieta North is situated north of Highway 16 along the North Golf Course and surrounding Bass Lake, Lake Clementia, Chesbro Reservoir and Calero Reservoir. Remaining undeveloped property in Rancho Murieta North will have a separate homeowners association, Covenants, Conditions and Restrictions (CC&Rs) and Architectural Guidelines and Review Committee.

Existing projects in this area include Murieta North Units 1 through 4 and The Fairways (Unit 6). Murieta North Units 1 through 4 are custom communities offering detached homes and townhomes with lake and golf course settings, with extensive greenbelt areas. Custom lots are still available in this area. The Fairways is an exclusive area along the front nine holes of the golf course. Most of the homes and lots in this project have golf course views. Home sites typically range in size from quarter-acre to one-acre lots.

There are three approved tentative maps north of Highway 16: The residences of Murieta Hills – East and The Residences of Murieta Hills – West, along Stonehouse Road, and The Retreats, bounded by holes 1, 9, 18 and the Clubhouse of the North Course. The Residences of Murieta Hills East and West (198 single-family lots) and The Retreat (84 single-family lots) are bounded by holes 1, 9 and 18 and the Clubhouse area of the North Course.

Rancho Murieta South is a community of production and custom homes and duplexes. This area is adjacent to the South Golf Course and greenbelts in certain areas. Besides single-family detached homes, the South area also offers The Villas, a project offering two-bedroom, two-bath townhomes, borders the 18th fairway of the North Course. This project has a private swimming pool, spa and clubhouse. There are only two remaining undeveloped areas in Rancho Murieta South, Lakeview and Riverview. The Residences East (North) and Riverview (South) are owned by Pacific Coast Capital Partners, LLC, and Lakeview is owned by entities of Reynen and Bardis. Lakeview (99 lots) and Riverview (140 lots) have approved tentative subdivision maps.

Murieta Gardens was fully approved in 2011, pending the establishment of a water treatment facility (which is to be financed, in part, by the proposed CFD), for 95 homes and a shopping center.

Entitlements for the Murieta Gardens development have been modified and now include 166,000 square feet of commercial development, an 83 room hotel, which is currently under construction, 24 extended stay condominium units, 78 residential lots and a 77,000 square foot self-storage facility.

Rancho Cordova

Rancho Cordova is the largest office submarket in the Sacramento region in terms of rentable square feet and features many nationally recognized companies. Most of the office buildings are situated south of U.S. Highway 50. Major business parks in the area include Prospect Park Center, Capital Center and Prospect Green. Prominent office tenants include the State of California, Sprint, Heald College, WebEx, University of Phoenix, EDS, Bank of America, NEC Inc., Vision Service Plan, and a number of insurance and data processing businesses.

The bulk of commercial development in the neighborhood is located along Sunrise Boulevard, north and south of the subject and Folsom Boulevard, east and west of the subject. At the northeast quadrant of Sunrise Boulevard and White Rock Road is an Arco AM/PM service station and Subway. The southeast quadrant of this intersection is home to McDonald's and Costco Wholesale. Starbucks and Carl's Jr. are situated at the southwest quadrant, and a Shell service station and an Arby's are located at the northwest corner.

Further north, at the southeast quadrant of Sunrise Boulevard and Sunrise Gold Circle, is a commercial center identified as Plaza Del Oro. Businesses serving the office and industrial parks nearby include Togo's, FedEx/Kinko's, Sumo Sushi and a Mexican food restaurant. Further north, along the west side of Sunrise Boulevard, there is a Home Depot and Les Schwab tire center. A large commercial building that houses American Heritage Furniture, Staples and a ceramic tile showroom is located between Trade Center Drive and Folsom Boulevard. Also in this area is an auto repair facility, self-storage facility (Public Storage) and a paint/body shop. La Quinta Inn, Brookfield's restaurant and a 76 gas station are situated at the northwest quadrant of Sunrise Boulevard and Folsom Boulevard. At the northeast quadrant of this intersection are a Marriott hotel and a Hallmark Suites hotel. Further east is the renovated Shepherder Inn. This property was originally constructed as a hotel in 1912 and now consists of an 8,402± square foot restaurant and a separate 2,527± square foot office suite.

While there are several apartment buildings along Folsom Boulevard, as well as single-family homes situated between Folsom Boulevard and the American River; most of the existing residential development in Rancho Cordova is located north of U.S. Highway 50. Rancho Cordova is considered to be a highly developed suburban area, with a large growth area within the southern portion of the city (south of U.S. Highway 50). The combination of attached and detached residential projects supports the array of shopping facilities, restaurants, financial institutions, etc., in the area.

Two master planned communities in the city have picked up some traction in recent months. Cordova Hills, a 2,700-acre master plan project in southeast Rancho Cordova, is currently working on infrastructure costs, federal open space permits and looking for higher-education partners to put a campus in the project. According to the Cordova Hills President, Ron Alvarado, he anticipates the project to be ready to break ground in two years. Whereas, the North Douglas area, part of the SunRidge Specific Plan, which came to a halt when the economy collapsed, recently received approval from the city in July on extensions to development entitlements, as well as subdivision agreements, set to expire. According to city senior engineer Elizabeth Sparkman, 663 lots east of the Sunrise Boulevard/Douglas Road intersection are ready to be built on, whether by the current owner Lennar Homes or another homebuilder. With infrastructure such as sewer, streetlights and roads already in place, there is quite a bit of interest in the site since other active builders in the city have relatively few lots left to develop. Further, Elizabeth Sparkman indicated homes could begin construction within months once developers make sure existing infrastructure is still in working order.

Mather Airport is one of the major land uses in the neighborhood. This airport was formerly a U.S. Air Force Base, but has transitioned into a commercial freight facility. Since the closure of the base in 1993, the airport has attracted numerous airfreight companies, including Emery Worldwide, Airborne Express, United Parcel Service and BAX Global. The Mather Commerce Center, located just north of Mather Airport, is another business park where many new buildings were constructed in recent years and some older military buildings have been converted to office use. The Mather area is well suited for companies that benefit from its proximity to the airport.

Located next to the Mather Airport, is the Mather Sports Center. This sports complex offers its members tennis courts, yoga and aerobics courses as well as exercise equipment. Most other community services, including schools, parks, churches and emergency care, can be found in adjacent neighborhoods.

Additional recreational opportunities are located on the northern end of the city along the American River Parkway. The parkway spans nearly 23 miles along the American River, offering picnic areas and access to the river and hiking/bike trails. Less than three miles from the subject is the Folsom Lake State Recreation Area along the American River Parkway, which includes Lake Natomas, Nimbus Dam and the California State University Sacramento Aquatic Center for recreational activities such as fishing, rafting, kayaking, sailing, bicycling and horse riding.

Folsom

North of the Aerojet facility, between Folsom Boulevard and U.S. Highway 50, is the Folsom Automall, one of the Sacramento region's largest auto malls, along with Roseville, Elk Grove and Fulton Avenue. The auto mall contains 10 improved dealership properties and one remaining vacant

lot. Among the 10 dealerships, two are vacant and eight are in operation, selling 12 brands of new vehicles. Most of the dealerships were constructed in the 1990s and are located north of Folsom Boulevard. A 29-acre area south of Folsom Boulevard has been approved by Sacramento County for future expansion of the auto mall. So far only one new dealership has been built in the expansion area – Folsom Lake Honda constructed a new facility that opened in early 2009.

Other land uses in the immediate area include the following to the west of the subject along Folsom Boulevard: a light rail station, an office building occupied by a credit union, a relatively new apartment complex, a mobile home park, and the Nimbus Village retail center at Folsom Boulevard and Hazel Avenue.

Near the intersection of Folsom Boulevard and Iron Point Road is the Las Alhambras retail center, which includes Century Theatres Folsom 14, Chili's Grill and Bar, Taco Bell, Burger King, two hotels (Larkspur Landing and Hilton Garden Inn) and additional strip retail buildings. The Folsom Premium Outlets, a collection of outlet retail stores, is also located in this area.

The northern portion of the city is home to Folsom's Historic District, which consists of historic homes and landmarks from the Gold Rush era, as well as the city's original downtown, now an eclectic collection of antique stores, gift shops, art galleries, and restaurants. At the northeastern edge of the downtown area are Folsom City Park, Folsom Zoo and Rodeo Neighborhood Park; with the Folsom State Prison lying further to the east. In the northwestern corner of the downtown area is a shopping center located along Gold Lake Drive, which includes restaurants, a hotel and a spa/salon. Development along Natoma Street is primarily related to City government, with some older retail/service uses interspersed.

Besides the downtown area, commercial development in the neighborhood is concentrated primarily along Blue Ravine Road and East Bidwell Street. Four major shopping centers are situated at the intersection of Blue Ravine Road and East Bidwell Street. The Willow Creek Town Center is anchored by SaveMart and has a CVS Pharmacy, Wells Fargo and IHOP. Folsom Square, which is anchored by Target, includes a Midas auto repair facility and several restaurants. Bidwell Center, adjacent to the Willow Creek Town Center, is anchored by Orchard Supply Hardware and Petco. Folsom Town Center, which is adjacent to Folsom Square on the west, is anchored by Lowe's and also contains a Les Schwab Tires.

In terms of office development, the Folsom area contains several office parks and large professional office buildings. Many of the newer buildings are located along East Bidwell Street in the eastern part of the city. Office development is also prevalent in the Folsom Boulevard/Blue Ravine Road area. The largest single office user in Folsom, and the largest employer in the city, is Intel

Corporation, with a multi-building campus located along Iron Point Road and Highway 50, west of Prairie City Road.

Folsom is well served by community facilities, including a city zoo, a city park, two museums, a public library, a state campground and recreation areas. Folsom Lake, Lake Natoma and the American River offer fishing, hiking trails, biking trails, and boating as well as other recreational activities. Folsom Lake draws more than two million visitors a year, according to the California Department of Parks and Recreation. Mercy Hospital of Folsom is located at the northeast corner of East Bidwell Street and Creekside Drive. In the downtown area, the City constructed a public plaza, a landscaped amphitheatre, and a multi-level public parking structure adjacent to the light rail station.

In recent years, a significant amount of new commercial and residential development has taken place in southeastern Folsom. The Empire Ranch master-planned community has added thousands of new homes to the area. Broadstone Plaza is a power center that was developed in 2002-2003 at the intersection of East Bidwell Street and Broadstone Parkway. This center is anchored by The Home Depot, Old Navy, Petsmart, Marshalls, Borders, Ross, and Michaels; and includes several in-line retail shops and restaurant pads.

The most significant new retail in the subject's neighborhood is the Palladio at Broadstone Mall, which is a 55-acre open-air "lifestyle" shopping center. This upscale mall consists of 930,000 square feet of retail, restaurant and office space, and includes a 16-screen multiplex movie theater. The 16-screen Palladio Cinemas represented the first of Palladio's three phases. The Palladio at Broadstone Mall includes Whole Foods, Chicago Fire, Pinkberry, Johnny Rockets, H&M, Sports Authority, Kirkland's, White House/Black Market, Message Heights, Toby Keith Bar & Grill, Chops Seafood and Steak, Panera Bread, AT&T and Claire's. Additional tenants coming to the project include Lenscrafters, LOFT, and Victoria's Secret. Opening dates have not yet been announced for the prospective tenants.

Adjacent to the Palladio center, Kaiser Permanente opened a \$41.6 million ambulatory surgery center in late 2008, but plans for a 224-bed hospital are now on hold. Kaiser officials said in early 2009 that construction was at least eight to 10 years away.

As noted, in June 2011, the City of Folsom agreed to annex 3,513 acres of land to the south of U.S. Highway 50. The Local Agency Formation Commission (LAFCo) voted unanimously in January 2012 to allow the expansion of Folsom's borders. The annexation area is expected to accommodate about 10,210+ homes by the time it is built out.

Community Services

The subject community is governed and serviced by Rancho Murieta Community Services District (CSD), which provides water, sewer, drainage, security and solid waste services. Rancho Murieta Association (RMA) provides parks and recreation amenities and open space. Sacramento Municipal Utility District (SMUD) is the electric service provider and the Sacramento Metro Fire District handles emergency medical services and fire protection. The common areas have been well maintained over the past several years.

Rancho Murieta is located in a rural setting, and lacks certain community facilities that are typically found in more populated areas. There are no hospitals or public transportation systems in Rancho Murieta. The community is served by public schools in the Elk Grove Unified School District, which operates 45 schools for more than 47,000 students in southern Sacramento County. An elementary school is located approximately 3 miles west of the main entrance to the development, and middle and high schools are located over 20 miles west. Most students attend Cosumnes River Elementary, Albani Middle School and Pleasant Grove High School.

Conclusion

Originally conceived as a retirement community, Rancho Murieta now markets to a wide range of homebuyers. The area is located within a 30 to 45 minute drive from employment centers in various submarkets of Sacramento, which is similar to the commute time for suburban communities such as Roseville, Rocklin, Folsom and Elk Grove. As illustrated by the profiles of the subject's nearest communities (Rancho Cordova and Folsom), competing growth areas in the region generally offer significantly more in terms of commercial and service commercial uses. The subject's neighborhood offers very limited supporting commercial uses for local residents. While efforts to bring such commercial uses is underway, it may be years before shopping and additional support services can be viably supported by the population base for this neighborhood.

RESIDENTIAL MARKET

Market Definition

Rancho Murieta is generally considered an affluent golf course community surrounded by agricultural land. There are a total of about 2,500 housing units in Rancho Murieta, consisting of detached single-family homes, townhouses and mobile homes. While up to 5,000 units are planned for the area, environmental lawsuits had delayed development for many proposed projects over the years. The community is generally divided into three areas: Rancho Murieta North, Rancho Murieta South and Rancho Murieta Gardens.

Building Permits

The table below indicates the number of single-family building permits issued for new residential construction in unincorporated areas of Sacramento County over the past several years.

Year	Single-Family Permits	Percentage Change
2002	4,582	N/Av
2003	2,274	-50.4%
2004	1,453	-36.1%
2005	1,742	19.9%
2006	730	-58.1%
2007	525	-28.1%
2008	225	-57.1%
2009	113	-49.8%
2010	181	60.2%
2011	201	11.0%
2012	323	60.7%
2013	415	28.5%
12 Year Totals:	12,764	
Average	1,064	
2014 (Thru July)	175	

Source: U.S. Dept. of Housing and Urban Development (HUD) SOCDS

Single-family permits declined significantly from 2002 through 2009, with a slight increase reported in 2005. The number of single-family permits increased considerably in 2012 and was up again in 2013, albeit a smaller increase. Market participants have attributed the small increase in 2013 to a lack of inventory. Through July 2014, single-family building permits are at 175 on pace to decrease to 300 permits this year. It's worth noting the incorporation of the cities of Citrus Heights and Rancho Cordova also contributed to declines in County reported building permit statistics.

Historical New Home Pricing and Sales

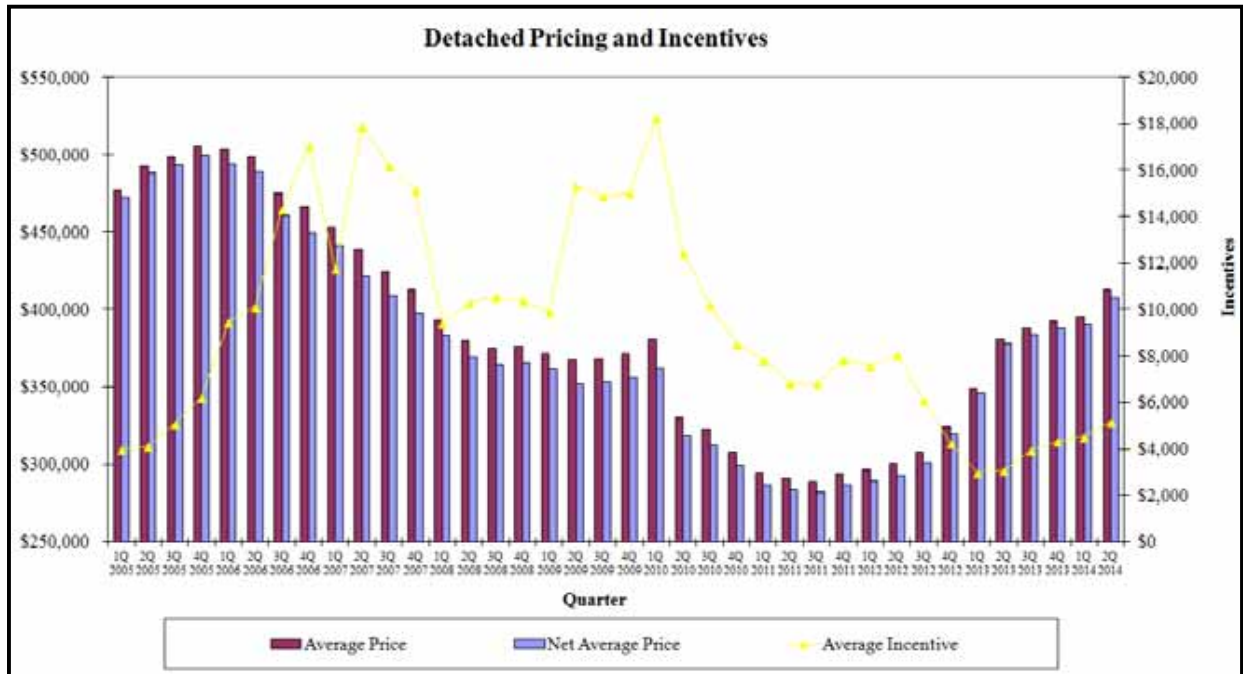
A table and chart depicting the pricing behavior of active detached single-family residential projects in Sacramento County are provided below and on the following page. The data indicated in the following table—like much of the data presented in this section of the report—was collected by The Gregory Group, a firm that publishes new home prices and absorption statistics for areas of California.

SACRAMENTO COUNTY

Quarter	Average Price	Net		% Change Net Average Price	% Change Net Average Price - 12 Month Moving Average		Number of Projects
		Average Price	Average Incentive		Average	Average Home Size	
1Q 2005	\$476,868	\$472,885	\$3,983	20.6%	-	2,423	120
2Q 2005	\$492,629	\$488,516	\$4,113	3.3%	-	2,426	111
3Q 2005	\$498,654	\$493,553	\$5,101	1.0%	-	2,378	99
4Q 2005	\$505,610	\$499,386	\$6,224	1.2%	6.5%	2,367	96
1Q 2006	\$503,503	\$494,038	\$9,465	-1.1%	1.1%	2,361	100
2Q 2006	\$498,954	\$488,819	\$10,135	-1.1%	0.0%	2,347	102
3Q 2006	\$474,865	\$460,530	\$14,335	-5.8%	-1.7%	2,268	117
4Q 2006	\$466,828	\$449,734	\$17,094	-2.3%	-2.6%	2,247	116
1Q 2007	\$452,744	\$440,965	\$11,779	-1.9%	-2.8%	2,237	135
2Q 2007	\$438,968	\$421,053	\$17,915	-4.5%	-3.6%	2,203	139
3Q 2007	\$424,936	\$408,732	\$16,204	-2.9%	-2.9%	2,215	143
4Q 2007	\$413,050	\$397,904	\$15,146	-2.6%	-3.0%	2,242	120
1Q 2008	\$392,837	\$383,408	\$9,429	-3.6%	-3.4%	2,258	111
2Q 2008	\$379,913	\$369,633	\$10,280	-3.6%	-3.2%	2,288	99
3Q 2008	\$374,891	\$364,348	\$10,543	-1.4%	-2.8%	2,298	90
4Q 2008	\$375,905	\$365,512	\$10,393	0.3%	-2.1%	2,289	81
1Q 2009	\$371,444	\$361,542	\$9,902	-1.1%	-1.4%	2,300	64
2Q 2009	\$367,362	\$352,018	\$15,344	-2.6%	-1.2%	2,296	53
3Q 2009	\$368,193	\$353,316	\$14,877	0.4%	-0.8%	2,336	41
4Q 2009	\$371,578	\$356,564	\$15,014	0.9%	-0.6%	2,362	40
1Q 2010	\$380,776	\$362,513	\$18,263	1.7%	0.1%	2,383	36
2Q 2010	\$330,366	\$317,932	\$12,434	-12.3%	-2.3%	2,261	37
3Q 2010	\$322,653	\$312,449	\$10,204	-1.7%	-2.9%	2,214	38
4Q 2010	\$307,536	\$299,043	\$8,493	-4.3%	-4.2%	2,163	39
1Q 2011	\$294,512	\$286,652	\$7,860	-4.1%	-5.6%	2,123	37
2Q 2011	\$290,441	\$283,606	\$6,835	-1.1%	-2.8%	2,114	40
3Q 2011	\$288,789	\$281,973	\$6,816	-0.6%	-2.5%	2,094	42
4Q 2011	\$294,253	\$286,393	\$7,860	1.6%	-1.1%	2,117	44
1Q 2012	\$296,826	\$289,252	\$7,574	1.0%	0.2%	2,129	44
2Q 2012	\$300,645	\$292,567	\$8,078	1.1%	0.8%	2,171	36
3Q 2012	\$307,435	\$301,331	\$6,104	3.0%	1.7%	2,155	36
4Q 2012	\$324,040	\$319,777	\$4,263	6.1%	2.8%	2,119	31
1Q 2013	\$348,943	\$345,938	\$3,005	8.2%	4.6%	2,139	27
2Q 2013	\$380,822	\$377,747	\$3,075	9.2%	6.6%	2,222	30
3Q 2013	\$387,964	\$384,022	\$3,942	1.7%	6.3%	2,178	33
4Q 2013	\$392,479	\$388,138	\$4,341	1.1%	5.0%	2,169	33
1Q 2014	\$395,087	\$390,551	\$4,536	0.6%	3.1%	2,226	40
2Q 2014	\$412,710	\$407,527	\$5,183	4.3%	1.9%	2,318	43

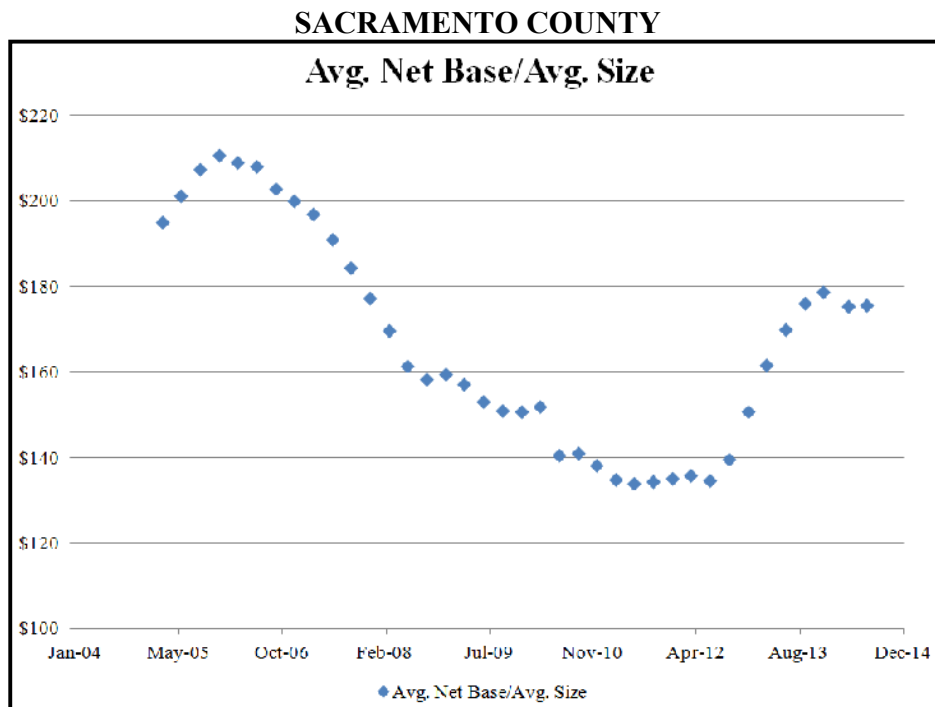
Source: The Gregory Group

SACRAMENTO COUNTY



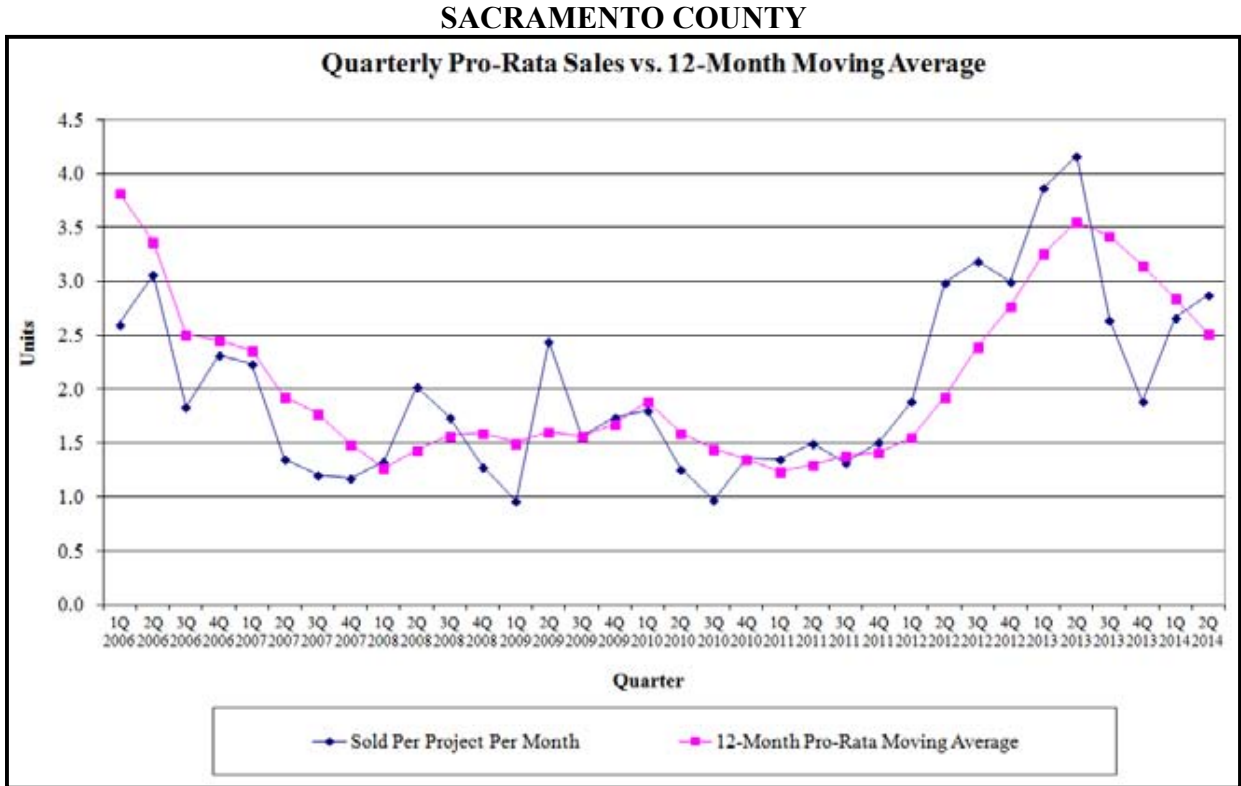
Source: The Gregory Group

Net base prices have generally increased since the Fourth Quarter of 2011, but the number of projects has fluctuated. Currently there are 43 active new home projects in Sacramento County. Below, we chart the average new base price divided by the average home size.



Source: The Gregory Group

As another indication of market conditions, the pro-rata absorption rate per project (total sales divided by total number of projects), which assumes each project captures its fair share of units, has fluctuated amid the low number of projects. Over the last 12 months, projects have averaged 2.5 units per month, and the average pro-rata rate has been above 2.0 units for eight consecutive quarters.



Source: The Gregory Group

Median Prices – New and Resale Prices Combined

Shown on the following page are median prices (new and resale combined) for Sacramento County. The table is followed by a chart comparing median prices in Sacramento County with nearby Rancho Cordova and Folsom.

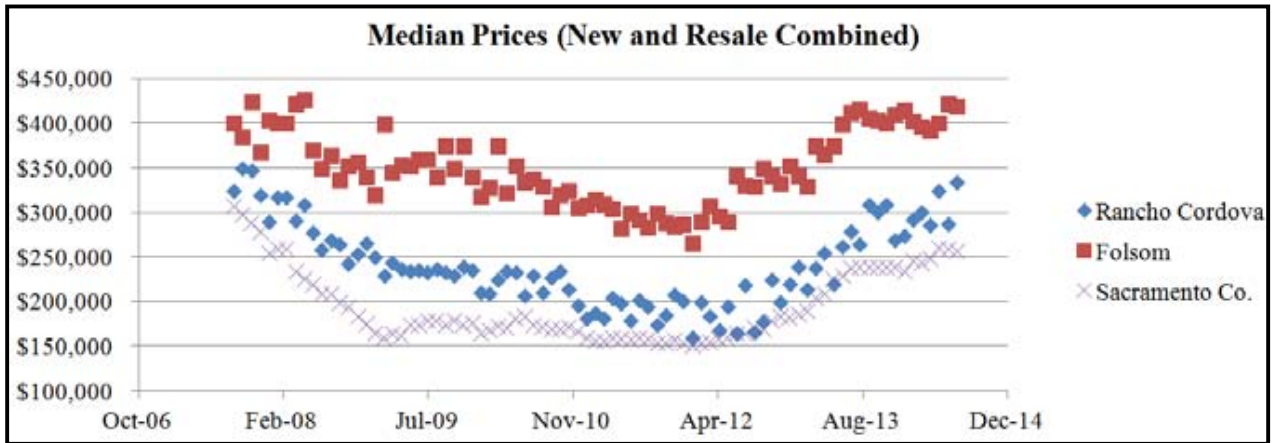
SACRAMENTO COUNTY - MEDIAN PRICES (NEW AND RESALE COMBINED)

Month	August 2012 Thru July 2013	August 2013 Thru July 2014	12 Month Percentage Change (per month)	
August	\$173,000	\$240,000	38.7%	3.2%
September	\$170,000	\$240,000	41.2%	3.4%
October	\$180,000	\$240,000	33.3%	2.8%
November	\$185,000	\$239,250	29.3%	2.4%
December	\$183,000	\$240,000	31.1%	2.6%
January	\$187,250	\$235,000	25.5%	2.1%
February	\$190,000	\$247,000	30.0%	2.5%
March	\$205,000	\$245,000	19.5%	1.6%
April	\$210,000	\$250,000	19.0%	1.6%
May	\$227,000	\$261,000	15.0%	1.2%
June	\$230,000	\$260,000	13.0%	1.1%
July	\$239,000	\$257,500	7.7%	0.6%
6-Month Percentage Change (per month)	27.6%	9.6%		
	4.6%	1.6%		

Source: DataQuick

The median price in July 2014 was 7.7% higher than July 2013. Over the last six months, the median price has increased 9.6%. The median price, year-over-year, has been up in all of the last 12 months, with the highest reported year-over-year increase in September, marking a 41.2% increase from the prior year.

Median prices in Sacramento County have increased in recent months, as reflected by the chart below. Sacramento County prices below are compared with nearby Rancho Cordova and Folsom.



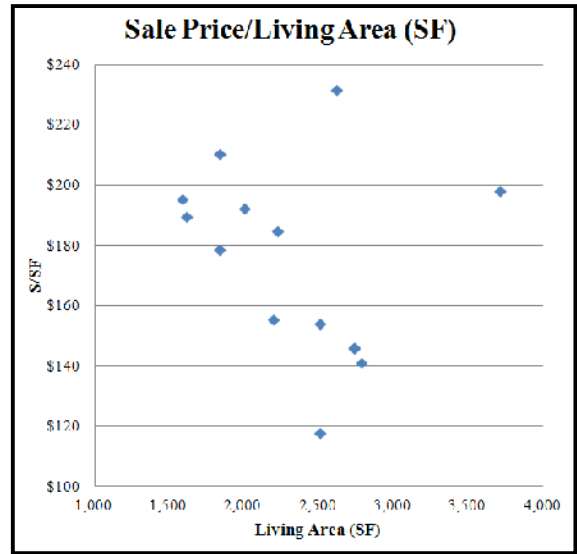
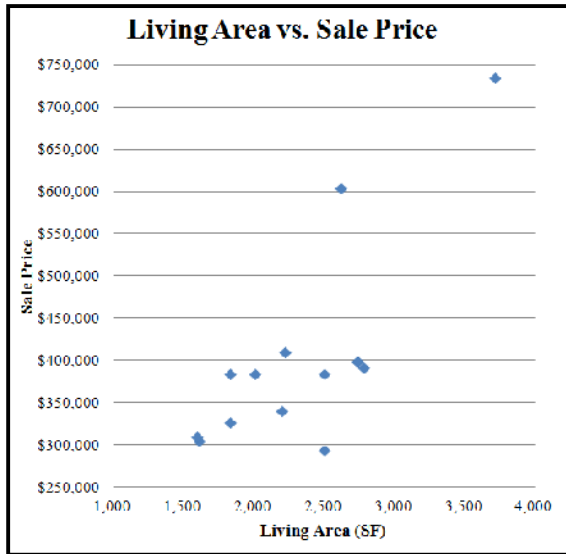
Source: DataQuick

Resale Market – Rancho Murieta

Resale prices from March 1, 2014 through September 16, 2014 involving homes built in 2000 or later on lots containing at least 5,000 SF in the Rancho Murieta area are shown below.

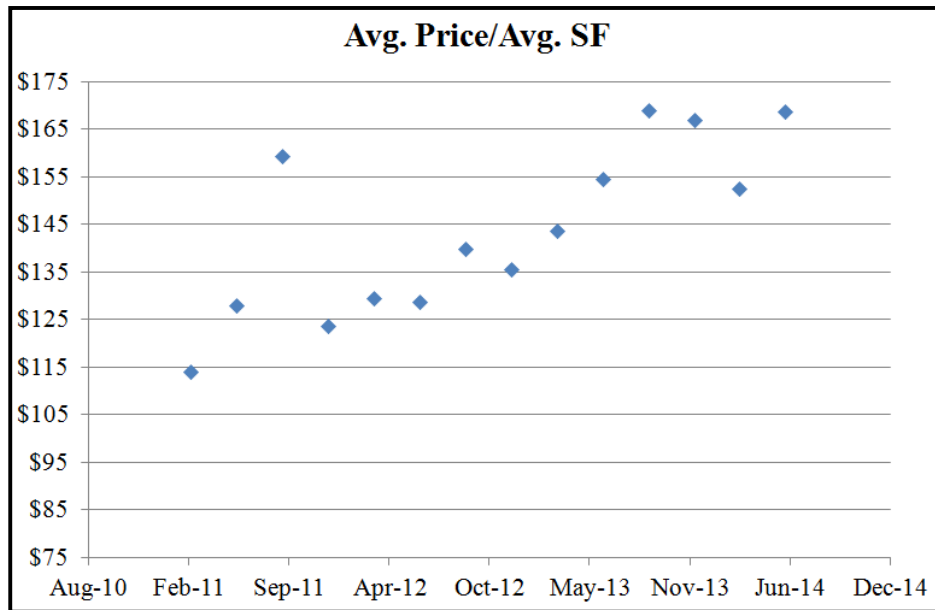
MARCH 1, 2014 – SEPTEMBER 16, 2014 SALES

Road	Living Area (SF)	Sale Price	Last List Price	Sale Price/SF	Sale/List	Lot Size	Year Built	Days on Market	Comment
15544 Topspin Way	2,500	\$295,000	\$295,000	\$118	100.0%	5,946	2005	146	Short Sale
7509 Linksman Court	1,609	\$305,000	\$309,000	\$190	98.7%	5,994	2003	6	
15517 Topspin Way	1,587	\$310,000	\$319,000	\$195	97.2%	5,972	2005	42	HUD
15380 Murieta South Parkway	1,830	\$327,000	\$339,000	\$179	96.5%	9,148	2002	3	
15441 Bent Grass Court	2,194	\$341,250	\$293,800	\$156	116.2%	6,042	2003	7	REO
15407 Abierto Drive	2,000	\$385,000	\$399,900	\$193	96.3%	10,533	2002	36	
15372 Murieta South Parkway	1,830	\$385,000	\$395,000	\$210	97.5%	11,086	2001	36	
15521 Topspin Way	2,500	\$385,000	\$381,900	\$154	100.8%	7,732	2005	12	REO
7621 Colbert Drive	2,777	\$392,000	\$395,000	\$141	99.2%	6,142	2005	8	
7479 Verona	2,734	\$399,000	\$399,000	\$146	100.0%	12,889	2002	7	
7450 Callaway Drive	2,734	\$400,000	\$399,900	\$146	100.0%	12,458	2001	21	
15369 Murieta South Parkway	2,218	\$410,000	\$410,000	\$185	100.0%	8,124	2001	16	
15039 Venado	2,612	\$605,000	\$639,900	\$232	94.5%	6,364	2001	64	
15183 De La Cruz	3,710	\$735,000	\$749,000	\$198	98.1%	18,478	2001	146	
Total Sales	14	2,345	\$405,304	\$408,964	\$174	99.6%	9,065	2003	39
		(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)



Source: MLS

Since the Third Quarter of 2012, MLS data indicates the average resale price/average home size has generally trended upward, from \$129/SF to \$169/SF. For the same time period, average days on the market have decreased to an average of 15 days in the Second Quarter of 2014. The approximate resale price per square foot (average sale price divided by average home size) is charted as follows:

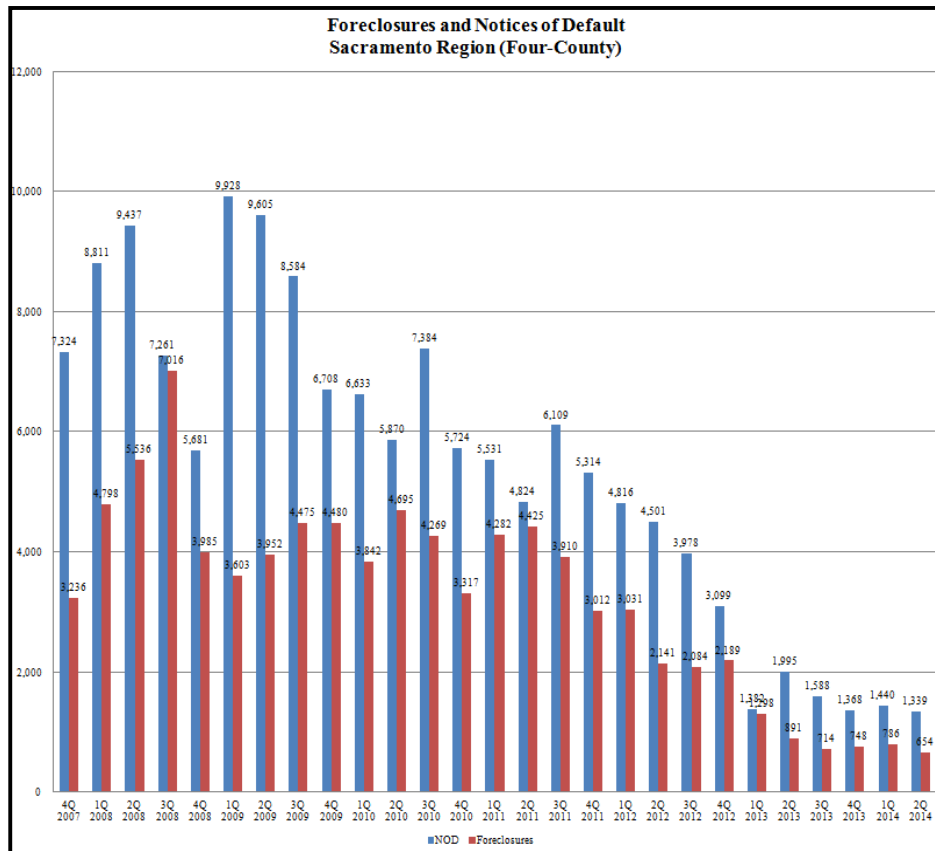


Source: MLS

Rancho Murrieta was designed and then began development as an exclusive golf course community. A combination of factors (real estate cycles, remote location relative to competing growth areas and other market influences) has limited demand and thus the need for inventory in this area. If the region continues to show signs of an expansionary period for real estate development, moderate growth could be expected in the area.

Notices of Default/Foreclosures

DataQuick has released the information on the following page for notices of default and foreclosures in the four county Sacramento area (Sacramento, El Dorado, Placer and Yolo):



Source: DataQuick

Mirroring the state-wide trend, notices of defaults and foreclosures have decreased in recent quarters. In California during the Second Quarter of 2014, the number of California homeowners entering the formal foreclosure process dropped to the lowest level since late 2005, the result of a stronger economy and higher home values.

According to a DataQuick analyst, “The relatively high NoD [notice of default] tally in second quarter last year reflected a one-time bump because of deferred activity and policy change. Otherwise the quarterly flow of NoDs since early last year has been remarkably flat, and probably doesn't reflect any meaningful changes in trends. The overall trend is that homeowner distress continues to decline because of a stronger economy and rising home prices.”

Statewide, foreclosure resales—properties foreclosed on in the prior 12 months—accounted for 6.1% of all resale activity during the quarter. This is down from 7.6% the prior quarter and down from 11.5% a year ago. Foreclosure resales peaked at 57.8% during the First Quarter of 2009. Short sale transactions made up 5.8% of resale transactions during the Second Quarter of 2014, which is down from 7.5% from the prior quarter and 13.7% from one year prior.

Most of the loans going into default are still from the 2005-2007 period. The median origination quarter for defaulted loans is still third-quarter 2006. That has been the case for more than five years, indicating that weak underwriting standards peaked then.

Market Participant Interviews

We frequently interview market participants about supply and demand conditions in general. We have recently interviewed multiple land brokers and builder land acquisition agents. The consensus is near-term land pricing has increased significantly from 2012, but in recent months land prices have pulled-back. One participant referenced a project in the Sacramento region where one builder submitted an offer at \$85,000 per finished lot in mid-2013, but later, due to market changes, reduced its offer to \$65,000 per finished lot. This price is still higher than the price paid in 2012 for a similar property (\$45,000 per finished lot). The pullback in land prices is the result of a combination of factors, including slowing home sales, rising interest rates, the doubling of mortgage insurance, seasonality, as well as the fact that builders have increased pricing. One broker indicated that some builders may have been too aggressive with home price increases, perhaps in a rush to support the speculative prices paid for land a few months prior. The number of lot transactions across the region lessened in late 2013 and early 2014; however, demand for lots in primary market areas remains.

Conclusion

The inventory of available finished lots in the region at “A-locations” is decreasing. In 2013 builders were looking for unimproved lots for near term site development and home construction, and competition for lots was fierce while builders were speculating on home price increases in their land purchases in order to secure lot inventory. However, in 2014, land brokers are reporting a drastic slowdown in land transactions, as merchant builders have reduced land acquisitions for fears of a residential market pull back. Market reports suggest the housing market may be overpriced in light of continued weak economic data and a still weak jobs market. Though the number of distressed land sales in the region is lessening, market distress still remains above average. Into the foreseeable future, home and lot prices are anticipated to be relatively stable.

HIGHEST AND BEST USE

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

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.⁴

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant. The second analysis is the highest and best use of the land as improved, which is not applicable, since the subject property is vacant land. (Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report).

Highest and Best Use – As Vacant

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

Legal Permissibility

As discussed in the *Property Legal Data* section of this report, the subject property includes a range of entitlements. Portions of the subject will require additional approvals to obtain urban land use entitlements for development. The proposed and entitled land uses represent a significant amount of residential uses with supporting commercial development. These uses are either the legally permissible uses of the subject or are presumed to be (after entitlement work is completed).

Portions of the subject require entitlement approvals before development may occur. As a whole, the subject represents transitional land with a mix of future residential and commercial land uses.

Physical Possibility

While the subject does offer some off-site improvements constructed as part of the balance of the Rancho Murieta North development, substantial infrastructure improvements will be required for the land uses proposed and approved. Accounting for easements, development is physically possible. Given the subject consists of multiple parcels; assemblage of these parcels into a single project is a viable alternative.

⁴ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 93.

Financial Feasibility

As discussed previously, in the later part of 2012 and for much of 2013 the residential sector of the real estate market in the Sacramento Region showed signs of market recovery. However, more recently new homebuilders have pulled back on acquisitions and also pricing for land. The connection between transitional land and near term residential land (improved and unimproved lots) is not direct due to the timeframe to bring transitional land to the market for development. However, the overall market forces have similar impacts on both. The subject's components with greater entitlements will likely warrant an interim hold as market conditions improve and the remaining components should continue to move through the entitlement process with the intent to have fully entitled land components when the market recovers to the point the demand compels a purchase of the subject property. Due to the costs associated with completing the entitlement process an alternate approach would be the interim hold with no change in the entitlement status and simple sell off the subject's components as the market recovers.

In summary, the subject represents transitional land with a short- to mid-term development horizon, and based on supply and demand conditions, there is adequate demand across the Sacramento region for speculative land (without approved entitlements). The price level for transitional land depends on a number of factors, as discussed in the valuation section of this report.

Maximum Productivity

Based on the factors previously discussed, the maximally productive use of the subject (as vacant) is to assemble the subject parcels and develop over an interim to long term horizon during which time additional entitlements for development should be procured. Overall, we estimate a one to 10 year development timeline for the subject property (this is not project build-out, which is projected for decades). The probable buyer of the subject property as vacant would be an investor/land speculator.

APPROACHES TO VALUE

The valuation process is a systematic procedure used in the valuation of real property.⁵ This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. Each approach to value is briefly discussed and defined as follows:

Cost Approach

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market.

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.⁶

Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

⁵ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 205.

⁶ The Dictionary of Real Estate Appraisal, 47.

The definition of the sales comparison approach is offered as follows:

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁷

Income Capitalization Approach

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits.

Within the income capitalization approach there are two basic techniques that can be utilized to estimate market value. These techniques of valuation are direct capitalization and yield capitalization.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.⁸

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.⁹

The definition of the income capitalization approach is offered as follows:

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹⁰

⁷ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 175.

⁸ The Dictionary of Real Estate Appraisal, 58.

⁹ The Dictionary of Real Estate Appraisal, 211.

¹⁰ The Dictionary of Real Estate Appraisal, 99.

APPRAISAL METHODOLOGY

As discussed, the subject property consists of 734.85 acres on the north side of Jackson Highway, behind the gates of the Rancho Murrieta Community, with the remainder, 92.95 acres, situated south of Jackson Highway, opposite the gated Rancho Murrieta Community. As previously reported, the entire subject property is essentially held under a single ownership group. We have concluded in the highest and Best Use analysis that similar to the current owner's effort to assemble and manage the development and sell-off of the subject property as a master planned community, other land developers would take a similar approach. Our Highest and Best Use conclusion that assemblage of the subject property is in fact the maximally productive use leads us to analysis the subject property as a single project in transition from undeveloped lands to a fully entitled master plan intended for urban/suburban land uses.

While we have concluded that a single buyer would be interested in the subject and would consider the purchase on a value per gross acre, we do believe it is likely that value allocations would be made to differentiate the land areas north of Jackson Highway from that south of Jackson Highway. The 92.95 acres of land south of Jackson Highway include 53.14 acres of mixed-use land discernibly further along in terms of entitlements, as well as 39.81 acres of non-residential land, which represent a smaller component in terms of total land area. The combination of these characteristics suggests a data set of transitional land sales with land areas around the 100 acre range. In contrast, the subject's component north of Jackson Highway is much larger at 734.85 acres and has more entitlement work before development can commence. The development timeline for this component will also depend on demand factors in the region. Demand is ultimately the driving force behind any emerging area. In this instance, the subject's location more remote than most emerging communities in the Sacramento region has a downward impact on value, when compared to the projects more proximity to the employment centers of the region.

In the valuation section that follows, we have arrayed 12 transition land sales. Six of the 12 sales will be analyzed in the valuation of the subject's north of Jackson Highway component and the remaining six land sales will be considered in the valuation of the subject's land component situated south of Jackson Highway.

SALES COMPARISON APPROACH

The sales comparison approach to value will be utilized to estimate the market value of the subject property (by land use component). The twelve sales compiled for use in this portion of the analysis reflect transaction sizes from 94.50 to 961.90 acres. The subject, at a total of 827.8 acres, would likely appeal to a single buyer. As previously discussed, the data set has been segmented into two groups for valuation purposes. The first grouping will be used in the valuation of the subject's north of Jackson Highway component and the second grouping will be compared to the subject's south of Jackson Highway component.

The sales comparison approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), "The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time." The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, and then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

On the following page, we have arrayed comparable sales that have occurred in the region. The summary table is accompanied by a map and followed by details of each comparable. We analyze the subject and comparables on a gross acre basis.

COMPARABLES SUMMARY

No.	Location	Sale Date	Sale Price	Gross Acres	Price per Gross Acre	Comments
<u>North of Jackson Land Comparables</u>						
1	East of Scott Road, south of Highway 50 Folsom, Sacramento County APN: 072-0070-032 et al	May-13	\$30,000,000	430.99	\$69,607	Russell Ranch
2	South side of Highway 50 at Scott Road Folsom, Sacramento County APN: 072-0060-045 et al	Mar-13	\$26,865,000	681.48	\$39,422	Carpenter Ranch
3	E/S & W/S of Scott Road, S/O Highway 50 Folsom, Sacramento County APN: 072-0060-069 and -038	Oct-12	\$60,000,000	961.90	\$62,377	Mangini Ranch
4	SWQ of South River Road and Davis Road West Sacramento, Yolo County APN: 046-250-001 et al	Apr-11	\$8,315,000	371.68	\$22,371	River Park
5	S/S of Pleasant Grove Boulevard extension (proposed), west of WestPark, Roseville (SOI), Placer County APN: 017-150-002 et al	Aug-10	\$11,000,000	400.00	\$27,500	Adj. to Sierra Vista Specific Plan
6	NEQ of Grantline Road and Keifer Road Rancho Cordova, Sacramento County APN: 073-0040-024	Dec-09	\$6,451,553	485.31	\$13,294	Cordova Hills Planning Area
<u>South of Jackson Land Comparables:</u>						
7	North side of Baseline Road, west of Fiddymont Roseville, Placer County APN: 017-150-081 (por.) and -082 (por.)	Early 2014	\$4,116,420	94.50	\$43,560	Sierra Vista Specific Plan
8	S/S of Florin Road, N/S of Gerber Road Sacramento (unincorporated), Sacramento County APN: 066-0210-001 thru -007, et al	Dec-13	\$4,600,000	146.13	\$31,479	Vineyard Creek
9	SWQ of Baseline Road and Watt Avenue Roseville (unincorporated), Placer County APN: 023-200-071 et al	May-13	\$3,406,000	119.20	\$28,574	Placer Vineyards
10	N/S & S/S of Douglas Road, E/O Sunrise Boulevard Rancho Cordova, Sacramento County APN: 067-0040-017 et al	Mar-13	\$1,150,000	100.71	\$11,419	Sunridge Specific Plan
11	NEC of State Highway 65 Bypass and Nelson Lane Lincoln (SOI), Placer County APN: 021-262-035	Jan-12	\$1,675,000	111.90	\$14,969	SUD - Area B and GP Area
12	SWC of Douglas Road and Grant Line Road Rancho Cordova, Sacramento County APN: 067-0040-021	Jul-11	\$2,000,000	105.10 (est.)	\$19,029	Sunridge Specific Plan

COMPARABLE LAND SALES MAP



COMPARABLE 1

Property Identification

Russell Ranch

East of Scott Road, south of
Highway 50
Folsom, CA
Sacramento County

APN: 072-0070-032 and -138
(changed to 072-0072-033 and -
034)



Sale Data

Grantor	Russell-Promontory LLC
Grantee	TNHC Russell Ranch LLC
Sale Date	5/23/2013
Deed Book Page	130523-1119
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$30,000,0000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	430.99
Zoning	Single-family, multifamily and commercial
Shape	Irregular
Street Frontage	Scott Road and White Rock Road
Topography	Undulating
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$69,607
Annual Bond Payments per Acre	\$0

Remarks

This comparable represents the purchase of Russell Ranch, which is located in the South of Folsom Planning Area, just east of Mangini Ranch. The property is approved for 713 single-family units and 406 multifamily units, as well as commercial, neighborhood and public use areas. Specific acreages for each area were not available; however, it was noted that 26% of the property (or approximately 25%) is open space that is not developable. Like other properties in the South of Folsom Planning Area, most entitlements are in place but wetlands/environmental permits, a financing plan and small lot tentative maps are needed.

COMPARABLE 2

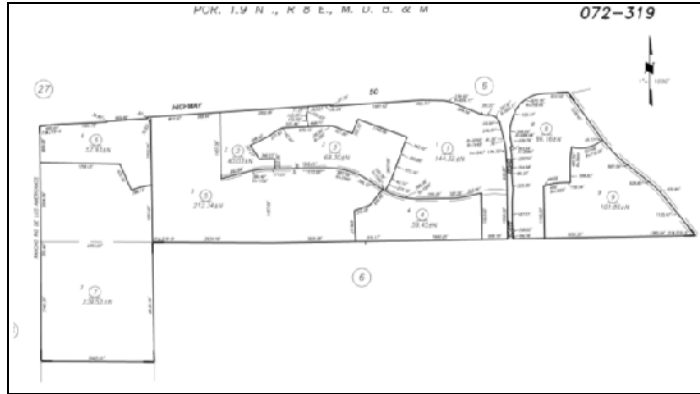
Property Identification

Carpenter Ranch

South side of Highway 50 at Scott Road

Folsom, Sacramento County, CA

APN: 072-0060-045 et al



Sale Data

Grantor	RCFC Carpenter Ranch (U.S. Bank)
Grantee	West Prairie Estates LLC et al
Sale Date	3/26/2013
Deed Book Page	130326-1514 et al
Property Rights	Fee Simple
Conditions of Sale	REO/Market
Financing Terms	Cash Equivalent
Sale Price	\$26,865,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	681.48 acres
Zoning	831 single-family lots on 202.8 acres, 1,432 multifamily units on 105.7 acres, 18.5 acres of parks and schools, 2.7 acres of sewer/public facilities, 59.9 acres of roads and 291.9 acres of open space
Shape	Rectangular
Street Frontage	Highway 50 and Scott Road
Topography	Level
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$39,422
Annual Bond Payments per Acre	\$0

Remarks

This comparable is a portion of a 1,009.9-acre property known as Carpenter Ranch, which contains residential and commercial components. The total property was marketed for an extensive period and the seller was reportedly asking \$30 million. The seller was an entity of U.S. Bank, which foreclosed on Carpenter Ranch LP on August 12, 2011 with an outstanding loan balance of approximately \$42 million. Carpenter Ranch is within a 3,500-acre master planned community directly south of the current Folsom city limits with 1.5 miles of highway frontage. The property was located in the sphere of influence of Folsom, but received approval for annexation from LAFCO on January 18, 2012 (which became effective in February 2012). Significant entitlement approvals have been previously completed. However, the buyer needs to complete project-level entitlements and finalize infrastructure planning. This comparable represents the sale of the residential component. Specially, this property includes 831 single-

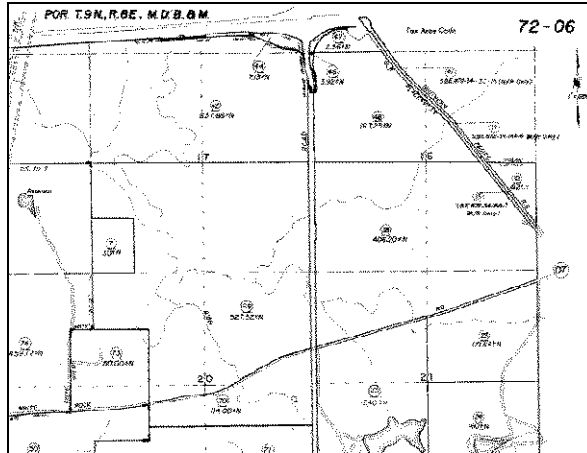
family lots on 202.8 acres, 1,432 multifamily units on 105.7 acres, 18.5 acres of parks and schools, 2.7 acres of sewer/public facilities, 59.9 acres of roads and 291.9 acres of open space. The commercial component of Carpenter Ranch, which was not included, has 252.9 acres of commercial (industrial, office, general and regional commercial), 21.1 acres of roads and 54.4 acres of open space. While not included in the purchase, if the seller exceeds an identified return threshold on development of the commercial property, the buyer will participate in marginal commercial profits. Similarly, if the buyer achieves an identified return threshold on development of the residential property, the seller will participate in marginal residential profits.

COMPARABLE 3

Property Identification

East and west sides of Scott Road,
south of Highway 50
Folsom, CA
Sacramento County

APN: 072-0060-069 and -038



Sale Data

Grantor	Angelo Tsakopoulos
Grantee	Folsom Real Estate South LLC et al
Sale Date	October 12, 2012
Deed Book Page	121012-1356 et al
Property Rights	Fee Simple
Conditions of Sale	Short sale/Market
Financing Terms	Seller-financed/Above market
Sale Price	\$60,000,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	961.9 (703.1 developable)
Zoning	Single-family, multifamily and commercial
Shape	Irregular
Street Frontage	Scott Road and White Rock Road
Topography	Undulating
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$62,377
Annual Bond Payments per Acre	\$0

Remarks

This comparable represents the purchase of Mangini Ranch. 961.95-acre Mangini Ranch, which is located within the Folsom Plan Area Specific Plan (the "Specific Plan"). The Specific Plan contains 3,513.4± acres and represents the City's future expansion area south of Highway 50. The City of Folsom approved the Specific Plan on June 28, 2011, and the Local Area Formation Commission (LAFCO) approved annexation into the city on January 18, 2012. The Specific Plan, Environmental Impact Report and annexation have been approved. Improvement plans, tentative subdivision maps and Section 404 permits have not been approved.

According to public records, West Scott Road LLC acquired the subject property from Angelo Tsakopoulos on October 12, 2012 (Document Number 121012-1352) with an allocated price of \$5,900,000 (\$16,004/unit or \$85,342/acre). West Scott Road LLC and three other separate-but-related ownerships (Mangini North Holdings LLC, Folsom Real Estate South LLC and White

Rock Land Investors LLC) each acquired components as part of a total 961.6-acre transaction with a total sale price of \$59,000,000 (per public records). A party to the transaction indicated the allocated prices for the four components were based on the number of units in each component. Further, note the Owner indicates the actual sale price was \$60,000,000 (not \$59,000,000 as reflected by public records), which suggests the buyer may have paid items (such as broker fees) directly. The seller financed \$24,000,000 of the sale price. The note has a 12-year term and variable rate between 7.5% and 8.5% (prime plus 3.5%). The seller-financing is pre-payable without penalty. According to a party involved in the transaction, due to the buyer's down payment, the seller released the rights to develop up to 1,000 lots; the rights to develop the balance will be released by the seller when the buyer pays off the seller-financing.

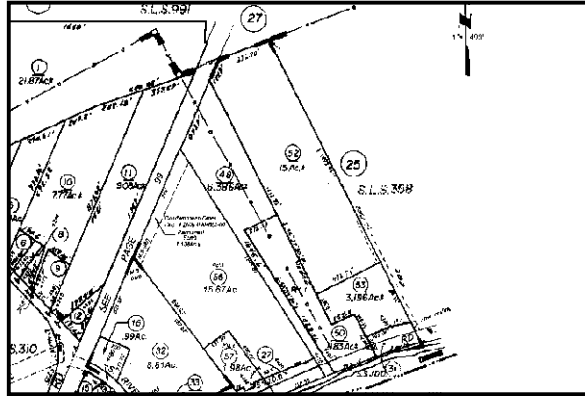
COMPARABLE 4

Property Identification

Transitional Land

Southwest quadrant of South River
Road and Davis Road
West Sacramento, CA
Yolo County

APN: 046-250-001 et al



Sale Data

Grantor	Central Pacific Bank
Grantee	Sun M Capital LLC
Sale Date	04/26/2011
Deed Book Page	11549
Property Rights	Fee Simple
Conditions of Sale	REO/Market
Financing Terms	Seller Financing
Sale Price	\$8,315,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	371.68
Zoning	R1B, R2, RP, PQP, C1, POS, Mixed
Shape	Irregular
Corner Orientation	No
Street Frontage	South River Road
Topography	Generally level
Off-Site Improvements	Paved access and electricity and telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$22,371
Annual Bond Payments per Acre	\$0

Remarks

Central Pacific Bank foreclosed on this property from Richland Communities and subsequently sold the property to an investment group. In 2008 Richland Communities had procured entitlement approvals from the City for 2,284 residential units and 8.4 acres of commercial development land for the 452.50-acre project known as River Park. This sale represents a portion of that project. Entitlements approved include a Development Agreement (DA), planned development permit and Environmental Impact Report (EIR). Small lot tentative maps and improvement plans are needed. Central Pacific Bank retained ownership of a 26-acre parcel (not included in this sale) because it had environmental hazards from former agricultural use. Other properties in River Park have different ownerships. The buyer of this property is an investment company from Southern California. Reportedly the buyer utilized equity investors from China. The River Park project overall contains 72.8 acres of undevelopable open space acreage. We estimate this portion of the larger project contains approximately 60 acres of open space. At the

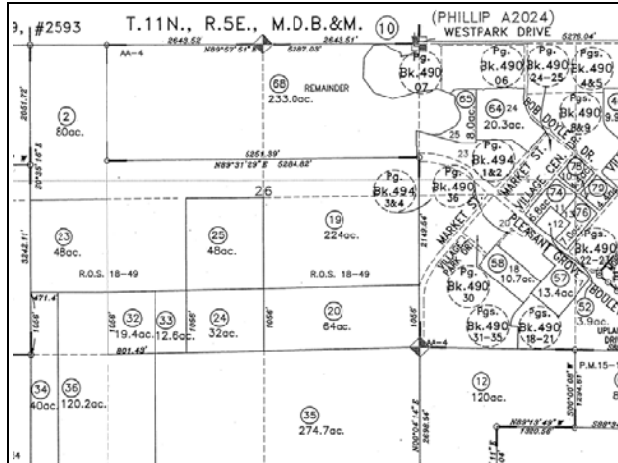
time of sale, the City estimated it would be approximately seven years before levee improvements are completed to provide 200-year flood protection. This property is affected by uncertain flood zone and moratorium risk.

COMPARABLE 5

Property Identification

South side of Pleasant Grove
Boulevard extension (proposed),
west of WestPark
Roseville (SOI), CA
Placer County

APN: 017-150-002 et al



Sale Data

Grantor	D M Placer 400 LLC
Grantee	Westpark Partners (Bill Fallik)
Sale Date	August 31, 2010
Deed Book Page	68337
Property Rights	Fee Simple
Conditions of Sale	See Remarks
Financing Terms	Cash Equivalent
Sale Price	\$11,000,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	400.00
Zoning	Urban Reserve (property intended for residential)
Shape	Irregular
Street Frontage	Pleasant Grove Boulevard
Topography	Generally level
Off-Site Improvements	None
On-Site Improvements	None

Indicators

Sale Price per Acre	\$27,500
Annual Bond Payments per Acre	\$0

Remarks

The buyer owns the adjacent tract of land to the east (within the Westpark master plan), and both the buyer and broker described the sale as above market. The property had been owned by Richland Communities (D M Placer 400 LLC), which was under financial distress. The property sold via short sale and had been marketed for approximately six months. This property was originally designed as part of the Sierra Vista Specific Plan. However, due to financial difficulties by Richland Communities the property was withdrawn from that Specific Plan. This property will be annexed into the city of Roseville with the Sierra Vista Specific Plan properties (application in process), but will have an urban reserve (rather than an urban) zoning designation. This property will need to process its own entitlements, including environmental review. However, urban development is highly probable, given the City had initially planned to include it within the Sierra Vista Specific Plan. The specific amount of wetlands on the property is

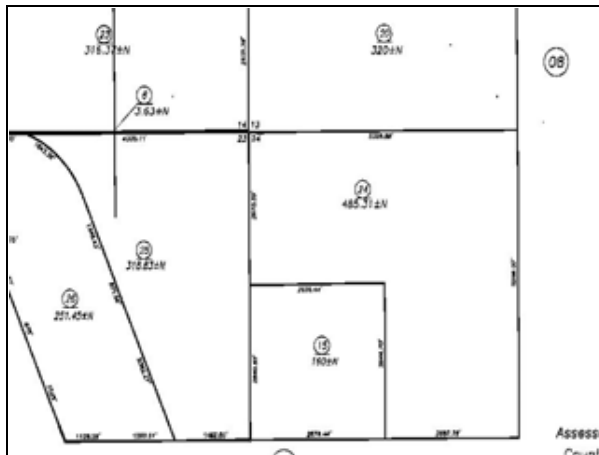
unknown. However, we estimate that approximately 75% of the property is developable, based on our knowledge of wetlands acreages on adjacent parcels and a review of a wetlands aerial photograph (produced by the City of Roseville).

COMPARABLE 6

Property Identification

Northeast quadrant of Grantline
Road and Keifer Road
Rancho Cordova, CA
Sacramento County

APN: 073-0040-024



Sale Data

Grantor	Solitu Investments and Charles Somers
Grantee	CCV Investors
Sale Date	12/30/2009
Deed Book Page	91230-1266
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$6,451,553 (total consideration)
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	485.31
Zoning	Agricultural
Shape	Irregular
Street Frontage	None
Topography	Rolling
Off-Site Improvements	Electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$13,294
Annual Bond Payments per Acre	\$0

Remarks

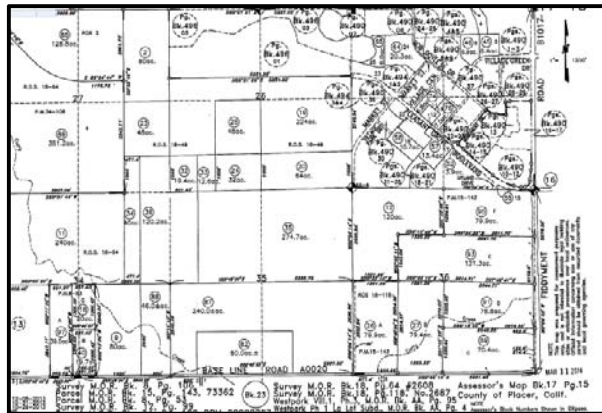
This comparable represents the sale of 485.31 acres known as the Sioukas property, located in the Cordova Hills Planning Area of Sacramento County. The seller acquired the property in 2007 for approximately \$19.1 million. The seller was motivated to sell by the end of 2009 for tax purposes. At the time of sale, Cordova Hills was in the early stages of entitlement (EIR was planned to begin in mid-2010 as of the date of sale). This parcel is subject to a Williamson Act contract that expires in 2016. A notice of non-renewal has already been filed. Because of the agricultural preserve restrictions, the fact that it is landlocked, and its location towards the southeastern edge of the proposed Cordova Hills project, it is expected to be a longer-term development property. The seller is the landowner of the rest of this specific plan. As a minority landowner in the Cordova Hills planning area, the buyer expected to benefit from the seller's continuing efforts to entitle the property and related expertise. The sale involved the buyer taking over the note on the property, \$1,609,000, plus \$4,842,553 cash to the seller. Therefore, the total consideration for the sale was \$6,451,553, as shown above.

COMPARABLE 7

Property Identification

North side of Baseline Road, west of Fiddymont Road
 Roseville, CA
 Placer County

APN: 017-150-081 (portion) and -082 (portion)



Sale Data

Grantor	Baseline P&R LLC
Grantee	True Life Communities/Chris Vrame
Sale Date	Early 2014
Deed Book Page	Not available
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,116,420
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	94.50 (net of proposed backbone infrastructure)
Zoning	Commercial/Mixed Use/Business Park
Shape	Irregular
Street Frontage	Baseline Road
Topography	Generally level
Off-Site Improvements	Electricity/telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$43,560
Annual Bond Payments per Acre	\$0

Remarks

This comparable is located within the Sierra Vista Specific Plan and consists of a bundle of commercial properties within a 366.4 gross acre tract. The seller sold the commercial land to service debt; the property sold represents portions of existing parcel numbers. A future lot line adjustment will provide for new assessor parcel numbers for the transacted property. Public records do not yet reflect the transaction. However, the sale was verified from a reliable source. Reportedly the sale price for the total 94.5 net acres (net of backbone infrastructure, to be constructed) was \$43,560 per acre.

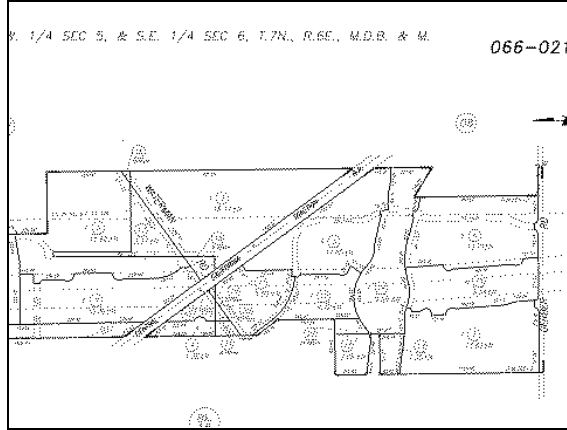
COMPARABLE 8

Property Identification

Single-family Residential Land

South side of Florin Road, north side of Gerber Road, east of Elk Grove-Florin Road
Sacramento (unincorporated), CA
Sacramento County

APN: 066-0210-001 thru-007, -009 thru -012, -016 thru-021 and -024; 065-0260-001 thru -003 and -015



Sale Data

Grantor	Family Real Property LP
Grantee	Lennar Homes of California
Sale Date	12/6/2013
Deed Book Page	121030-830
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,600,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	146.13 (113.98 developable)
Zoning	Single-family
Shape	Irregular
Street Frontage	Florin Road and Gerber Road
Topography	Generally level
Off-Site Improvements	Paved access and utilities
On-Site Improvements	None

Indicators

Sale Price per Acre	\$31,479
Annual Bonds per Acre	\$0

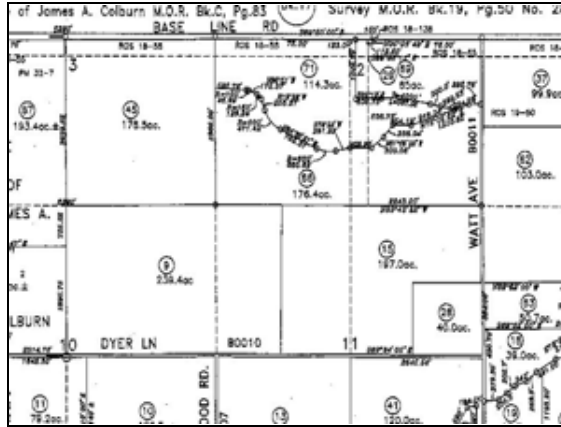
Remarks

This transaction represents the sale of 504 lots from an investor to a builder. The investor acquired the property in two separate REO transactions (2012) for a combined price of \$2,150,000. The property includes drainage areas that are undevelopable. The buyer (Lennar) is developing the Vineyard Point project to the east.

COMPARABLE 9

Property Identification

Placer Vineyards (portion)
 Southwest quadrant of Baseline Road and Watt Avenue
 Placer County, CA
 APN: 023-200-071 and -069



Sale Data

Grantor	Placer 536
Grantee	LDK-Arep III Placer Owner LLC
Sale Date	5/16/2013
Deed Book Page	48110
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$3,406,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	119.20 (99.20 developable)
Zoning	SPL-PVSP, Placer Vineyards Specific Plan
Shape	Irregular
Street Frontage	Watt Avenue and Baseline Road
Topography	Level to rolling
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$28,574
Annual Bonds per Acre	\$0

Remarks

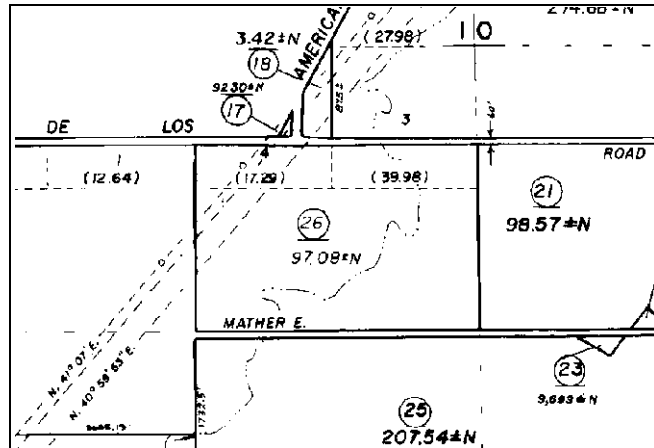
This comparable was a market sale that was sold by a Sacramento area investment firm to a land investment/development company. The property is planned for a variety of urban uses including 38 acres of medium density residential; 31 acres of business park; 7 acres of commercial mixed use; 7 acres of community/religious facility (which was noted to be available for rezone for up to 88 units); 6 acres of park land, 10.5 acres of roads and 20 acres of open space (undevelopable). The acreage above is based on Specific Plan documents, which is more accurate than Assessor acreage estimates. The property had a wetland delineation that was approved by the Army Corps of Engineers. A draft environmental impact study (EIS) and wetland permits had been submitted and were being processed. The property is noted to have minor wetlands (which are located along the southern property boundary).

COMPARABLE 10

Property Identification

North and south sides of Douglas
Road, east of Sunrise Boulevard
Rancho Cordova, CA
Sacramento County

APN: 067-0040-017, -018 & -026



Sale Data

Grantor	Comerica Bank
Grantee	Aman Lal
Sale Date	3/28/2013
Deed Book Page	130328-1537
Property Rights	Fee Simple
Conditions of Sale	REO/Market
Financing Terms	Cash Equivalent
Sale Price	\$1,150,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	100.71
Zoning	Single-family and commercial
Shape	Irregular
Street Frontage	Douglas Road
Topography	Generally level
Off-Site Improvements	Paved access and utilities
On-Site Improvements	None

Indicators

Sale Price per Acre	\$11,419
Annual Bond Payments per Acre	\$0

Remarks

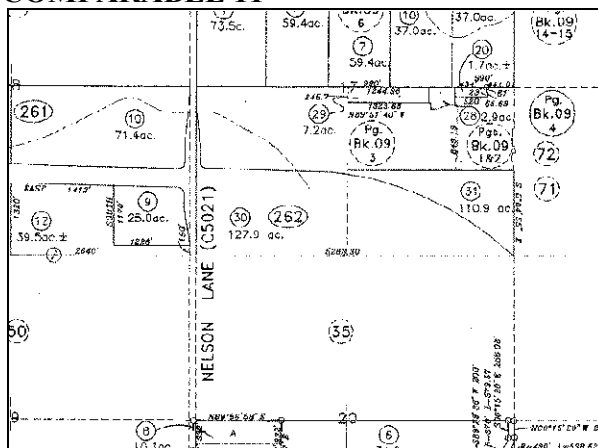
This comparable represents a March 2013 sale of 100.71 gross acres of entitled residential and commercial land in Rancho Cordova. The property is approved for 301 single-family lots and 19.5 acres of commercial development land. The site includes 43.81 acres of wetlands that are not developable; thus, the net acreage is 56.90, which includes all planned residential, commercial and park areas. Prior to sale, litigation had been resolved regarding this property and other property in the Specific Plan which concerned the validity of the Section 404 permit. The residential component of this property includes a range of high-density single-family lots, from 2,500 to 5,000 SF with cluster, alley-loaded and traditional lot types. The buyer has reportedly submitted a development plan to the City but has not yet commenced any site development.

COMPARABLE 11

Property Identification

Northeast corner of State Highway
65 Bypass and Nelson Lane
Lincoln (SOI)
Placer County, CA

APN: 021-262-035



Sale Data

Grantor	Carol Scheiber Trust
Grantee	John Arrillaga and Richard Peery Trust
Sale Date	1/23/2012
Deed Book Page	5766
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,675,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	111.90
Zoning	SUD-B of Lincoln General Plan (approximately 70 acres) Other area Planned for Low Density Residential (approximately 42 acres)
Shape	Irregular
Street Frontage	Highway 65 and Nelson Lane
Topography	Generally level
Off-Site Improvements	All available
On-Site Improvements	None

Indicators

Sale Price per Acre	\$14,969
Annual Bond Payments per Acre	\$0

Remarks

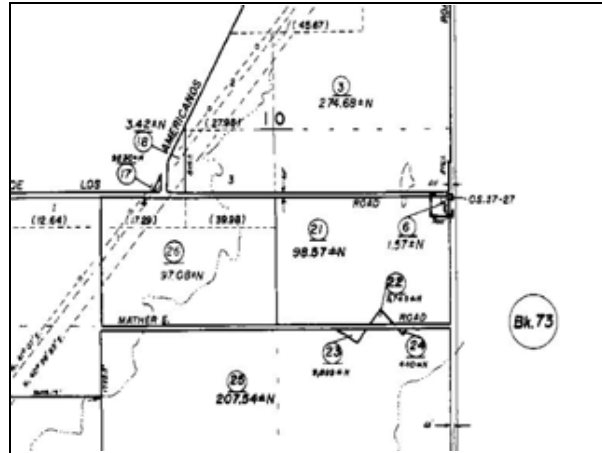
This comparable consists of approximately 70 acres located within the SUD-B area (at the northeast corner of State Highway 65 and Nelson Lane) and approximately 42 acres of planned low density residential land. The property is within the sphere of influence of Lincoln but is contiguous to the city limits. The eastern portion of the site was pre-approved for low density residential development prior to the recent General Plan Update, so it is not included in any future identified Specific Plan area. The property contains approximately four acres of wetlands at its southeastern corner, and two acres of wetlands on its western half. The western portion of the site, which is planned for commercial development, has dual frontage on Nelson Lane and Highway 65, which is a signalized intersection. The buyer acquired this property for investment. The property is being utilized for interim alfalfa farming.

COMPARABLE 12

Property Identification

Southwest corner of Douglas Road
and Grant Line Road
Rancho Cordova, CA
Sacramento County

APN: 067-0040-021



Sale Data

Grantor	BBC Rancho Cordova Land LLC
Grantee	Douglas Road 105 LLC
Sale Date	07/29/2011
Deed Book Page	110729-725
Property Rights	Fee Simple
Conditions of Sale	See Remarks
Financing Terms	Cash Equivalent
Sale Price	\$2,000,000
Annual Bond Payments	\$0

Land Data

Land Area (Acres)	105.10
Zoning	Various, See Remarks
Shape	Rectangular
Street Frontage	Douglas Road and Grant Line Road
Topography	Level to rolling
Off-Site Improvements	Paved access, electricity, telephone
On-Site Improvements	None

Indicators

Sale Price per Acre	\$19,029
Annual Bond Payments per Acre	\$0

Remarks

This comparable represents a short sale. The property is planned for 693 residential units (typical lot sizes ranging from 2,100 to 5,460 SF) and 12.1 acres of neighborhood parks. There are also 7.6 acres of planned open space, but this area is ordinary and not environmentally sensitive. Thus, the property is 100% developable. Assessor maps show this property contains 99.3 acres; however, the Sunridge Specific Plan, which includes more recent engineering analysis, reflects 105.1 acres.

Discussion of Adjustments

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. Adjustments may be categorized as either superior or inferior, with adjustments applied accordingly. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (atypical carrying costs such as Special Taxes)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical features

A detailed analysis involving the adjustment factors is presented below.

Expenditures After Sale

For transitional land sales, this adjustment factor relates to unique carrying costs during the development timeline. In this analysis no adjustments are necessary for this factor.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid

by the buyer for below-market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. Most of the comparable sales were cash to the seller transactions and do not require adjustments. Comparables 3 and 4 involved seller financing which upwardly influenced the sale price. These comparables receive downward adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

Comparables 2, 4 and 10 were REO transactions, and Comparables 3 and 12 were short sale transactions. While these sales involved seller motivation, given market conditions at the time of sale for each, the sale prices reflected market pricing. Comparable 5 sold above market due to buyer motivation. This comparable requires a downward adjustment. The remaining comparables had prices that reflected market pricing.

Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The sales represent a time period of late 2009 to early 2014. Market conditions for transitional land have improved since 2009. In late 2012 and early 2013 prices for near term residential land showed clear signs of recovery, which translated into improvement in transitional land pricing. However, by late 2013 and so far in 2014 the market has pulled back again on pricing.

Based on these comments, comparables that transacted in early 2012 and prior are adjusted upward. In contrast, comparables that sold in late 2012 and 2013 are adjusted downward.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location

Location adjustments are applied in consideration of income levels, home prices, and general community appeal. The comparables deemed to have inferior locations compared to the subject are adjusted upward, while those with superior locations are adjusted downward.

Entitlements

Entitlements for development are major hurdles to development in the current market, given growth limitations and the litigious nature of land development in California. Procurement and approval of an EIR and subsequent development agreement can often take several years, depending on the complexity of the project, location and sensitivity to surrounding land uses. Conversations with land developers, brokers and market participants, coupled with indications in the market, suggest there is a substantial enhancement to value of land when major entitlement obstacles are overcome, which may include an EIR, Financing Plan and development agreement. Benefits of the development agreement will often include an agreement for applicable permits and impact fees due for a proposed project. Properties with partially completed entitlements do not typically transfer in the market, since there entitlement approvals, once obtained, generally enhance value. In some instances—e.g. if development is not financially feasible or if a holding period is especially long—entitlement approvals may offer limited to no contributory value.

The entitlement status of the comparables is compared to the respective subject components and adjusted accordingly.

Land Area (Acres)

We analyze the subject and comparables on a gross acre basis. Generally, there is an inverse relationship between parcel size and price per acre, such that larger parcels tend to sell for a lower price per acre than smaller parcels, all else being equal. We've considered the gross acreages and applied adjustments to the comparables. The comparables that are significantly smaller in size

relative to the subject require downward adjustments; the comparables that are significantly larger require upward adjustments.

Developable Area

Developable area has a direct impact on value and thus is adjusted for when comparing the data set to the respective subject components.

Development Timeline

For speculative properties, the anticipated development timeline or holding period significantly affects the purchase price. Longer holding periods generally translate to lower prices per acre, while shorter holding periods contribute to higher prices per acre. Development timelines may hinge on remaining entitlements, necessary infrastructure and/or path of growth. The total development timeline for the subject is expected to span a longer period than the comparables. This relates to the subject's location, further than most emerging areas in the County, and the amount of inventory proposed. The estimated development timeline of the comparables is compared to the respective subject components and adjusted accordingly.

Zoning

Typically the first land use to develop in an emerging area is the residential components. Commercial and employment land uses are dependent on the completion of the homes in the project to create the demand for the commercial uses. We have adjusted the comparables when compared to the subject based on land use composition.

Adjustment Grids

The grids on the following pages reflect the afore-discussed adjustments.

Elements of Comparison:	N/O Jackson	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Price per Acre (Unadjusted)		\$69,607	\$39,422	\$62,377	\$22,371	\$27,500	\$13,294
Expenditures After Sale <i>Adjustment</i>	None	Similar	Similar	Similar	Similar	Similar	Similar
Property Rights <i>Adjustment</i>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms <i>Adjustment</i>	Cash Equiv.	Similar	Similar	Seller-Financed (Downward)	Seller Financing (Downward)	Similar	Similar
Conditions of Sale <i>Adjustment</i>	Market	Market	REO/Market	Short Sale/Market	REO / Market	Above Market (Downward)	Market
Market Conditions <i>Adjustment</i>	Sep-14	May-13 (Downward)	Mar-13 (Downward)	Oct-12 (Downward)	Apr-11 (Upward)	Aug-10 (Upward)	Dec-09 (Upward)
Physical Characteristics:							
Location <i>Adjustment</i>	Rancho Murieta	Folsom (Downward)	Folsom (Downward)	Folsom (Downward)	West Sacramento	Roseville (SOI) (Downward)	Rancho Cordova (Sl. Downward)
Entitlements <i>Adjustment</i>	Partial	Partial	Partial	Partial	SP Approved	Annex. in Process (Upward)	None/Proposed (Upward)
Land Area (Gross Acres) <i>Adjustment</i>	734.85	430.99	681.48	961.90	371.68	400.00	485.31
Developable Area <i>Adjustment</i>	66% Apprasier's Est.	75.0%	55% (Upward)	72.5%	84%	75% (est.)	75% (est.)
Development Timeline <i>Adjustment</i>	3 to 10 years	3 to 5 years (Downward)	3 to 5 years (Downward)	3 to 5 years (Downward)	5 to 10 years (Upward)	5 to 10 years (Upward)	5 to 10 years (Upward)
Zoning <i>Adjustment</i>	Various Densities of Res.	Prim. Res. w/lim. Com	Residential	Prim. Res. w/lim. Com	SFR w/ lim. Com	Residential	Mixed Use
Net Adjustment		Downward	Downward	Downward	Upward	Downward	Upward
Adjusted Price per Acre		< \$69,607	< \$39,422	< \$62,377	> \$22,371	< \$27,500	> \$13,294

Elements of Comparison:	S/O Jackson	Comparable 7	Comparable 8	Comparable 9	Comparable 10	Comparable 11	Comparable 12
Price per Acre (Unadjusted)		\$43,560	\$31,479	\$28,574	\$11,419	\$14,969	\$19,029
Expenditures After Sale <i>Adjustment</i>	None	Similar	Similar	Similar	Similar	Similar	Similar
Property Rights <i>Adjustment</i>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms <i>Adjustment</i>	Cash Equiv.	Similar	Similar	Similar	Similar	Similar	Similar
Conditions of Sale <i>Adjustment</i>	Market	Market	Market	Market	REO/Market	Market	Short Sale/Market
Market Conditions <i>Adjustment</i>	Sep-14	Early 2014	Dec-13 (Downward)	May-13 (Downward)	Mar-13 (Downward)	Jan-12 (Upward)	Jul-11 (Upward)
Physical Characteristics:							
Location <i>Adjustment</i>	Rancho Murieta	Roseville (Downward)	Sacramento	Roseville (Downward)	Rancho Cordova (Downward)	Lincoln (SOI) (Downward)	Rancho Cordova (Downward)
Entitlements <i>Adjustment</i>	Approved/Substantial	Approved	Approved	Approved	Approved	1/3 Yes, 2/3 No (Upward)	Approved
Land Area (Gross Acres) <i>Adjustment</i>	92.95	94.50	146.13	119.20	100.71	111.90	105.10
Developable Area <i>Adjustment</i>	100%	100%	80% (Sl. Upward)	85% (Sl. Upward)	56% (Upward)	95.0%	95.0%
Development Timeline <i>Adjustment</i>	1 to 10 years	5 to 10 years (Upward)	3 to 5 years (Downward)	5 to 10 years (Upward)	5 to 10 years (Upward)	5 to 10 years (Upward)	5 to 10 years (Upward)
Zoning <i>Adjustment</i>	Commercial & Res.	Commercial (Upward)	SFR (Upward)	50% Res/50% Com (Upward)	75% Res/35% Com	35% Res/75% Com	MDR and HDR (Upward)
Net Adjustment		Similar	Sl. Upward	Upward	Upward	Upward	Upward
Adjusted Price per Acre		≈ \$43,560	> \$31,479	> \$28,574	> \$11,419	> \$14,969	> \$19,029

Conclusion

A summary of the comparables unadjusted ranges per gross acre, as well as the net adjustments is summarized in the following table. In addition, the table shows where the subject component fits in with the comparables analyzed and our conclusions of market value per acre.

SUMMARY OF ADJUSTMENTS

Comparable #	Sale Date	\$/Acre (Unadjusted)	Net Adjustment
1	May-13	\$69,607	Downward
3	Oct-12	\$62,377	Downward
2	Mar-13	\$39,422	Downward
5	Aug-10	\$27,500	Downward
Subject: North of Jackson Land @ \$25,000/Acre			
4	Apr-11	\$22,371	Upward
6	Dec-09	\$13,294	Upward
7	Early 2014	\$43,560	Similar
Subject: South of Jackson Land @ \$40,000/Acre			
8	Dec-13	\$31,479	Upward
9	May-13	\$28,574	Upward
12	Jul-11	\$19,029	Upward
11	Jan-12	\$14,969	Upward
10	Mar-13	\$11,419	Upward

The wide disparity in the unadjusted range is attributable to the unique characteristics of each comparable. Based on the analysis of the comparables relative to the subject, we have concluded market values of \$25,000/acre for the north of Jackson Highway component and \$40,000/acre for the south of Jackson Highway component.

The market value of the subject property, in bulk, subject to the hypothetical condition the improvements to be financed by the Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North/Murieta Gardens) Bonds are in place is estimated as follows:

Component	Gross Acres	Value per Acre	Extension	(Rd.)
North of Jackson Highway	734.85	\$25,000	\$18,371,250	\$18,370,000
South of Jackson Highway	92.95	\$40,000	\$3,718,000	\$3,720,000
Total Market Value	827.8			\$22,090,000

CONCLUSION OF VALUE

As a result of our analysis, it is our opinion the market value of the subject property, subject to the hypothetical condition the improvements to be financed by the Rancho Murieta Community Services District CFD No. 2014-1 (Rancho North/Murieta Gardens) Bonds are in place, as of September 3, 2014 and in accordance with the extraordinary assumptions, general assumptions and limiting conditions on pages 6 through 8 of this report, is...

TWENTY TWO MILLION NINETY THOUSAND DOLLARS

\$22,090,000

ADDENDA

RATE AND METHOD OF APPORTIONMENT

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (WATER TREATMENT PLANT)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, 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. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on 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.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Water Treatment Plant) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds,

including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“**Subdivision**” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“**Successor Parcel**” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“**Taxable Property**” means property that is not exempt from the Special Tax pursuant to the Act or Section G.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX RATES

APN	Maximum Special Tax
073-0470-004	\$10,661.00
073-0470-005	\$14,007.00
073-0470-006	\$9,460.00
073-0470-007	\$2,595.00
073-0480-006	\$315.00
073-0460-004	\$1,478.00
073-0450-006	\$1,343.00
073-0180-009	\$643.00
073-0180-029	\$25,567.00
073-0460-007	\$205.00
073-0090-062	\$75,539.00
073-0790-023	\$153,080.00
073-0800-003	\$140,024.00
073-0800-007	\$1,934.00
073-0800-008	\$59,567.00
073-0800-009	\$41,796.00

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The sum of Maximum Special Taxes assigned to the Parent Parcels within the Subdivision shall be apportioned to the Child Parcels based on each Child Parcel's proportionate Acreage of Taxable Property within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels).

Fourth: The Special Tax shall be levied Proportionately on each Original Parcel and on each Successor Parcel up to 100% of the applicable Maximum Special Tax.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

	Bond Redemption Amount
plus (+)	Redemption Premium
plus (+)	Future Facilities Amount
plus (+)	Defeasance Amount
plus (+)	Administrative Fees and Expenses
less (-)	Reserve Fund Credit
less (-)	Capitalized Interest Credit
less (-)	Reinvestment Earnings Credit
equals (=):	Special Tax Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5

(the "Future Facilities Amount").

7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor's Parcel in the current Fiscal Year that has not yet been paid (the "Defeasance Amount").
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds ("Administrative Fees and Expenses").
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the "Reserve Fund Credit"). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.
10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the "Capitalized Interest Credit").
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the "Reinvestment Earnings Credit").
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the "Special Tax Prepayment Amount").

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year's Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. For any Assessor's Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor's Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor's Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax

A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in

favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

**READDRESSING/REASSIGNING
APPRAISAL REPORTS**



Readdressing/Reassigning Appraisal Reports

Seevers Jordan Ziegenmeyer adheres to the requirements of the 2014-2015 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This edition is effective from January 1, 2014 through December 31, 2015. The following excerpts pertain to readdressing/reassigning appraisal reports:

Advisory Opinion 26, Page A-89:

Once a report has been prepared for a named client(s) and any other identified intended users and for an identified intended use, the appraiser cannot “readdress” (transfer) the report to another party.

Advisory Opinion 27, Pages A-91 to A-92:

Situations often arise in which appraisers who have previously appraised a property are asked by a different party to appraise the same property.... Accepting the assignment from the subsequent prospective client is not prohibited by USPAP, assuming appropriate disclosure is made to the client before being engaged and any existing confidential information is handled properly.... If there is a new potential client, valuation services performed for that new client would constitute a new assignment and the assignment results would be specific to that new assignment.

Frequently Asked Question No. 122, Page F-56 to F-57:

It is never permissible to readdress a report by simply changing the client’s name on a completed report, regardless of whether the first client gave a release. The request from Lender B must be treated as a new assignment.

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Aggregate of Retail Values (ARV): The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions.

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

Band of Investment: A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Bulk (Discounted) Value: The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under stress. (Appraisal Standards For Land-Secured Financing, California Department Advisory Commission, 1994)

Comparative-Unit Method: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Depreciation: In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Discount Rate: A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

Disposition Value: The most probable price that a specified interest in 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.

Easement: The right to use another's land for a stated purpose.

Environmental Contamination: Adverse environmental conditions resulting from the release of hazardous substances into the air, surface water, groundwater or soil. Generally, the concentrations of these substances would exceed regulatory limits established by the appropriate federal, state, and/or local agencies. (USPAP 2014-2015 Edition)

Exposure Time: Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP 2014-2015 Edition)

External Obsolescence: An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.

Extraction: A method of estimating land value in which the depreciated cost of the improvements on the improved property is

calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP 2014-2015 Edition)

Fair Market Value: The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

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

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

Functional Obsolescence (Incurable): An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected.

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.

Highest and Best Use of Property as Improved: The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Highest and Best Use of Land or a Site as though Vacant: Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Hypothetical Condition: A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (USPAP 2014-2015 Edition)

Income Capitalization Approach: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

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.

Leasehold Interest: The tenant's possessory interest created by a lease. (Negative leasehold: A lease situation in which the market rent is less than the contract rent. Positive leasehold: A lease situation in which the market rent is greater than the contract rent.)

Liquidation Value: See *Disposition Value*.

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

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

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

Quantity Survey Method: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Site Coverage Ratio: The gross area of the building footprint divided by the site area.

Stabilized Occupancy: An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent.

Subdivision Development Method: A method of estimating land value when subdivision development is the highest and best use of the parcel of land being appraised. When all direct and indirect costs and

entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or residences), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place Method: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method*.

Yield Capitalization: A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.

Yield Rate: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

QUALIFICATIONS OF APPRAISER(S)



Business, Transportation & Housing Agency
OFFICE OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2013
Date Expires: June 4, 2015

Jim Martin, Director, OREA

3007149



Kevin K. Ziegenmeyer, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, income residential and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Mr. Ziegenmeyer has developed the expertise and background necessary to deal with complex assignments covering a wide range of property types. Over the past several years, Mr. Ziegenmeyer has been handling many of the firm's master-planned property appraisals.

Professional Affiliations

Associate Member (General) - Appraisal Institute
Certified General Real Estate Appraiser - State of California (No. AG013567)

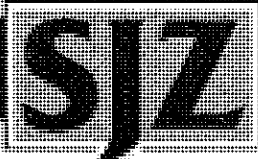
Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
(continued on next page.....)



Services
Land
Development
Real Estate Appraisal & Consultation

Richard L. Brown, Director
3525 Avenida Encinas, Suite 500
Malibu, California 90263
Phone: 424-2205 Fax: (714) 423-4774

(.....continued from previous page)
2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:

Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose:

Athletic Clubs
Churches
Educational Facilities
Restaurants
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities



Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

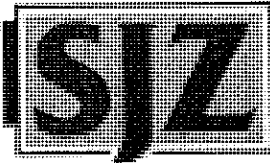
This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



Sample of Appraisal Experience (continued)

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No. 1992-1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.

Community Facilities District No. 16
West Sacramento, California

This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.

Community Facilities District No. 17
West Sacramento, California

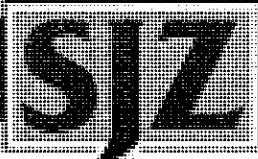
This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.

Diablo Grande Community Facilities District No. 1 (Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No. 2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.



Real Estate Appraisal & Consultation

Richard J. Ziegler
3000 Alameda Road, Suite 200
Oakland, California 94612
Phone: 415-285-1000 Fax: 415-474-1000

Sample of Appraisal Experience (continued)

Brentwood Assessment District No. 2003-1
Brentwood, Contra Costa County, California

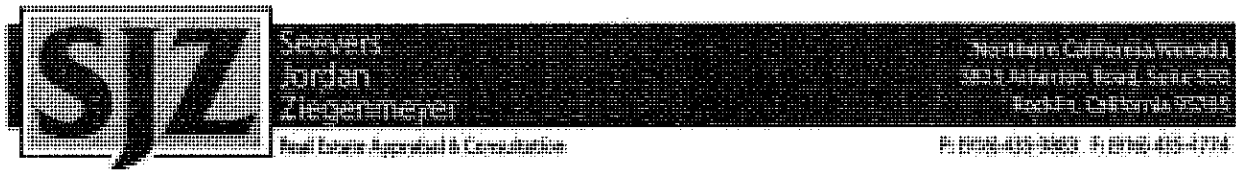
This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.

Patterson Gardens & Keystone Pacific Business Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Syrah Condominiums
Sacramento, Sacramento County, California

Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.



Eric A. Segal, Partner

Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of income properties. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, Mello-Roos and Assessment Districts, and residential subdivisions. He has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Professional Affiliations

Associate Member (General) - Appraisal Institute
Certified General Real Estate Appraiser - State of California (No. AG026558)

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Appraisal Litigation Practice and Courtroom Management
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications



Sample of Appraisal Experience

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Sample of Appraisal Experience (continued)

HUD 223(f) Apartment Portfolio
San Francisco, San Francisco County, California

This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.

The Parkway & Quinto Ranch
Santa Nella, Merced County, California

This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.

Reclamation District No. 17 – Mossdale Tract
(portion)
County of San Joaquin, California

The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No.
1992-1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative, or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.



Sample of Appraisal Experience (continued)

Diablo Grande Community Facilities District No. 1
(Series 2002)
Stanislaus County, California

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Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.





Business, Transportation & Housing Agency
OFFICE OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2013

Date Expires: February 18, 2015

Jim Martin, Director, OREA

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APPENDIX D

STATUS OF LAND USE APPROVALS AND REGULATIONS FOR CFD PARCELS

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PHILLIPS LAND LAW, INC

5301 Montserrat Lane
Loomis, California 95650
Telephone (916) 979-4800
Telefax (916) 979-4801

December 18, 2014

Mr. Dan Massiello
Kosmont Companies
865 South Figueroa Street, 35th Floor
Los Angeles, CA 90017

**Re: Rancho Murieta Proposed Community Facilities District
Status of Land Use Approvals and Regulations for CFD Parcels**

Dear Mr. Massiello:

The Kosmont Companies has requested us to provide information concerning the land use approval and entitlement status of the real property proposed for inclusion within a future Community Facilities District (CFD), to be formed for the purposes of financing a portion of necessary upgrades and expansion of the Rancho Murieta Water Treatment Plan #1 (WTP#1).

The proposed CFD would include 10 parcels of land comprising a total of 827 acres. These parcels include the approved Murieta Gardens project, along with future residential development areas in the Rancho Murieta community known generally as the Rancho Murieta North Properties. The parcels subject to the proposed CFD are as follows:

Property by Ownership	APN	Acreage	Existing Use	Proposed Use
Murieta Gardens				
Cosumnes River Land, LLC	073-0470-004	16.6	Vacant	Approved for hotel, commercial center, residential and self-storage
	073-0470-005	21.8	Vacant	
	073-0470-006	14.7	Vacant	
Rancho Murieta North Properties				
Murietta Industrial Park, LLC	073-0180-029	39.8	Equipment Training	TBD

			Area	
Murieta Highlands, LLC	073-0800-007	3.01	Vacant	Residential
	073-0800-008	92.7	Vacant	Residential
	073-0800-009	65.0	Vacant	Residential
Murieta Lakeside Properties, LLC	073-0090-062	117.6	Vacant	Residential
	073-0790-023	238.4	Vacant	Residential
	073-0800-003	218.0	Vacant	Residential
Total		827.6		

Murieta Gardens Project

Parcels 073-0470-004 through -006 comprise approximately 53 acres, and have been approved by the County of Sacramento for development with commercial uses, known as the Murieta Gardens project.

The Murieta Gardens I and II project was originally approved by the Sacramento County Board of Supervisors in July 2011. The original approvals for the Murieta Garden I Project consisted of an 11 acre (111,235 square foot) neighborhood commercial shopping center, five (5) unspecified Limited Commercial (LC) parcels (6 acres); a 7.3 acre (77,000 square foot) self-storage facility; a 18,000 square foot office building; a one acre park and a storm detention/open space parcel (consisting of 5 acres). The total commercial building square footage including the unspecified commercial lots was capped at 160,000 square feet. The specific approval for Murieta Gardens II project consisted of 95 single-family residential lot subdivision on 19.5 acres and the option for payment of in-lieu fees for the affordable housing obligation.

On June 17, 2014 the County Board of Supervisors approved amendments to the previously approved Murieta Gardens I and II Project. Specifically, the project revisions included the replacement of the 18,000 square foot office building with a hotel use (referred to as "The Murieta Inn"), which will consist of an 83 room, four-story hotel and six two-story villas. Each villa will consist of 4 extended stay rooms/suites, for a total of 24 extended stay/condominium suites. Under the revised project the shopping center square footage increases from 111,235 square feet to 112,495 square feet. Additionally, total acreage dedicated to commercial/non-residential uses increases by approximately 2 acres (taken from the previous residential area of the project). The previously approved self-storage detention/open space parcels and uses were not amended. Amendments to the residential portion of the project included a new tentative subdivision map to reduce the total acreage and number of lots to be developed with single family homes. The revised project includes 78 single-family residential lots on 17+/- acres compared to the previous approval for 95 lots on 19.5 acres.

The July 17, 2014 County approvals for the Murieta Gardens project included an associated amendment to the Rancho Murieta PD Ordinance, a Use Permit for the hotel, a height exception to allow development of the hotel at four stories, amended large and small lot subdivision maps, a subdivision map waiver for the condominiums associated with the extended stay suites, and Design Review approval. No additional discretionary approvals from the County are required for development of the Murieta Gardens project. The Large Lot Final Subdivision Map for the Murieta Gardens Shopping Center was recorded on December 12, 2014.

The Murieta Gardens project was the subject of an Environmental Impact Report (EIR) prepared by the County of Sacramento, which was adopted by the County Board of Supervisors in July 2011 along with the initial approval of the project. A Supplemental EIR was prepared to analyze potential environmental impacts associated with the revisions made to the Murieta Garden project, which was adopted by the County Board of Supervisors on June 17, 2014.

The EIR for the Murieta Gardens project contains a detailed analysis of the water supply and treatment capacity issues in Rancho Murieta. Consistent with prior evaluations, the EIR describes that construction of Phase III of the Water Treatment Plant, consisting of removing older equipment from the interior of the existing treatment plant and installing a membrane filtration system along with construction of additional sludge drying beds, must be completed before a permanent treated water supply can be guaranteed to any new development within Rancho Murieta. Prior mitigation included on the Murieta Gardens I and II project required that the existing water treatment plant be upgraded to provide adequate capacity for existing and approved projects prior to the issuance of building permits (residential structures) or tenant improvements (for commercial structures).

However, the Supplemental EIR evaluated the amount of treated water that could be available prior to Phase III improvements to the Water Treatment Plant in the short term. As a result of this evaluation, the RMCS D determined that sufficient capacity exists to grant provisional Will Serves of 30 EDUs for the Hotel and Extended Stay use. After the determination was made, the RMCS D and Cosumnes River Land, LLP entered into an agreement in December 2013 to provide for the provisional water service. Provisional Will Serves were granted to the Cosumnes River Land, LLC on January 13, 2014. Based on conversations with RMCS D staff, Phase III improvements are slated to be constructed and online in summer of 2015, which could potentially coincide with completion of the hotel and extended stay construction.

The amended Murieta Gardens project was approved with a series of Conditions of Approval, which are incorporated as amendments to the Rancho Murieta Planning Development Ordinance. Regarding treated water supply to serve the project, Section 372 of the Conditions of Approval provides as follows:

SECTION 372. RANCHO MURIETA COMMUNITY SERVICES DISTRICT (RMCS D).

a. The Murieta Gardens Lots 7 & 8 (Hotel and Extended Stay Units)¹ have paid for and received provisional will serves from District and its District Engineer represents and warrants that the District currently has sufficient water and water treatment capacity to provide the 30 Equivalent Dwelling Units (“EDUs”) of capacity to the Hotel and Extended Stay Units. The Project owners shall comply with the final Fee and Service Agreement² to provide funding of their fair share of a water treatment plant expansion project prior to Issuance of Building Permits. The water treatment plant expansion is expected to be in operation on or before June 30, 2015. Construction of the Hotel and Extended Stay Units may proceed in the interim period. The Planning Director shall verify compliance with the required construction of the water treatment plant expansion as regulated by Section 383 prior to Issuance of the Certificate of Occupancy or Final Inspections.

b. No water service is available for the remaining Murieta Gardens projects at this time. Prior to the Issuance of Building Permits, comply with the final Fee and Service Agreement with Rancho Murieta Community Services District. Rancho Murieta Community Services District shall confirm compliance with the provisions of the Fee and Service Agreement. The Developer shall provide documentation of that compliance and construction of the water treatment plant to the satisfaction of the Planning Director prior to the Issuance of a Certificate of Occupancy or Final Inspections.

The Financing and Services Agreement between the RMCS D and the Rancho Murieta Properties, LLC³ was approved by the RMCS D Board of Directors on May 20, 2014. The Financing and Services Agreement obligates the Owners to pay a pro-rata share of 33.9% of the cost of the upgraded water treatment plant, a total of \$4,358,245. This amount was funded through a posting of a \$4,000,000 letter of credit by Owners, along with cash payments in the amount of \$358,245. Under the Financing and Services Agreement, the RMCS D held off from drawing upon the letter of credit pending the establishment of the CFD The CFD was approved by the RMCS D on September 5, 2014 (Resolution No.. 2014-21 and

¹ The reference to Lots 7 and 8 refer to lots identified on the approved Tentative Subdivision map for Murieta Gardens, which do not correspond with existing parcel APNs.

² The “Fee and Service Agreement” referenced in this condition is the Financing and Services Agreement approved by the RMCS D on May 20, 2014.

³ Along with Rancho Murieta Properties, LLC and the RMCS D, the other parties to the Fee and Service Agreement are Cosumnes River Land, LLP, Murieta Industrial Park, LLP, Murieta Lakeside Properties, LLP and Murieta Highlands, LLP.

2014-22) and RMCS D Ordinance 2014-03 establishing the CFD Special Tax was adopted by the RMCS D Board of Directors on September 17, 2014.

Other significant conditions of approval to be satisfied prior to issuance of building permits include the following:

- Contribute a fair share toward, or construct, identified public street improvements [Sections 361 and 387-393]. These improvements will be funded through a combination of developer financing and payment into adopted fee programs. The Murieta Gardens project will be required to pay approximately \$340,298 as a fair share contribution toward improvements to Stonehouse Road. A \$420,000.00 bond was posted for future signal improvements. Remaining fair share obligations for traffic improvements are included within existing County roadway fee programs and paid at building permit.
- Enter into an agreement with the RMCS D for the advance funding of construction of recycled water irrigation disposal facilities on the Van Vleck Ranch or in-tract facilities for landscape irrigation with recycled water. [Section 373]. This agreement is contained within the Financing and Services Agreement adopted by the RMCS D on May 20, 2014. Since 2007, the RMCS D has disposed of tertiary-treated wastewater through spray irrigation on the Van Vleck Ranch, which is adjacent to the RMCS D's wastewater treatment facility. This existing spray irrigation disposal is being conducted under permits issued by the County and Waste Discharge Requirements (WDRs) issued by the state Regional Water Quality Control Board. The WDRs are set to expire on December 31, 2014; however on December 4, 2014 the Regional Water Quality Control Board approved revised WDRs and a Master Recycling Permit for the RMCS D, which allows for the disposal of treated wastewater through the expanded use of recycled water irrigation throughout Rancho Murieta. The Van Vleck Ranch spray field will remain as a back-up option for future treated wastewater disposal.

The project permits approved by the County on June 17, 2014 will expire 36 months following approval (June 2017) unless all subsequent County procedural actions (for example, approval of a final subdivision map) are completed beforehand. However, no additional discretionary County permits are required in order for project development to occur.

Rancho Murieta North Properties

The Rancho North development will encompass the 7 remaining parcels identified in the Table above. The Rancho Murieta North application includes Parcel 073-0180-029, which is a 39.8-acre parcel currently utilized as an equipment training facility by the International Union of Operating Engineers Local 3. This parcel is currently designated as Public/Quasi-Public (PQP) under

the County of Sacramento General Plan. This parcel is currently zoned A-2 (PD), which is an interim agricultural zone with a minimum lot size of 2 acres. Under the Sacramento County Zoning Code, parcels that are zoned A-2 are anticipated to be converted to agricultural or residential uses. The (PD) designation refers to Planned Development, as the entire Rancho Murieta community is subject to the Rancho Murieta Planned Development Ordinance (No. 77-PD-10). Redevelopment of this property for commercial use would require County approval of a General Plan Amendment and a Zone Change, along with amendments to the PD and use permits.

As originally approved by the County in 1969, the Rancho Murieta Planned Development Ordinance allowed for the development of up to 7,000 residential units. In 1977, amendments to the Planned Development Ordinance reduced the total allowable residential to 5,000, plus an additional 189 mobile home units.

As of this date, we understand that 2,319 residential units have been constructed in the Rancho Murieta community, along with the 189 mobile home units in the Murieta Mobile Village and 38 units in the Villas. In addition, the County has issued tentative subdivision map approvals for an additional 623 residential units. Thus, the total combined units in Rancho Murieta (existing and approved tentative subdivision maps) is 2,980, leaving a total of 2,020 units within the cap imposed under the Planned Development Ordinance.

The remaining Rancho Murieta North Properties comprise approximately 734 acres, and are proposed for residential development with approximately 958 units. These parcels are currently vacant and undeveloped. Under the Sacramento County General Plan, these parcels are designated as "Low Density Residential (LDR)(1-12 du/acre). The residential development proposed for these parcels is consistent with this General Plan designation. These parcels are zoned A-2(PD), and thus a change of zone would be required along with an amendment to the PD Ordinance.

Residential development of the Rancho Murieta North Properties will also require County of Sacramento approval of a tentative subdivision map and preparation of an Environmental Impact Report. In order to prepare the EIR and obtain approval of subdivision maps, RMP, LLC will be required to conduct comprehensive geotechnical, biological (special status plants and wildlife), native oak tree, cultural resources, hydrology, and traffic studies. A number of the technical reports are completed to date, including cultural resources, wetland delineations, and arborist reports. Completion of the remaining technical reports, including traffic analysis, geology/soils, drainage, utilities and special-status-species, is anticipated to occur in the second quarter of 2015. Based on our experience with comparable master-planned residential communities, we believe that completion of the land use and entitlement process for residential development on the Rancho Murieta North Properties would require between 15 to 24 months from the time the application is deemed complete by the County.

This schedule assumes several public hearings at both the Planning Commission and Board of Supervisors.

The combined development application for the Rancho Murieta North Properties was filed with the County Planning Department on October 24, 2014 and logged into the County's system on October 27, 2014. The project development team met with County planning staff on December 10, 2014 to discuss the status of the application, and it is anticipated that County will deem the application package as "complete" for processing purposes in the first quarter of 2015.

Based upon the County's anticipated processing timeframe, as described above, we anticipate County approval of discretionary entitlements for the Rancho Murieta North Properties entitlements in the second to third quarter of 2016.

We anticipate that the only Federal approvals that will be required to implement the Rancho Murieta North project are Section 404 Permit approval by the U.S. Army Corps of Engineers for fill of jurisdictional wetlands, and the related Section 7 Endangered Species Act consultation by the U.S. Fish & Wildlife Service. While a determination regarding the scope of NEPA review for these federal approvals has not been made, based our experience with similar projects it is unlikely that preparation of an Environmental Impact Statement (EIS) would be required. Instead, it is probable that these approvals will be issued on the basis of a finding of no significant impact (FONSI) by the Corps.

Please let us know if we can provide any additional information.

Very Truly Yours,

Phillips Land Law, Inc.



Kevin M. Kemper

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APPENDIX E

FORM OF BOND COUNSEL OPINION

[Dated the Date of Closing]

Rancho Murieta CSD Community Facilities
District No. 2014-1 (Rancho North/Murieta Gardens)
15160 Jackson Road
Rancho Murieta, California 95683

\$5,960,000
Rancho Murieta CSD
Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)
Special Tax Bonds, 2015 Series

Ladies and Gentlemen:

We have acted as Bond Counsel to the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the “CFD”), in connection with the issuance of its \$5,960,000 Special Tax Bonds, 2015 Series (the “Bonds”). The Bonds are being issued under the provisions of Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the “Act”), and pursuant to a Fiscal Agent Agreement, dated as of January 1, 2015 (the “Fiscal Agent Agreement”), by and between the CFD and Wilmington Trust, N.A., as fiscal agent (the “Fiscal Agent”).

The Bonds are limited obligations of the CFD secured under the Fiscal Agent Agreement by a pledge of Special Taxes and certain other moneys held under the Fiscal Agent Agreement.

In our capacity as Bond Counsel, we have reviewed the Fiscal Agent Agreement, certifications of the CFD, the Fiscal Agent and others, opinions of counsel to the CFD and the Fiscal Agent, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the CFD as provided in the Fiscal Agent Agreement, and are entitled to the benefits of the Fiscal Agent Agreement.

2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by the CFD and, assuming the enforceability thereof against the Fiscal Agent, constitutes the legally valid and binding obligation of the CFD, enforceable against the CFD in accordance with its terms. The Fiscal Agent Agreement creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Special Taxes and certain other amounts held by the Fiscal Agent in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject to the

provisions of the Fiscal Agent Agreement permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. Under existing law, and assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing law, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that under existing law interest on the Bonds is exempt from personal income taxes of the State of California.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement the CFD, and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the District and the CFD in connection with the issuance of the Bonds, the District and the CFD are making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by each of the District and the CFD with its covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bond or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Bonds and the Fiscal Agent Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds and the Fiscal Agent Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such

opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

Respectfully submitted,

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APPENDIX F

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of January 1, 2015, is executed and delivered by Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the “CFD”) and NBS Government Finance Group, dba NBS, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$5,960,000 Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2015 Series (the “Bonds”). The Bonds are being issued pursuant to provisions of a Fiscal Agent Agreement, dated as of January 1, 2015 (the “Fiscal Agent Agreement”), by and between the CFD and Wilmington Trust, N.A., as fiscal agent (the “Fiscal Agent”). The CFD and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the CFD and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the CFD pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the General Manager of the District or his or her designee, or such other officer or employee as the District shall designate in writing to the Fiscal Agent and Dissemination Agent from time to time.

“Dissemination Agent” shall mean NBS, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the CFD and which has filed with the Fiscal Agent a written acceptance of such designation.

“District” shall mean Rancho Murieta Community Services District.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings

with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The CFD shall, or shall cause the Dissemination Agent to, not later than March 15 of each year, commencing March 15, 2016, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the CFD shall work and cooperate with the Dissemination Agent to prepare the Annual Report. If by such date, the Annual Report has not been completed, the Dissemination Agent shall notify the CFD of such failure to receive the Annual Report. The CFD shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. Except for the portions of the Annual Report prepared by the Dissemination Agent, the Dissemination Agent may conclusively rely upon such certification of the CFD and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the CFD and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The CFD’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the District):

(i) The audited financial statements of the District, prepared in accordance with generally accepted accounting principles in effect from time to time. If the District’s audited

financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the most recently filed audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Total assessed valuation (per the Sacramento County Assessor's records) of all parcels currently subject to the Special Tax showing separately the assessed valuation for all land and improvements for the then current Fiscal Year.

(iii) A list of landowners (as shown on the Sacramento County Assessor's roll) and assessor's parcel number(s) of parcels held by owners whose properties collectively represent 10% or more of the Special Taxes for the then current Fiscal Year.

(iv) Number of building permits issued within the CFD for the most recent calendar year.

(v) The actual amount of the Special Tax levy and the maximum amount that can be levied pursuant to the rate and method of apportionment relating to the CFD for the then current Fiscal Year.

(vi) With respect to delinquencies within the CFD:

(a) delinquency information with respect to the April 10 tax payment date (including, without limitation, the parcel number of each delinquent parcel, the identity of the property owner and the amount then delinquent) for each parcel delinquent in the payment of \$2,500 or more in Special Tax; and

(b) the total dollar amount of delinquencies with respect to the December 10 tax payment date and, in the event that such total delinquencies with respect to the April 10 tax payment date exceed 5% of the Special Tax for the previous year, a list of all delinquent parcels, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(vii) The principal amount of prepayments of the Special Tax, if any, as of the then current Fiscal Year's Special Tax levy date.

(viii) A current debt service schedule for the outstanding Bonds.

(ix) The principal amount of the Bonds outstanding and the balances in the Reserve Account (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report date.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet Website or filed with the SEC.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the CFD shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. 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 or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the CFD, which shall occur as described below;
13. appointment of a successor or additional fiscal agent or the change of name of a fiscal agent, if material, or;
14. the consummation of a merger, consolidation, or acquisition involving the CFD or the sale of all or substantially all of the assets of the CFD 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 pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the CFD in a proceeding under the United States Bankruptcy Code or in any other

proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the CFD, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the CFD.

(b) Upon receipt of notice from the CFD and instruction by the CFD to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the CFD promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Fiscal Agent, and if the Dissemination Agent is the Fiscal Agent, then by the officer at the corporate trust office of the Fiscal Agent with regular responsibility for the administration of matters related to the Fiscal Agent Agreement. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The CFD, or the Dissemination Agent, if the Dissemination Agent has been instructed by the CFD to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The CFD’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the CFD shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The CFD may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Except for information prepared or provided by the Dissemination Agent, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the CFD pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be NBS. The Dissemination Agent may resign by providing thirty days’ written notice to the CFD and the Fiscal Agent. Except for any portions of the report prepared by the Dissemination Agent, the Dissemination Agent shall not be responsible for the content of any report or notice prepared by the CFD. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the CFD in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the CFD and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the CFD) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the CFD shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the CFD.

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

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the CFD to comply with any provision of this Disclosure Agreement, any holder 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 CFD or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the CFD or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Article VII of the Fiscal Agent Agreement pertaining to the Fiscal Agent is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Fiscal Agent thereunder. However, nothing in this Agreement will modify or affect NBS obligations and responsibilities under the District-NBS services agreement. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the CFD agrees to indemnify and save the Dissemination Agent and

the Fiscal Agent, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Fiscal Agent's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the CFD for its services provided hereunder in accordance with a separate agreement between the District and the Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the CFD, the Bondholders, or any other party. Neither the Fiscal Agent nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the CFD under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the CFD: Rancho Murieta CSD Community Facilities
 No. 2014-1 (Rancho North/Murieta Gardens)
 c/o Rancho Murieta Community Services District
 P.O. Box 1050
 15160 Jackson Road
 Rancho Murieta, California 95683
 Attn: General Manager
 Phone: (916) 354-3700

To the Dissemination Agent: NBS
 32605 Temecula Parkway, Suite 100
 Temecula, California 92592
 Attn: Disclosure Group
 Phone: (951) 296-1997

To the Fiscal Agent: Wilmington Trust, N.A.
 650 Town Center Drive, Suite 600
 Costa Mesa, California 92626
 Attention: Corporate Trust Services
 Phone: (714) 384-4152

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the CFD, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RANCHO MURIETA CSD COMMUNITY
FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)

By _____
General Manager of the District

NBS GOVERNMENT FINANCE GROUP, dba
NBS, as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Rancho Murieta CSD Community Facilities District No. 2014-1
(Rancho North/ Murieta Gardens)

Name of Bond Issue: Rancho Murieta CSD Community Facilities District No. 2014-1
(Rancho North/ Murieta Gardens)
Special Tax Bonds, 2015 Series

Date of Issuance: January 29, 2015

NOTICE IS HEREBY GIVEN that the CFD has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of January 1, 2015, with respect to the Bonds. [The CFD anticipates that the Annual Report will be filed by _____.]

Dated: _____

NBS,
on behalf of the CFD

cc: District

**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)**

DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of January 1, 2015 (the “Disclosure Agreement”), is made and entered into by and among Rancho Murieta Properties, LLC (the “Developer”), Cosumnes River Land, LLC, Murieta Industrial Park, LLC, Murieta Lakeside Properties, LLC, Murieta Highlands, LLC (collectively, the “Original Property Owners”) and Kosmont Companies, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the “Community Facilities District”) of its Special Tax Bonds, 2015 Series (Bank Qualified) (the “Bonds”). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”) and a Fiscal Agent Agreement dated January 1, 2015 (the “Fiscal Agent Agreement”), between the Community Facilities District and Wilmington Trust, N.A. (the “Fiscal Agent”).

The Developer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the Bond owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 15% or more of the outstanding voting securities of such other Person, (b) any Person 15% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Annual Report*” means any Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” means the date that is eight months after the end of Developer’s fiscal year, which fiscal year currently ends December 31. The first Annual Report Date shall be due September 1, 2015.

“*Assumption Agreement*” means an agreement between a Major Developer, or an Affiliate thereof; and the Dissemination Agent containing terms substantially similar to this Disclosure

Agreement, whereby such Major Developer or Affiliate agrees to provide Annual Reports, Semi-Annual Reports and Notices of Listed Events with respect to the portion of the Property owned by such Major Developer and its Affiliates.

“*Beneficial Owner*” means any person who 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).

“*Bond Counsel*” means an attorney or a firm of attorneys whose experience in matters relating to the issuance of obligations by the states and their political subdivisions and the tax-exempt status of the interest thereon is recognized nationally.

“*Community Facilities District*” means the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens).

“*Development Plan*” means, with respect to a Major Developer, the specific improvements such Major Developer intends to make, or cause to be made, to the portion of the Property owned by such Major Developer in order for such portion of the Property to reach the Planned Development Stage, the time frame in which such improvements are intended to be made and the estimated costs of such improvements. As of the date hereof, the Development Plan for the Property owned by the Original Property Owners and their Affiliates is described in the Official Statement under the caption “THE PROPERTY OWNERS AND THE DEVELOPER” and “THE DEVELOPMENT.”

“*Dissemination Agent*” means Kosmont & Associates, Inc., dba Kosmont Companies, acting in its capacity as the Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Community Facilities District a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB currently located at <http://emma.msrb.org>.

“*Financing Plan*” means, with respect to a Major Developer, the method by which such Major Developer intends to finance its Development Plan, including specific sources of funding for such Development Plan. As of the date hereof, the Financing Plan for the Developer and its Affiliates is described in the Official Statement under the caption “THE PROPERTY OWNERS AND THE DEVELOPER” and “THE DEVELOPMENT.”

“*Financial Statements*” means, with respect to a Major Developer, the full financial statements, special purpose financial statements, project operating statements or other reports reflecting the financial position of each entity, enterprise, fund, account or other person (other than a financial institution acting as a lender in the ordinary course of business) identified in such Major Developer’s Development Plan or its Financing Plan as a source of funding for such Major Developer’s Development Plan, which statements shall be prepared in accordance with Generally Accepted Accounting Principles, as in effect from time to time, and which statements may be audited or unaudited; provided that, if such financial statements or reports are otherwise prepared as audited financial statements or reports, then “Financial Statements” means such audited financial statements or reports.

“*Listed Event*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Major Developer*” means, as of any Report Date, any Property Owner, including the Original Property Owners, which owns a portion of the Property that has not reached the Planned Development Stage and that is responsible in the aggregate for 15% or more of the Special Taxes in the Community Facilities District anticipated to be levied at any time during the then-current fiscal year.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” means the Official Statement, dated January 21, 2015, relating to the Bonds.

“*Participating Underwriter*” means Alamo Capital.

“*Person*” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, a limited liability company, any unincorporated organization or a government or political subdivision thereof.

“*Planned Development Stage*” means the stage of development of the land in the Community Facilities District owned by the Developer and its Affiliates that the Developer intends to achieve with respect thereto, as may be amended from time-to-time. As of the date hereof the Planned Development Stage of the Developer is the construction of approximately 925 residential units, an 83 room hotel, 24 extended stay condominium units and 78 residential lots in the Community Facilities District.

“*Property*” means the parcels within the boundaries of the Community Facilities District that are subject to Special Taxes.

“*Property Owner*” means any Person that owns a fee interest in any portion of the Property.

“*Repository*” means the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. 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.

“*Report Date*” means March 1 and September 1 of any Fiscal Year.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Semi-Annual Report*” means any Semi-Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Semi-Annual Report Date*” means the date that is two (2) months after the end of Developer’s fiscal year, which fiscal year currently ends December 31. The first Semi-Annual Report Date shall be due March 1, 2015.

SECTION 3. Provision of Annual Reports and Semi-Annual Reports.

(a) Not later than five (5) business days prior to each Annual Report Date, the Developer and the Original Property Owners shall provide to the Dissemination Agent an Annual

Report which is consistent with the requirements of Section 4 hereof and which is in a form suitable for filing with the Repository. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Financial Statements of the Developer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited Financial Statements are not available by that date. Not later than five (5) business days after its receipt of the foregoing material from the Developer and the Original Property Owners, the Dissemination Agent shall provide a copy thereof to the Repository and the Participating Underwriter. The Developer and the Original Property Owners shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review such Annual Report.

(b) Not later than five (5) business days prior to each Semi-Annual Report Date, the Developer and the Original Property Owners shall provide to the Dissemination Agent a Semi-Annual Report which is consistent with the requirements of Section 4 hereof and which is in a form suitable for filing with the Repository. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. Not later than five (5) business days after its receipt of the foregoing material from the Developer and the Original Property Owners, the Dissemination Agent shall provide a copy thereof to the Repository and the Participating Underwriter. The Developer and the Original Property Owners shall provide a written certification with each Semi-Annual Report furnished to the Dissemination Agent to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by hereunder. The Dissemination Agent may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review such Semi-Annual Report.

(c) If the Dissemination Agent has not received a copy of the Annual Report by the date required in Subsection (a), or if the Dissemination Agent has not received a copy of the Semi-Annual Report by the date required in Subsection (b), the Dissemination Agent shall notify the Developer and the Original Property Owners of such failure to receive the applicable report. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository and the Participating Underwriter by the date required in Subsection (a), or if the Dissemination Agent is unable to verify that a Semi-Annual Report has been provided to the Repository and the Participating Underwriter by the date required in Subsection (b), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board (“MSRB”) and to the State Repository, if any, in the form required by the Depository.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semi-Annual Report, the name and address of each Repository, if any;

(ii) provide any Annual Report and any Semi-Annual Report received by it to the Repository and to the Participating Underwriter, as provided herein; and

(iii) if it has provided the applicable report pursuant to (ii) above, file a report with the Community Facilities District and the Developer certifying that it provided the

Annual Report or the Semi Annual Report, as the case may be, pursuant to this Disclosure Agreement and stating the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports and Semi-Annual Reports. (a) The Annual Report shall contain or incorporate by reference Financial Statements for each Major Developer for the prior fiscal year; provided, that, if such information is required from the Developer as to another Major Developer, the Developer shall only be required to provide such information that it has actual knowledge of after reasonable inquiry. If audited Financial Statements are required to be provided, and such audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited Financial Statements, if prepared by such Major Developer, and the audited Financial Statements shall be filed in the same manner as, or as an amendment or supplement to, the Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby hereunder.

If the annual financial information or operating data provided in an Annual Report or a Semi-Annual Report is amended pursuant to the provisions hereof, the first Annual Report or Semi-Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the provisions hereof specifying the accounting principles to be followed in preparing Financial Statements, the annual financial information for the year in which the change is made shall 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 shall include 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. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be provided in the manner as for a Listed Event under Section 5(c).

(b) The Annual Report and Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB 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 Developer shall clearly identify each such other document so included by reference. Major Developers that are Affiliates of each other may file either separate Annual Reports and Semi-Annual Reports or combined Annual Reports and Semi-Annual Reports covering all such entities.

(c) In addition to any of the information expressly required to be provided under Subsections (a) and (b) of this Section, the Developer and the Original Property Owners 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.

SECTION 5. Reporting of Significant Events. (a) The Developer and the Original Property Owners shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to themselves or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer or the Original Property Owners that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer and the Original Property Owners are aware against the Developer, the Original Property Owners or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's or the Original Property Owners' ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer or the Original Property Owners on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer or the Original Property Owners obtain knowledge of the occurrence of a Listed Event, the Developer or the Original Property Owners shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer or the Original Property Owners determine that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer or the Original Property Owners shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the Community Facilities District and the Participating Underwriter.

SECTION 6. Assumption of Obligations. If a portion of the Property owned by the Developer, the Original Property Owners or any Affiliate thereof, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Developer hereunder with respect to the Property owned by such Major Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement.

SECTION 7. Termination of Reporting Obligation. The Developer's and the Original Property Owners' obligations hereunder shall terminate (except as provided in Section 12) upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) at such time as property owned by the Developer and the Original Property Owners are collectively no longer responsible for payment of 15% or more of the Special Taxes, or (c) the date on which the Developer or the Original Property Owners prepay in full all of the Special Taxes attributable to the Property. The Developer's and the Original Property Owners' obligations under

this Disclosure Agreement with respect to a Person that purchased Property from the Developer or the Original Property Owners and that became a Major Developer as a result thereof shall terminate upon the earliest to occur of (x) date on which such Person is no longer a Major Developer, (y) the date on which the Developer's and the Original Property Owners' obligations with respect to such Person are assumed under an Assumption Agreement entered into pursuant to Section 6 and (z) the date on which all Special Taxes applicable to the portion of the Property owned by such Major Developer and its Affiliates are prepaid in full; provided however, until the occurrence of any of the events described in clauses (x) through (z), the Developer's and the Original Property Owners' obligations hereunder with respect to each other Major Developer, if any, shall remain in full force and effect. Upon the occurrence of any such termination prior to the final maturity of the Bonds, the Developer shall cause the Dissemination Agent to give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Dissemination Agent. The Developer and the Original Property Owners may, from time to time and with the prior written consent of the Community Facilities District, discharge the Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days' written notice to the Developer and the Community Facilities District. If at any time there is no other designated Dissemination Agent, the Developer shall be the Dissemination Agent. If the Dissemination Agent is an entity other than the Developer, the Developer shall be responsible for paying the fees and expenses of such Dissemination Agent for its services provided hereunder.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer, the Original Property Owners and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested, so long as such amendment does not adversely affect the rights or obligations of the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that (a) if the amendment or waiver relates to Sections 3(a), 4 or 5(a) hereof, such amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature, or status of the Developer or the Original Property Owners or the type of business conducted; (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of Bond Counsel approved by the Community Facilities District and the Participating Underwriter, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (i) is approved by the Bond Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond Owners, or (ii) does not, in the opinion of the Community Facilities District or Bond Counsel, materially impair the interests of the Bond Owners or Beneficial Owners of the Bonds.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer or the Original Property Owners from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Semi-Annual Report or Notice of Occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer or and the Original Property Owners choose to include any information in any Annual Report or Semi-Annual Report or Notice of Occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer or the Original Property Owners shall have no obligation under this Disclosure Agreement to update such

information or include it in any future Annual Report or Semi-Annual Report or Notice of Occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Developer, the Original Property Owners or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction against the costs, expenses and liabilities to be incurred in compliance with such request, shall), or the Participating Underwriter or any Bond 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 Developer, the Original Property Owners or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer, the Original Property Owners or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not have any responsibility for the content of any Annual Report, Semi-Annual Report or Notice of a Listed Event. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer and the Original Property Owners agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding losses, expenses and liabilities due to the Dissemination Agent's negligence or willful misconduct or the negligence or willful misconduct of any of its officers, directors, employees and agents. The obligations of the Developer and the Original Property Owners under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent will not, without the Developer's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Developer and its Affiliates from all liability arising out of any such claim, action or proceedings. A request by the Dissemination Agent for the Developer's written consent shall be answered within a reasonable amount of time to allow the Dissemination Agent to act in a timely manner. If any claim, action or proceeding is settled with the consent of the Developer or if there is a judgment (other than a stipulated final judgment without the approval of the Developer) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Developer, the Developer agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

Community Facilities District: Board of Directors
Rancho Murieta Community Services District, as legislative
body of Rancho Murieta CSD

Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)
P.O. Box 1050
15160 Jackson Road
Rancho Murieta, CA 95683
Attn: General Manager

Dissemination Agent: Kosmont Companies
865 South Figueroa Street, Suite 3500
Attn: Public Finance Department
Phone: (213) 417-3000

Developer: Rancho Murieta Properties, LLC (on behalf of itself and the Original Property Owners)
14670 Cantova Way, Suite 220
Rancho Murieta, CA 95683
Attn: Chief Financial Officer

Participating Underwriter: Alamo Capital
201 North Civic Drive, Suite 360
Walnut Creek, CA 94596
Attention: Chris Lippman

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Dissemination Agent, the Developer, the Participating Underwriter and Bond Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Assignability. The Developer shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 6 hereof. The Dissemination Agent may, with prior written notice to the Developer and the Community Facilities District, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 16. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

SECTION 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 18. Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Rancho Murieta Properties, LLC

By: _____
Name:
Title:

Cosumnes River Land, LLC

By: _____
Name:
Title:

Murieta Industrial Park, LLC

By: _____
Name:
Title:

Murieta Lakeside Properties, LLC

By: _____
Name:
Title:

Murieta Highlands, LLC

By: _____
Name:
Title:

Kosmont Companies, as Dissemination Agent

By: _____
Its: _____

EXHIBIT A

FORM OF SEMI-ANNUAL REPORT AND ANNUAL REPORT

**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)**

This Periodic Report is hereby submitted under Section 3 of the Continuing Disclosure Agreement (the “**Disclosure Agreement**”) dated as of January 1, 2015, executed by the undersigned (the “**Developer**”) in connection with the issuance of the above-captioned bonds.

Capitalized terms used in this Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the date of this Report).

A. Information related to property currently owned by the Developer and Affiliates in the Community Facilities District (the “**Property**”) in substantially the form of the table below.

**Rancho Murieta Community Services District
Community Facilities District No. 2014-1
Continuing Disclosure - Major Property Owner**

Developer-Owned Property Property Owned as of January 2015	Multi-Family Units	Current Entitlements		Commercial Square Footage	Final Map	Building Permits Pulled	Development Status		Sales Completed	Sales In Contract	Sales Status Remaining Inventory
		Single Family Units					Construction Complete	Notes			

B. In addition, to the extent the Developer is aware of and has access to information on whole ownership sales by other developers, that information will also be included in the Semi-Annual Report.

C. Description and status update of any land purchase contracts with regard to the Property that were entered into since the last Report Date or that were entered into prior to the last Report Date but that are still executory, whether acquisition of land in the Community Facilities District by the Developer or sales of land in the Community Facilities District to other property owners, distinguishing between (i) end users (e.g., condominiums), (ii) developers and (iii) merchant builders.

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Semi-Annual or Annual Report, describe any change in the legal structure of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Financial Status of Developer

Provide a statement describing any significant changes in the financial status of the Developer.

IV. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report or Annual Report, describe any significant changes in the information relating to the development plans or financing plans relating to the Property contained in the Official Statement under the heading “THE PROPERTY OWNERS AND THE DEVELOPER” and “THE DEVELOPMENT.”

V. Other Material Information

In addition to any of the information expressly required above, 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.

Certification

The undersigned Developer hereby certifies that this Report constitutes the Report required to be furnished by the Developer under the Disclosure Agreement.

ANY STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: _____

Rancho Murieta Properties, LLC, on behalf of itself and the
Original Property Owners

By: _____

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with 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 certificates 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 redemptions, 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 redeemed, 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 Authority 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).

Principal, premium (if any), and interest 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 CFD or the Fiscal Agent, 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 CFD, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an

authorized representative of DTC) is the responsibility of the CFD or the Fiscal Agent, 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the CFD or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The CFD may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Fiscal Agent Agreement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the CFD believes to be reliable, but the CFD takes no responsibility for the accuracy thereof.

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