
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
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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.

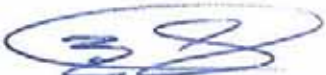
The subject property does not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

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

²The 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.

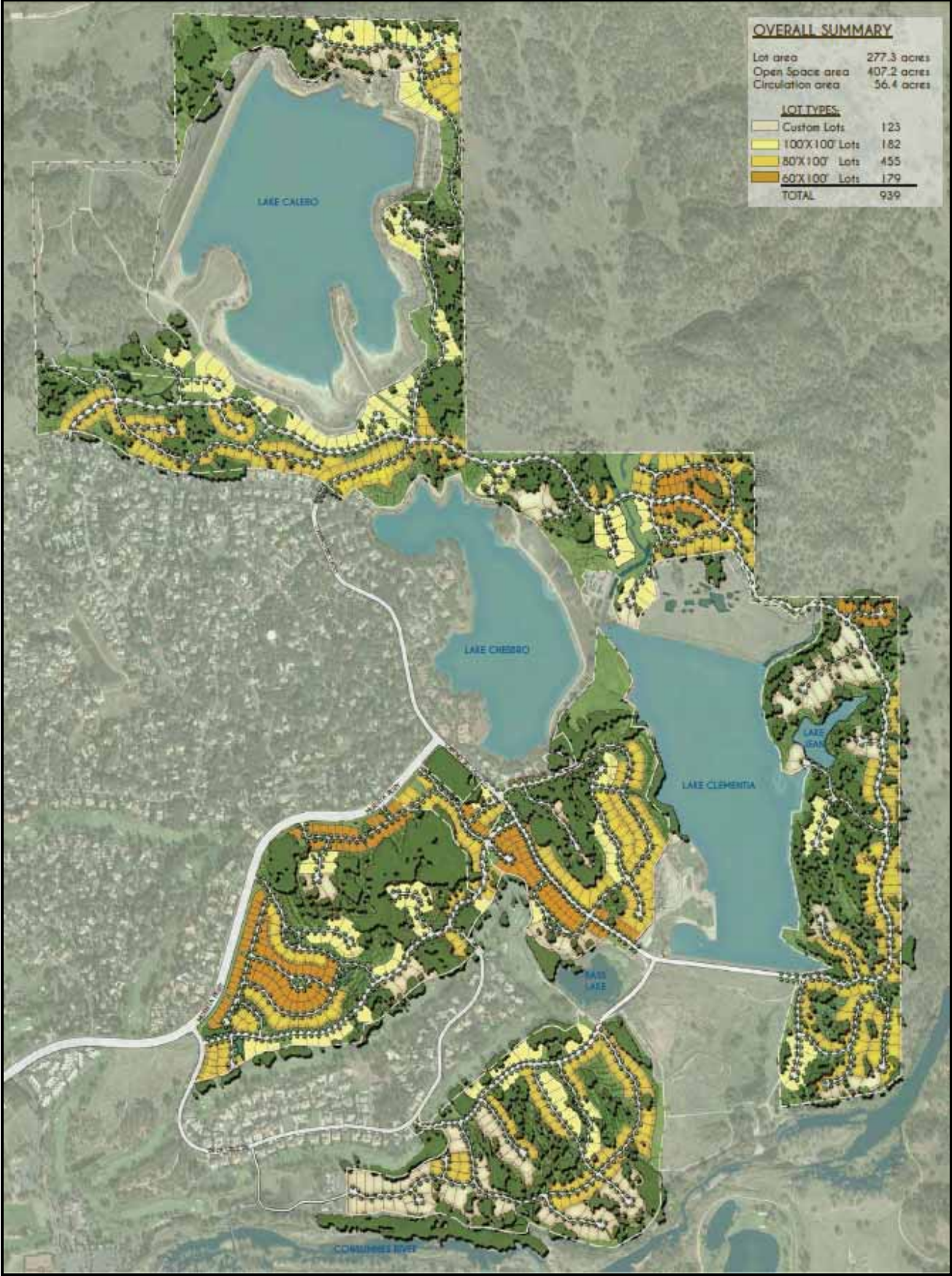
A more detailed discussion of entitlements and zoning is found in the *Property Legal Data* section. The following table summarizes the subject's parcels and gross acres, along with a table for the proposed development of the residential component.

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'	80' x 100'	60' x 100'
		Lots	Lots	Lots	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	<u>196,219</u>	<u>198,642</u>	<u>200,484</u>	<u>201,071</u>	<u>204,349</u>	<u>205,999</u>	<u>1.0%</u>
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.

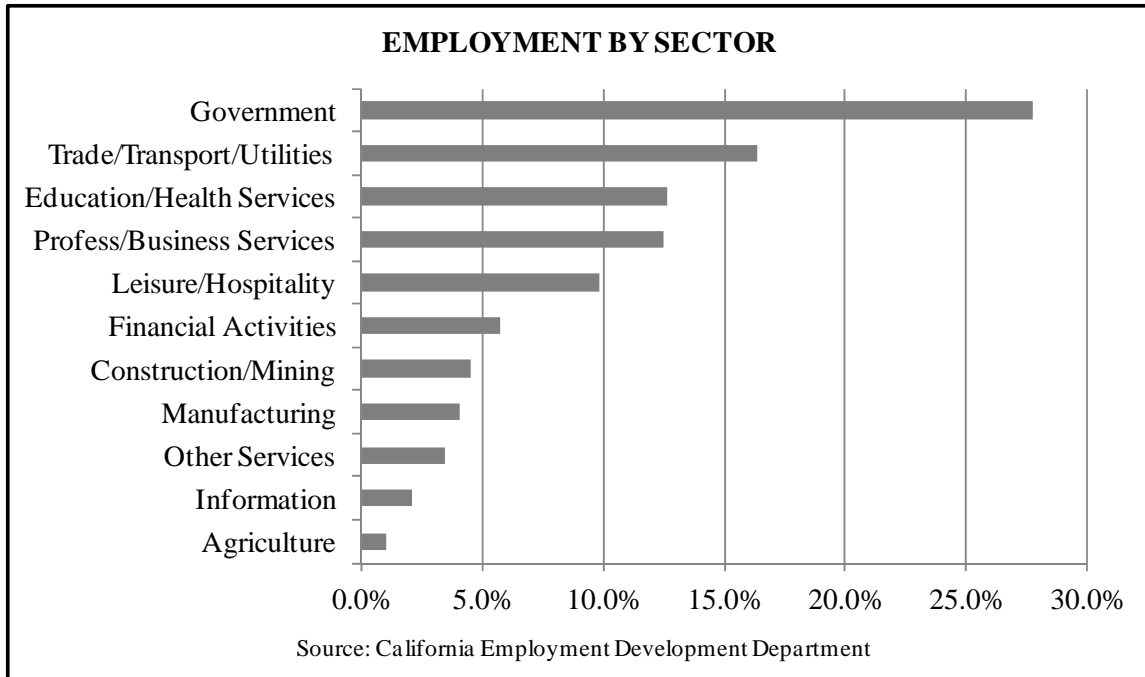
EMPLOYMENT TRENDS						
	2008	2009	2010	2011	2012	2013
Labor Force	1,047,000	1,052,000	1,049,900	1,044,300	1,051,600	1,046,600
Employment	973,200	935,200	918,700	920,300	942,900	956,400
Job Growth	(9,200)	(38,000)	(16,500)	1,600	22,600	13,500
Unemployment Rate	7.0%	11.1%	12.5%	11.9%	10.3%	8.6%

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).

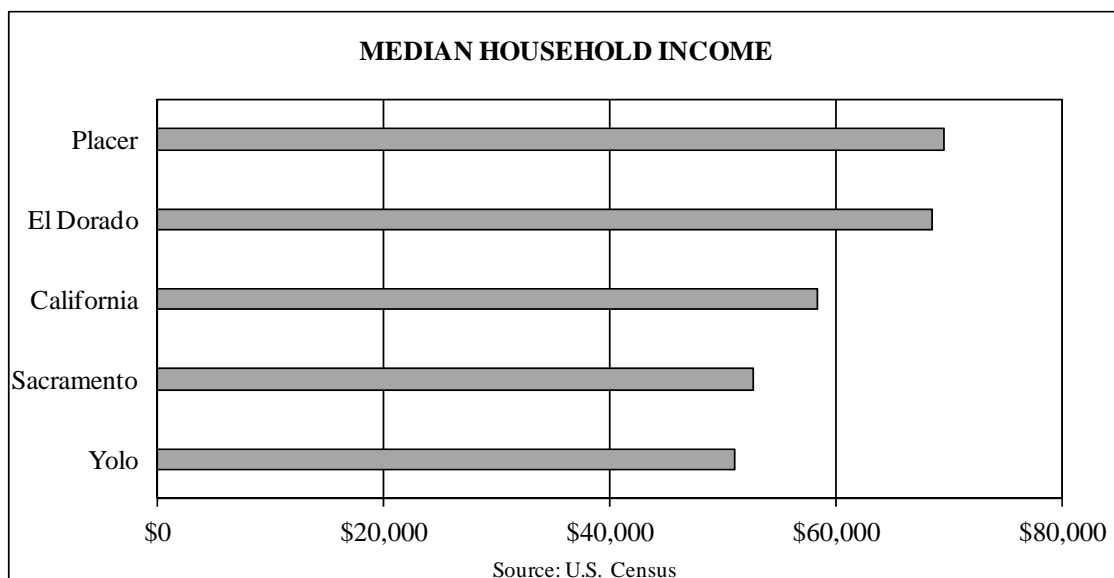
LARGEST EMPLOYERS			
	Company	Industry	Employees
1	State of California	Government	73,424
2	University of California Davis	University	12,639
3	Sacramento County	Government	10,634
4	UC Davis Health System	Healthcare	9,985
5	Sutter Health	Healthcare	9,494
6	Kaiser Permanente	Healthcare	9,109
7	Dignity Health (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 Shepherd 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, Albiani 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

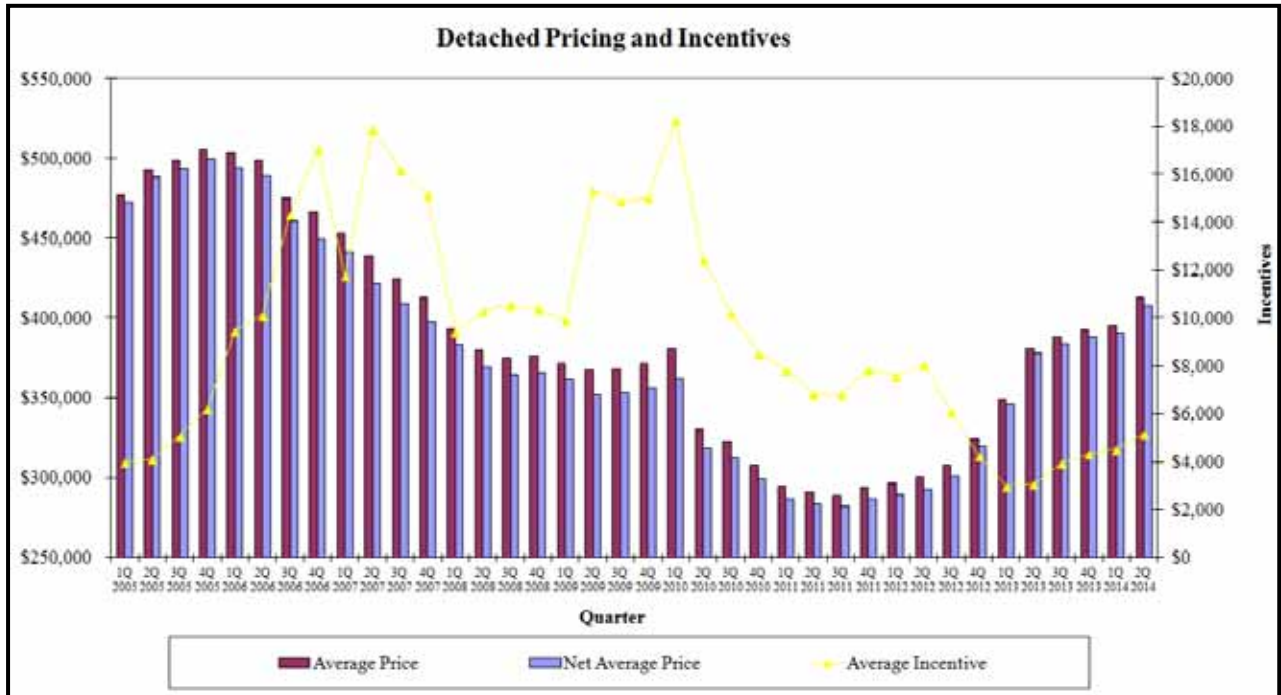
A table and chart depicting the pricing behavior of active detached single-family residential projects in Sacramento County are provided below and on the following page. The data indicated in the following table—like much of the data presented in this section of the report—was collected by The Gregory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

SACRAMENTO COUNTY

Quarter	Average Price	Net Average Price	Average Incentive	% Change Net Average Price	% Change Net Average Price - 12 Month Moving Average		Number of Projects
					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

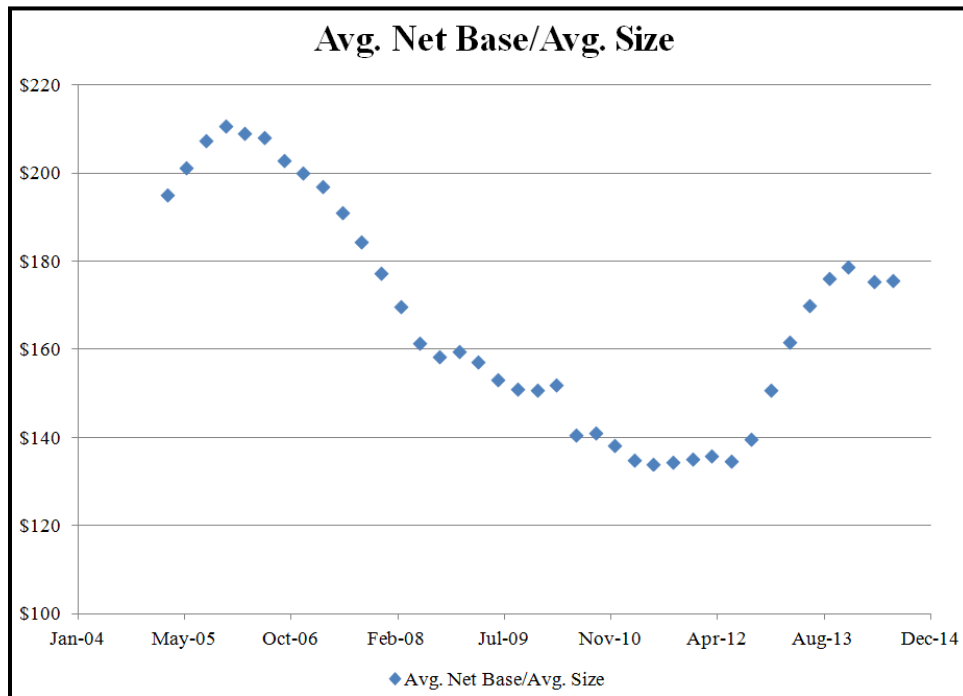
SACRAMENTO COUNTY



Source: The Gregory Group

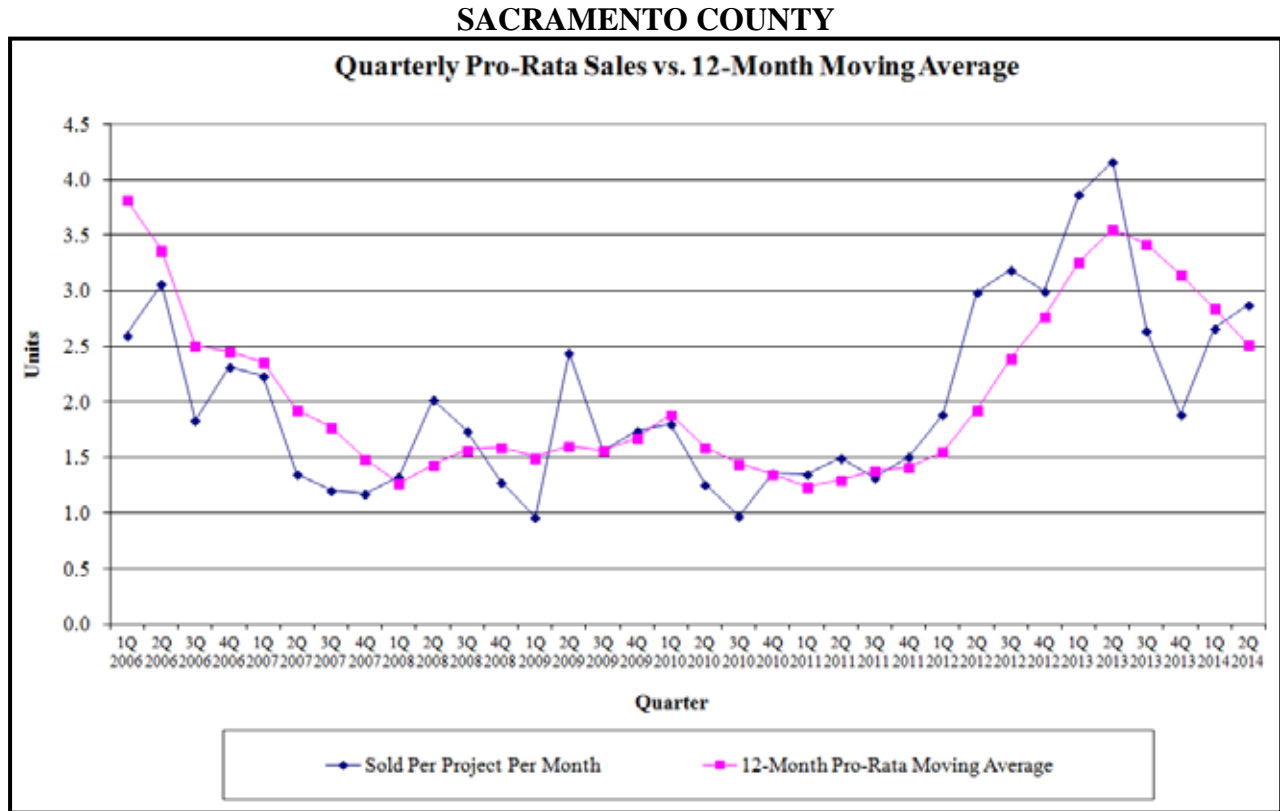
Net base prices have generally increased since the Fourth Quarter of 2011, but the number of projects has fluctuated. Currently there are 43 active new home projects in Sacramento County. Below, we chart the average new base price divided by the average home size.

SACRAMENTO COUNTY



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.

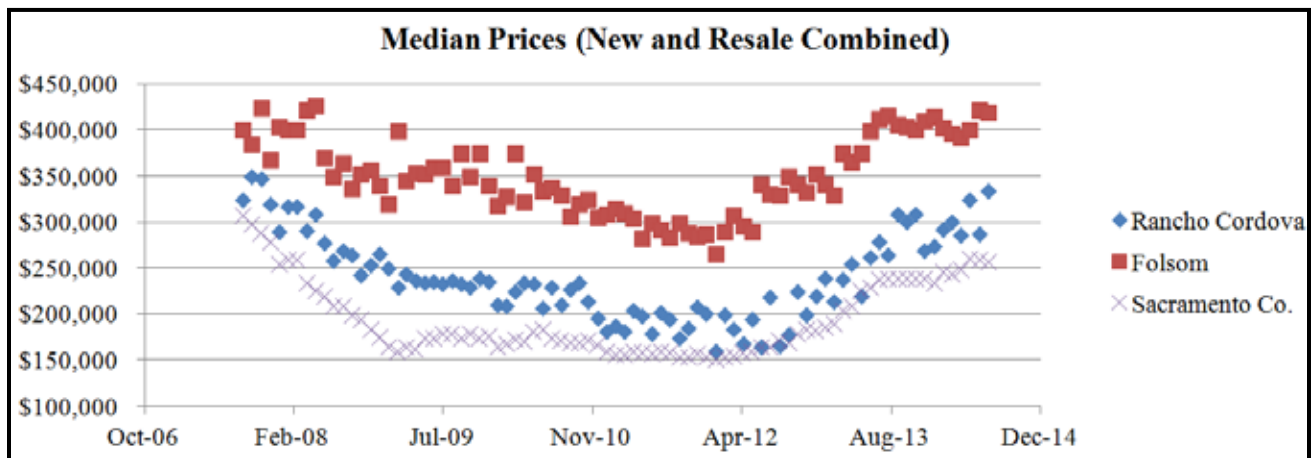
SACRAMENTO COUNTY - MEDIAN PRICES (NEW AND RESALE COMBINED)

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.



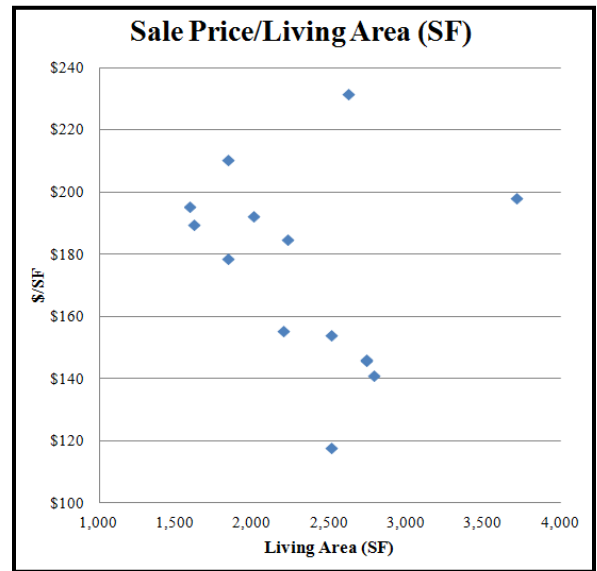
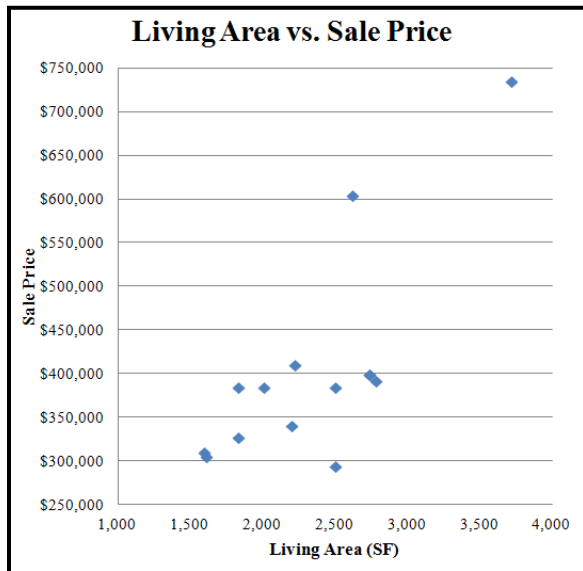
Source: DataQuick

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.

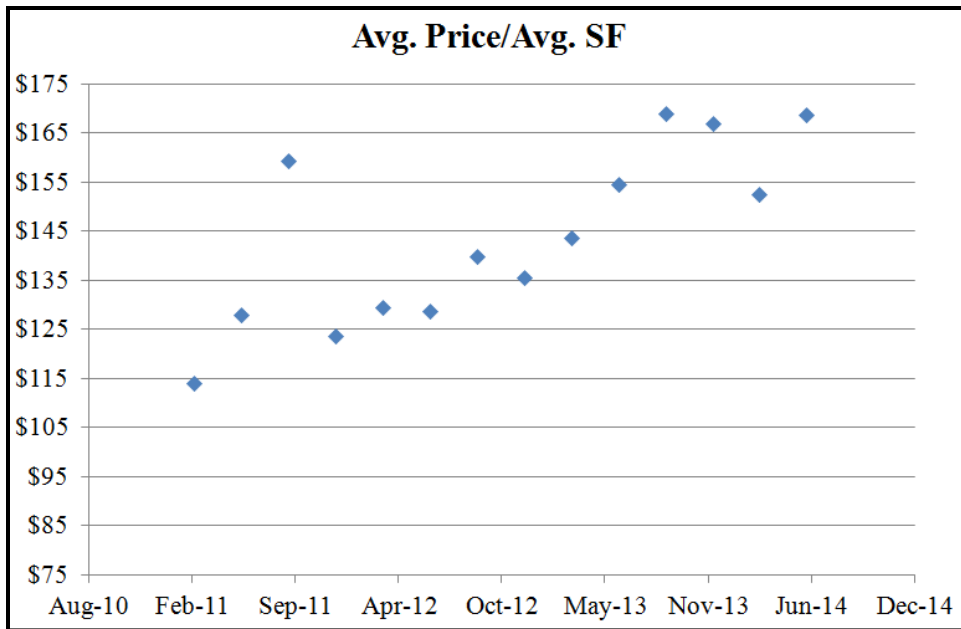
MARCH 1, 2014 – SEPTEMBER 16, 2014 SALES

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	\$399,990	\$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	2,345	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:

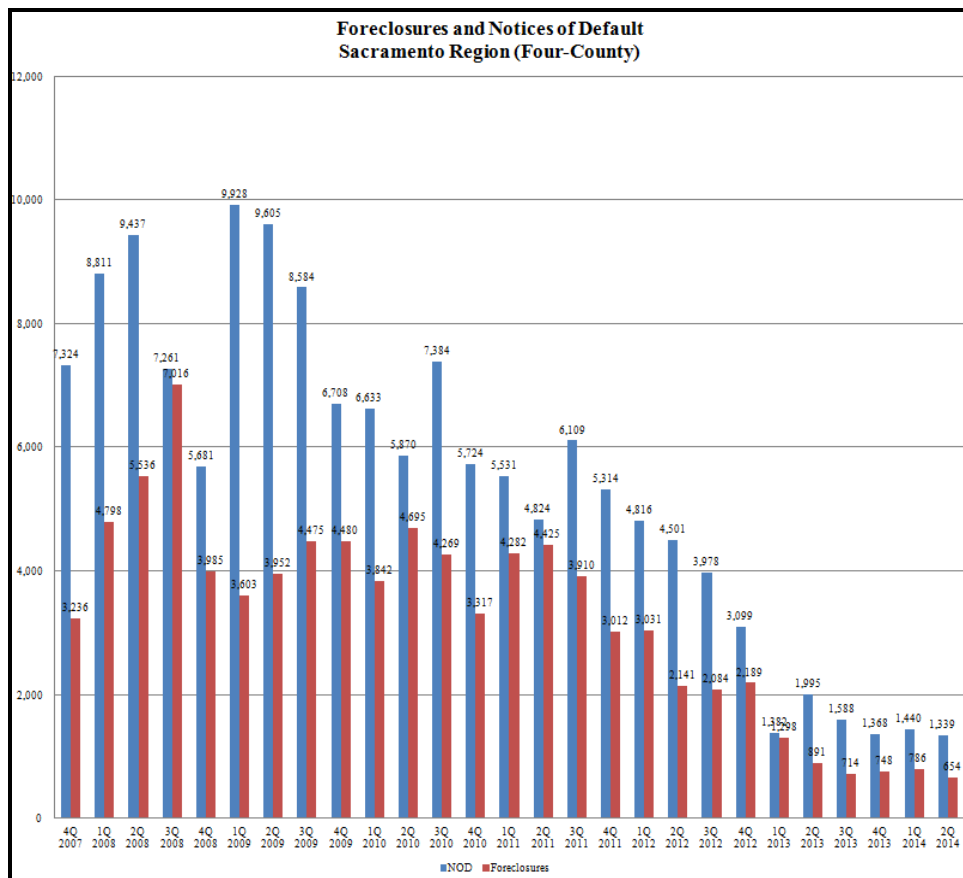


Source: MLS

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 Fiddymnt 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



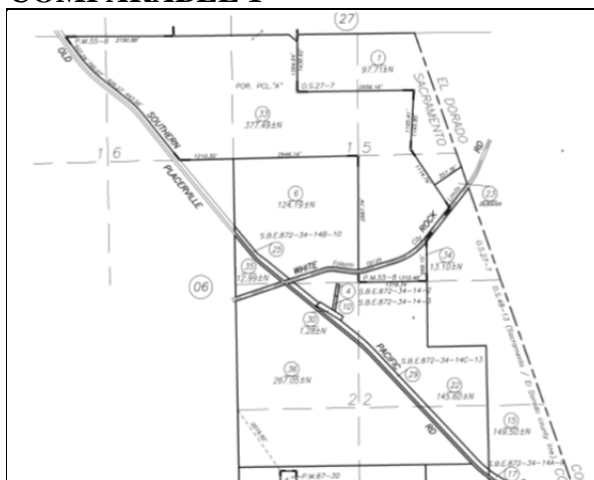
COMPARABLE 1

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

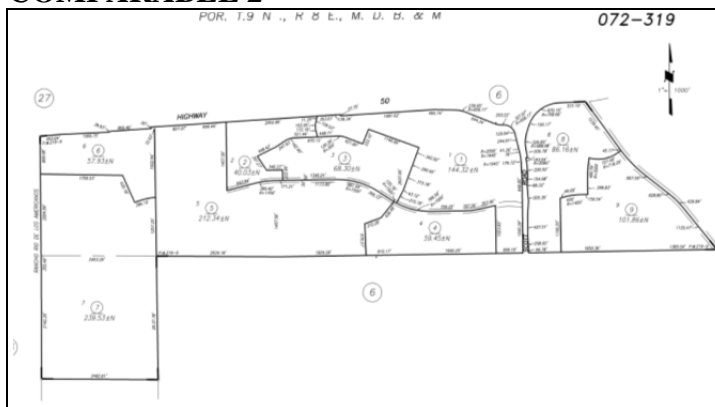
Property Identification

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-

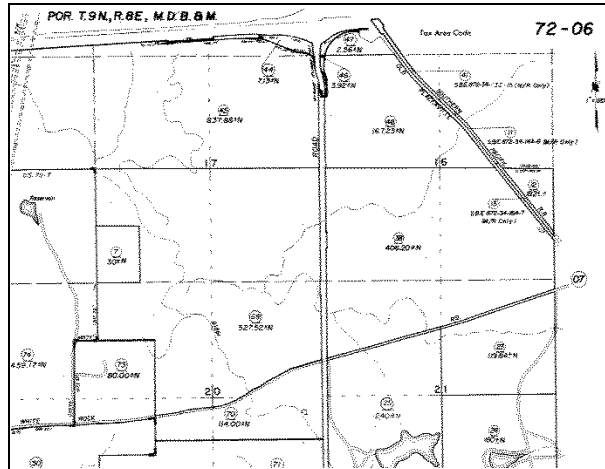
family lots on 202.8 acres, 1,432 multifamily units on 105.7 acres, 18.5 acres of parks and schools, 2.7 acres of sewer/public facilities, 59.9 acres of roads and 291.9 acres of open space. The commercial component of Carpenter Ranch, which was not included, has 252.9 acres of commercial (industrial, 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.

Property Identification

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

APN: 072-0060-069 and -038

COMPARABLE 3



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.

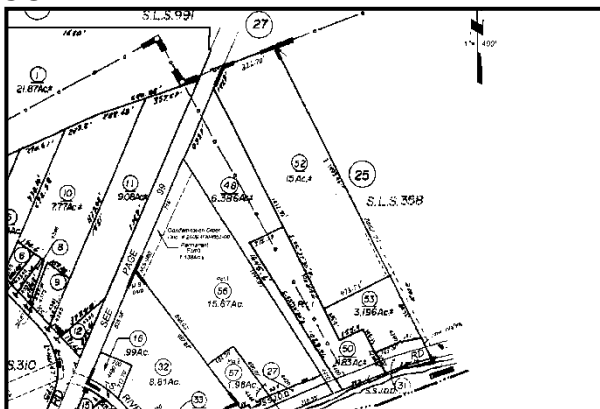
COMPARABLE 4

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

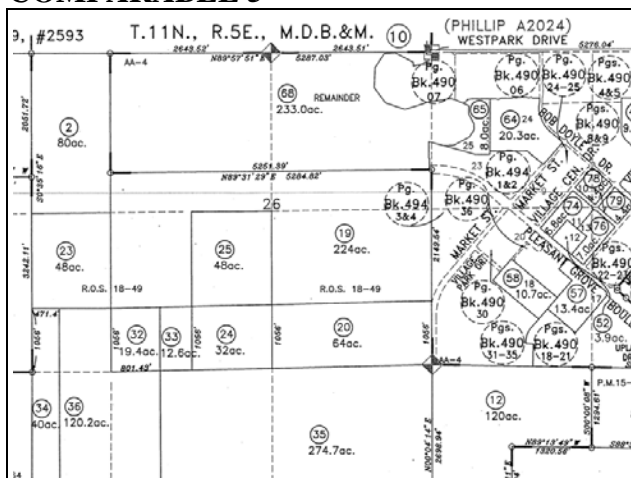
time of sale, the City estimated it would be approximately seven years before levee improvements are completed to provide 200-year flood protection. This property is affected by uncertain flood zone and moratorium risk.

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

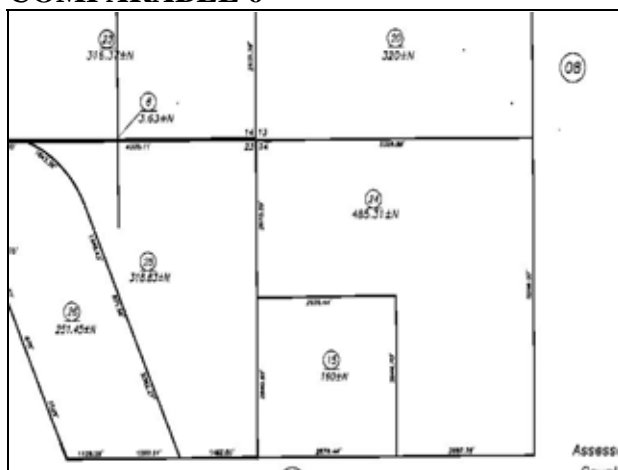
unknown. However, we estimate that approximately 75% of the property is developable, based on our knowledge of wetlands acreages on adjacent parcels and a review of a wetlands aerial photograph (produced by the City of Roseville).

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

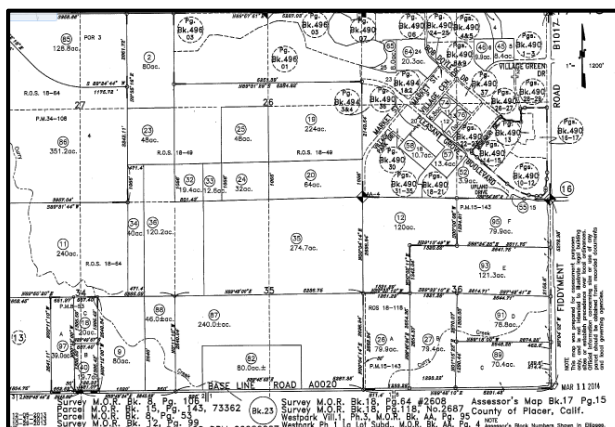
This comparable represents the sale of 485.31 acres known as the Sioukas property, located in the Cordova Hills Planning Area of Sacramento County. The seller acquired the property in 2007 for approximately \$19.1 million. The seller was motivated to sell by the end of 2009 for tax purposes. At the time 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 Fiddymment 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.

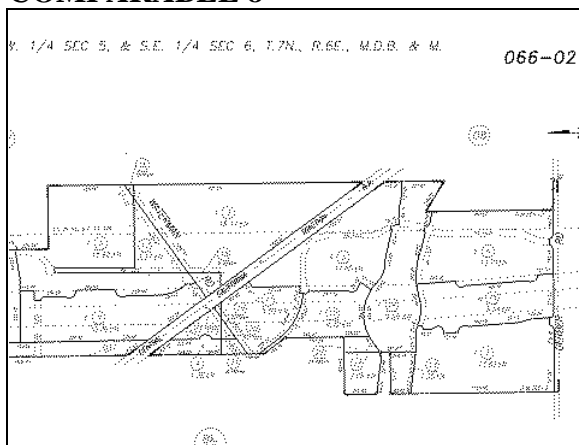
COMPARABLE 8

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

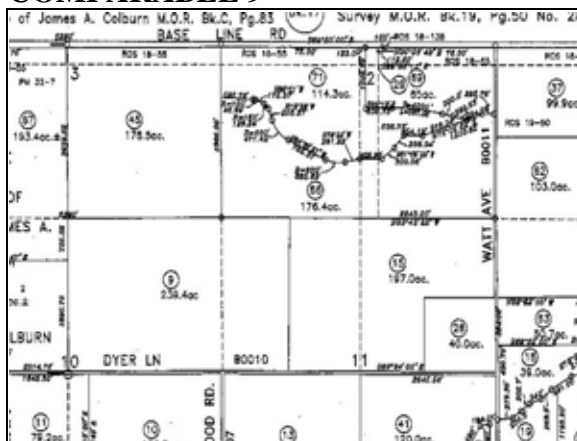
Property Identification

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

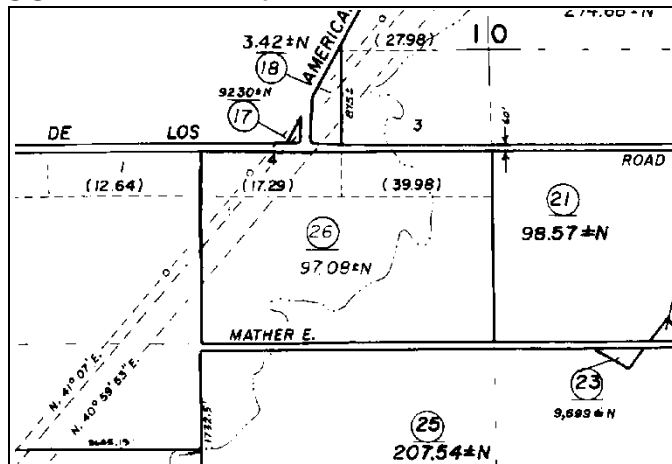
This comparable was a market sale that was sold by a Sacramento area investment firm to a land investment/development company. The property is planned for a variety of urban uses including 38 acres of medium density residential; 31 acres of business park; 7 acres of commercial mixed use; 7 acres of community/religious 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

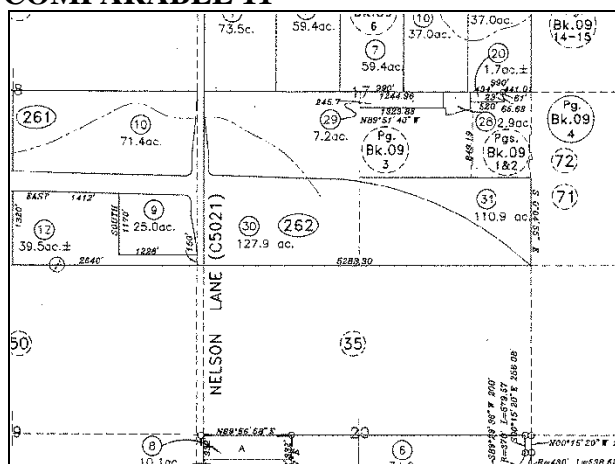
This comparable represents a March 2013 sale of 100.71 gross acres of entitled residential and commercial land in Rancho Cordova. The property is approved for 301 single-family lots and 19.5 acres of commercial development land. The site includes 43.81 acres of wetlands that are not developable; thus, 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

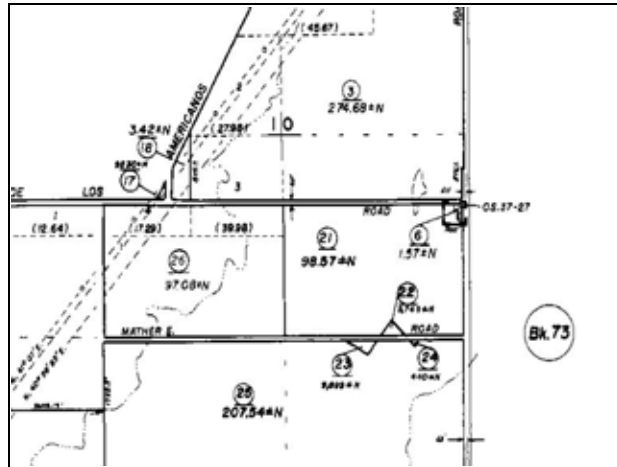
This comparable consists of approximately 70 acres located within the SUD-B area (at the northeast corner of State Highway 65 and Nelson Lane) and approximately 42 acres of planned low density residential land. The property is within the sphere of influence of Lincoln but is contiguous to the city limits. 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.

ADJUSTMENT GRID – NORTH OF JACKSON HIGHWAY

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 Adjustment	None	Similar	Similar	Similar	Similar	Similar	Similar
Property Rights Adjustment	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms Adjustment	Cash Equiv.	Similar	Similar	Seller-Financed (Downward)	Seller Financing (Downward)	Similar	Similar
Conditions of Sale Adjustment	Market	Market	REO/Market	Short Sale/Market	REO / Market	Above Market (Downward)	Market
Market Conditions Adjustment	Sep-14	May-13 (Downward)	Mar-13 (Downward)	Oct-12 (Downward)	Apr-11 (Upward)	Aug-10 (Upward)	Dec-09 (Upward)
Physical Characteristics:							
Location Adjustment	Rancho Murieta	Folsom (Downward)	Folsom (Downward)	Folsom (Downward)	West Sacramento	Roseville (SOI) (Downward)	Rancho Cordova (SI, Downward)
Entitlements Adjustment	Partial	Partial	Partial	Partial	SP Approved	Annex. in Process (Upward)	None/Proposed (Upward)
Land Area (Gross Acres) Adjustment	734.85	430.99	681.48	961.90	371.68	400.00	485.31
Developable Area Adjustment	66% Appraiser's Est.	75.0%	55% (Upward)	72.5%	84%	75% (est.)	75% (est.)
Development Timeline Adjustment	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 Adjustment	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

ADJUSTMENT GRID – SOUTH OF JACKSON HIGHWAY

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 Adjustment	None	Similar	Similar	Similar	Similar	Similar	Similar
Property Rights Adjustment	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms Adjustment	Cash Equiv.	Similar	Similar	Similar	Similar	Similar	Similar
Conditions of Sale Adjustment	Market	Market	Market	Market	REO/Market	Market	Short Sale/Market
Market Conditions Adjustment	Sep- 14	Early 2014	Dec- 13 (Downward)	May- 13 (Downward)	Mar- 13 (Downward)	Jan- 12 (Upward)	Jul- 11 (Upward)
Physical Characteristics:							
Location Adjustment	Rancho Murietta	Roseville (Downward)	Sacramento	Roseville (Downward)	Rancho Cordova (Downward)	Lincoln (SOI) (Downward)	Rancho Cordova (Downward)
Entitlements Adjustment	Approved/Substantial	Approved	Approved	Approved	Approved	1/3 Yes, 2/3 No (Upward)	Approved
Land Area (Gross Acres) Adjustment	92.95	94.50	146.13	119.20	100.71	111.90	105.10
Developable Area Adjustment	100%	100%	80% (Sl. Upward)	85% (Sl. Upward)	56% (Upward)	95.0%	95.0%
Development Timeline Adjustment	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 Adjustment	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	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
Jim Martin, Director, OREA

3007149



Seevers
Jordan
Ziegenmeyer
Real Estate Appraisal & Consultation

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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.....)



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(.....continued from previous page)

2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:

Offices
Retail
Industrial
Apartments
Subdivisions
Land

Special-purpose:

Athletic Clubs
Churches
Educational Facilities
Restaurants
Assisted-living Facilities
Auto Sales and Service
Lodging Facilities



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Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



Sample of Appraisal Experience (continued)

Bickford Ranch Community Facilities District No.
2003-1
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No. 1992-
1 (portion)
El Dorado County, California

This assignment involved the hypothetical cumulative or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.

Community Facilities District No. 16
West Sacramento, California

This project involved the valuation of Bridgeway Lakes, a high-end 609-lot single-family residential community located in the Southport area of West Sacramento. Lot densities within the project varied from low and medium density to rural estate lots. This report was prepared for the City of West Sacramento.

Community Facilities District No. 17
West Sacramento, California

This assignment concerned the valuation of 252 single-family lots and 252 proposed multifamily units comprising the Parella residential community in the Southport area of West Sacramento. This report was prepared for the City of West Sacramento.

Diablo Grande Community Facilities District No. 1
(Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No. 2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.



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Sample of Appraisal Experience (continued)

Brentwood Assessment District No. 2003-1
Brentwood, Contra Costa County, California

This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for the City of Brentwood.

Patterson Gardens & Keystone Pacific Business Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.

Syrah Condominiums
Sacramento, Sacramento County, California

Syrah is a proposed 245-unit residential condominium development with dual phase valuations. This report was prepared for KeyBank.



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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



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Sample of Appraisal Experience

Hunters Point Shipyard – Phase I
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.
2008-1 (Bay Meadows)
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District
No. 2010-1 (One Marina)
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District
No. 2009-2 (Vernalis Interchange)
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.



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Sample of Appraisal Experience (continued)

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.



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Sample of Appraisal Experience (continued)

Diablo Grande Community Facilities District No. 1
(Series 2002)
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No.
2002-1
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.

Patterson Gardens & Keystone Pacific Business
Park
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.



Business, 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.

COREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2013
 Date Expires: February 18, 2015

Jim Martin
 Jim Martin, Director, COREA

300-4944