

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$23,000,000
CITY OF ROSEVILLE
HP CAMPUS OAKS COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2016

Dated: Date of Delivery

Due: September 1, as shown below

The bonds captioned above (the "Bonds"), are being issued by the City of Roseville (the "City") by and through its HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of March 1, 2016 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Bonds are being issued to (i) construct and acquire certain public facilities of benefit to the District, (ii) provide for the establishment of a reserve fund, (iii) provide capitalized interest to and including September 1, 2017, and (iv) pay initial administration expenses and the costs of issuance of the Bonds. Interest on the Bonds is payable September 1, 2016, and thereafter semiannually on March 1 and September 1 of each year.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in initial denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, under the book-entry system maintained by DTC. See "APPENDIX G – The Book Entry System." Following notice of the QIP Litigation Settlement Date (as defined herein), if it occurs, to the Fiscal Agent, the Bonds will be authorized to trade in authorized denominations of \$5,000 or any integral multiple thereof. See "THE BONDS – Description of the Bonds."

The Bonds are secured by and payable from a pledge of (i) Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District and from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and (ii) amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so.** There is currently only one property owner in the District. To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent Special Taxes, the City will establish a Reserve Fund from proceeds of the Bonds, as described herein. Additional parity bonds may be issued only for refunding purposes. See "SECURITY FOR THE BONDS."

Property in the District comprises approximately 190 acres in the City, approximately 162 acres of which are currently planned for 948 residential units of low-, medium- and high-density product types and approximately 530,000 building square feet of non-residential development (consisting of 60,000 square feet of professional office, 170,000 square feet of commercial and 300,000 square feet of tech/business park), and the remaining approximately 28 acres of which are currently planned for parks, a fire station, a municipal well, roads and open space uses. The tech/business park area, as well as the parks, fire station, well, roads, and open space, so long as used for such purposes, are exempt from the levy of the Special Tax. The land in the District is currently undeveloped and owned by a single developer; development of the District constitutes a mixed use in-fill project which is underway and surrounded by developed property, including a Hewlett Packard Campus (as defined herein) immediately to the east and single-family residential developments to the north, south and west. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS – Redemption."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF PLACER, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY IN CONTRAVENTION OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

*This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds. **THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE BONDS TO ENTITIES WITH TOTAL ASSETS OF AT LEAST \$50 MILLION, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER MAKING THAT, AND CERTAIN OTHER, REPRESENTATIONS SUBSTANTIALLY IN THE FORM ATTACHED HERETO AS APPENDIX H.***

The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel and Nossaman LLP, Irvine, California, as counsel to the Underwriter. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about March 24, 2016.

PiperJaffray

MATURITY SCHEDULE

\$1,250,000 3.250% Term Bond Due September 1, 2021 Price: 100% CUSIP†: 777870WG7
\$2,465,000 4.000% Term Bond Due September 1, 2026 Price: 98.737% CUSIP†: 777870WC6
\$3,180,000 5.000% Term Bond Due September 1, 2031 Price: 104.124%^C CUSIP†: 777870WD4
\$4,055,000 5.000% Term Bond Due September 1, 2036 Price: 102.449%^C CUSIP†: 777870WE2
\$12,050,000 5.500% Term Bond Due September 1, 2046 Price: 105.690%^C CUSIP†: 777870WF9

C: Priced to the first optional redemption date of September 1, 2026 at par.

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CITY OF ROSEVILLE, CALIFORNIA

City Council

Carol Garcia, *Mayor*
Susan Rohan, *Vice Mayor*
Bonnie Gore, *Councilmember*
Tim Herman, *Councilmember*
Pauline Roccucci, *Councilmember*

City Staff

Rob Jensen, *City Manager*
Jay Panzica, *Chief Financial Officer*
Monty Hanks, *Finance Director*
Robert R. Schmitt, *City Attorney*
Sonia Orozco, *City Clerk*

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Sacramento, California

Absorption Consultant

The Gregory Group
Folsom, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to”, “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City or the District since the date hereof.

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

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

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

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OFFICIAL STATEMENT

\$23,000,000
CITY OF ROSEVILLE
HP CAMPUS OAKS COMMUNITY FACILITIES DISTRICT NO. 1
(PUBLIC FACILITIES)
SPECIAL TAX BONDS
SERIES 2016

This Official Statement, including the cover page and all appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the “**City**”) by and through its HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (the “**District**”) of the bonds captioned above (the “**Bonds**”).

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement described herein. Certain definitions and provisions of the Fiscal Agent Agreement not otherwise defined or summarized herein are set forth in “APPENDIX I – Summary of Certain Provisions of Fiscal Agent Agreement.”

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the “**Act**”), a Fiscal Agent Agreement dated as of March 1, 2016 (the “**Fiscal Agent Agreement**”) between the City and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as fiscal agent (the “**Fiscal Agent**”), and Resolution No. 15-447 adopted on September 22, 2015 by the City Council of the City (the “**City Council**”), as the legislative body of the District (the “**Resolution of Issuance**”), which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City Council and pursuant to the Fiscal Agent Agreement. The Bonds represent the first series of bonds being issued by the District and the City has covenanted not to issue additional parity bonds except for refunding purposes. The District and the City are located in Placer County (the “**County**”),

California (the “**State**”). For additional demographic information on the City and County, see “APPENDIX D – The City of Roseville and Placer County.”

Bond Terms. The Bonds will be dated as of, and bear interest from, the date of delivery thereof at the rate or rates set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2016. The Bonds will be issued without coupons in initial denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Following notice of the QIP Litigation Settlement Date (as defined herein), if it occurs, to the Fiscal Agent, the Bonds will be authorized to trade in authorized denominations of \$5,000 or any integral multiple thereof. See “THE BONDS – Description of the Bonds.”

Registration of Ownership of Bonds. The Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – The Book Entry System.”

Redemption of Bonds Before Maturity. The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes. See “THE BONDS – Redemption.”

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements of benefit to the District (the “**Improvements**,” as described herein). The Improvements consist generally of roadway, water, drainage, wastewater, and other infrastructure improvements necessary for development of property within the District, as well as park and open space improvements and environmental remediation and mitigation costs. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds and pay-as-you go financing using proceeds of the Special Tax; the Developer (defined herein) is required to fund any remaining shortfall pursuant to a development agreement described in more detail herein. See “THE IMPROVEMENTS.” Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to provide capitalized interest to and including September 1, 2017, to provide initial administration costs and to pay the costs of the issuance of the Bonds.

Source of Payment of the Bonds. The Bonds are payable from “**Special Tax Revenues**” which consist of the proceeds received by the City of special taxes levied on taxable real property within the boundaries of the District (the “**Special Taxes**”), including delinquent payments of the Special Taxes, interest and penalties thereon and the proceeds of any foreclosure actions brought following a delinquency, net of administration charges of the County (which is currently 1% of the tax levy). The Bonds are also payable from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, as more fully described herein. The Special Tax applicable to each parcel of taxable property in the District will be levied and collected by the City according to the tax liability determined by application of a rate and method of apportionment of Special Tax for the District (the “**Special**

Tax Formula”), which has been approved by the City Council, as the legislative body of the District. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent a lien on the taxable parcels as set forth in the Special Tax Formula and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See “SECURITY FOR THE BONDS – Special Tax Methodology” and “SPECIAL RISK FACTORS.”

Additional Bonds for Refunding Purposes Only. The maximum authorized indebtedness for the District is \$36,000,000; the Bonds are the first series of bonds being issued by the District and the City has covenanted not to issue additional parity bonds except for refunding purposes.

Reserve Fund. In the Fiscal Agent Agreement, the City directs the Fiscal Agent to establish a reserve fund (the “**Reserve Fund**”) from Bond proceeds in the amount of the Reserve Requirement (as defined herein), which amount is available to be transferred to the bond fund established by the Fiscal Agent pursuant to the Fiscal Agent Agreement in the event of delinquencies in the payment of the Special Taxes, to the extent of such delinquencies. The Reserve Fund is required to be maintained at the Reserve Requirement from moneys available under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Reserve Fund.” If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

The District. The land in the District is located in the City’s North Industrial Planning Area, as designated by the City’s General Plan, approximately one mile west of the State Route 65/Blue Oaks Boulevard interchange. The site is bound by Blue Oaks Boulevard to the north, the Hewlett Packard Campus (as defined herein) to the east, Woodcreek Golf Club to the south, and Woodcreek Oaks Boulevard to the west. The District is an infill area surrounded by developed property, including a Hewlett Packard Campus (as defined herein) immediately to the east, single-family residential developments to the north, south and west and commercial developments to the north and west. Property in the District comprises approximately 190 acres in the City, approximately 162 acres of which are currently planned for 948 residential units of low-, medium- and high-density product types and approximately 530,000 building square feet of non-residential development (consisting of 60,000 square feet of professional office, 170,000 square feet of commercial and 300,000 square feet of tech/business park), and the remaining approximately 28 acres of which are currently planned for parks, fire station, a municipal well, roads and open space uses. The tech/business park area, as well as the parks, fire station, well, roads and open space, so long as used for such purposes, are exempt from the levy of the Special Tax. The land in the District is currently undeveloped and with infrastructure construction underway for the planned mixed uses. See “THE DISTRICT.”

Land in the District is owned by BBC Roseville Oaks, LLC (the “**Developer**”). The Developer acquired all of the land in the District in December 2013 from the nonprofit Hewlett-Packard Company Foundation, which acquired the land as a donation from the Hewlett-Packard Company in 2009. The development of land in the District is geographically positioned to complement the adjoining Hewlett Packard campus located at 8000 Foothills Boulevard in the City, which currently employs approximately 2,200 persons (the “**Hewlett Packard Campus**”). Residential development in the District is expected to be attractive as housing for employees working at the Hewlett Packard Campus. Office and commercial space is intended to be neighborhood commercial and retail uses consistent with the needs of the suburban residents and employees currently living and working in the immediate vicinity. See “THE DISTRICT – Developer’s Anticipated Land Use Plan.”

The Developer has commenced construction of the improvements in the District, which are planned to be completed in a single phase before selling the land to merchant home builders and commercial users or developers. Backbone infrastructure financed with the Bonds is expected to be completed by the Fall of 2016. The Developer recorded a large lot final map of the District in late December 2015 and recently commenced the marketing of parcels to developers and end users as described herein. See "THE IMPROVEMENTS."

There are currently two lawsuits against the City and the Developer related to property, entitlements and environmental matters in the District, which if determined adversely to the City and the Developer could impact the planned build-out of the District into residential and commercial uses. See "–Ongoing Litigation" below and "LITIGATION" herein.

Absorption Report. A market assessment and absorption report was prepared by The Gregory Group, Folsom, California (the "**Absorption Consultant**"), dated December, 2015 (the "**Absorption Report**"). The Absorption Report was commissioned by the City in connection with its evaluation of the current development potential of the undeveloped land in the District entitled for residential uses. The Absorption Report analyzed residential product types, pricing and absorption for the entirety of the Developer's planned development in the District, based on then-existing market conditions within the City and the Sacramento region. A complete copy of the Absorption Report is attached to this Official Statement as APPENDIX C. See "THE DISTRICT – Absorption Report" and "APPENDIX C – The Absorption Report."

Appraised Value of Property. Taxable real property within the District is security for the Special Tax. The City authorized the preparation of an appraisal report (and an update appraisal report) for the approximately 129 acres of taxable real property within the District, which sets forth a total bulk sale discounted value for such property of \$73,190,000, as of a September 23, 2015 date of value, and as of an updated "not-less-than" date of value of March 2, 2016. The valuation assumes completion of the infrastructure improvements in the District described in this Official Statement and accounts for the impact of the lien of the Special Tax. See "VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – The Appraisal" and "THE IMPROVEMENTS." A complete copy of the original appraisal dated February 22, 2016 and the update to the appraisal dated March 2, 2016 are attached to this Official Statement as APPENDIX B. Given that the 33 acres of land zoned for tech/business park uses and the 27 acres of land planned for parks and open space are not currently subject to the Special Tax, this acreage was not included in the appraisal. In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions and conditions which affect the estimates as to value and should be carefully reviewed by prospective investors in their entirety. The appraisal is also based on the hypothetical condition that the backbone infrastructure improvements described in this Official Statement have been completed; however, construction of the Improvements has not yet begun, and is expected to commence shortly after issuance of the Bonds (although the Developer has done some preliminary grading and other work on the site). The appraised bulk sale valuation of the taxable real property in the District is approximately 3.15 times the \$23,226,405 amount of direct and overlapping liens on the property (consisting of \$23,000,000 aggregate principal amount of the Bonds plus \$226,405 overlapping debt described herein). See "APPENDIX B – The Appraisal and Update to the Appraisal" and "VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios" herein.

Ongoing Litigation. There are currently two lawsuits against the City and the Developer related to property, entitlements and environmental matters in the District, and the Development Agreement (as defined herein) related to property in the District.

First, on September 10, 2015, the City was served with a Petition for Writ of Mandate from Quality Investment Properties Roseville, LLC, Quality Investment Properties Roseville II, LLC and Quality Investment Properties Roseville Land Company, LLC (collectively, “**QIP**”), an owner of property adjacent to the District, regarding the HP Campus Oaks project. The action (the “**CEQA Action**”) was filed in Placer County Superior Court on September 3, 2015. The petition names the City and the City Council as co-defendants, and the Developer and Hewlett-Packard Company as the real parties in interest. The petition alleges that the co-defendants violated the California Environmental Quality Act (“**CEQA**”) by relying upon a 2015 addendum to environmental impact report originally prepared in 1996 for the HP Campus, as opposed to preparing a new or supplemental environmental impact report. See “THE DISTRICT – Environmental Matters” herein for more information on CEQA.

Second, on November 2, 2015, the City was served with a copy of a Complaint for Declaratory Relief, Breach of Contract and Petition for Writ of Mandamus (the “**Development Agreement Action**”) filed by QIP. The complaint alleges that the City and Developer committed a breach of contract with respect to the Development Agreement and Developer committed a breach of contract with respect to certain private development agreements governing the property in the District by approving the HP Campus Oaks project, and the related 2nd, 3rd, and 4th amendments to such Development Agreement.

For more information on both of these actions, see “LITIGATION” herein.

Risks of Investment. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. **THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE BONDS TO ENTITIES WITH TOTAL ASSETS OF AT LEAST \$50 MILLION, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER MAKING THAT, AND CERTAIN OTHER, REPRESENTATIONS SUBSTANTIALLY IN THE FORM ATTACHED HERETO AS APPENDIX H.**

Limited Obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the money held in certain funds established under the Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limitation or restrictions and neither the City Council, the City nor any officer or employee thereof are liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from Special Tax Revenues and the money held in certain funds established under the Fiscal Agent Agreement, all as provided in the Fiscal Agent Agreement.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds and certain other documents are included in this Official Statement. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Finance Director of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

THE BONDS

Authority for Issuance

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

On September 22, 2015, the City Council adopted Resolution No. 15-443 (the “**Resolution of Formation**”), which formed the District and followed a Resolution of Intention adopted on August 19, 2015. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$36,000,000 at a special election in the District held on the same day. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted solely of the Developer, the only eligible landowner/voter in the District, who cast one vote for each gross acre or portion of an acre of land owned within the District. The landowner voted to incur the indebtedness and to approve the levy of Special Taxes to be collected within the District pursuant to the Special Tax Formula.

Description of the Bonds

Bond Terms. The Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing September 1, 2016. The principal of the Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

Minimum Denominations. The Bonds are being issued in initial denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. However, upon receipt by the Fiscal Agent of an Officer’s Certificate notifying the Fiscal Agent of the QIP Litigation Settlement Date then (i) the Fiscal Agent will promptly file a notice of change in authorized denominations with the Municipal Securities Rulemaking Board (MSRB) on its EMMA system and with The Depository Trust Company; (ii) the Bonds will be authorized to trade in authorized denominations of \$5,000 or any integral multiple thereof as of the date specified in the foregoing notice; and (iii) the Fiscal Agent will, upon request of any Owner of the Bonds, issue replacement securities for any securities initially issued in denominations of \$100,000 or integral multiple of \$5,000 in excess thereof, in accordance with the Fiscal Agent Agreement.

In the Fiscal Agent Agreement, “**QIP Litigation Settlement Date**” means the first date on which an Authorized Officer, in his or her sole discretion, determines that both of the following litigations have been conclusively and finally settled, brought to final (non-appealable) judgment or otherwise disposed of by the City on terms favorable to the City (as determined by the Authorized Officer, in his or her sole discretion:

- (i) the CEQA Action; and

- (ii) the Development Agreement Action.

For more information on these actions, see “LITIGATION” herein.

Book-Entry Only System. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – The Book Entry System” below.

Calculation and Payment of Interest. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the month next preceding the month of the applicable Interest Payment Date whether or not such day is a business day (the “**Record Date**”), or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See “APPENDIX G – The Book Entry System” below.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the dated date of the Bond; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – The Book Entry System” below.

Redemption

Optional Redemption. The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any date on or after September 1, 2026, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption From Prepayments. The Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Interest Payment Dates through March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing September 1, 2021, September 1, 2026, September 1, 2031, September 1, 2036 and September 1, 2046 (the "Term Bonds") are subject to mandatory sinking payment redemption in part on September 1, 2018, September 1, 2022, September 1, 2027, September 1, 2032 and September 1, 2037, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bonds Due September 1, 2021

Mandatory Redemption Date (<u>September 1</u>)	Sinking Fund Payment
2018	\$255,000
2019	295,000
2020	330,000
2021 (maturity)	370,000

Term Bonds Due September 1, 2026

Mandatory Redemption Date (<u>September 1</u>)	Sinking Fund Payment
2022	\$415,000
2023	460,000
2024	510,000
2025	530,000
2026 (maturity)	550,000

Term Bonds Due September 1, 2031

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2027	\$575,000
2028	605,000
2029	635,000
2030	665,000
2031 (maturity)	700,000

Term Bonds Due September 1, 2036

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2032	\$735,000
2033	770,000
2034	810,000
2035	850,000
2036 (maturity)	890,000

Term Bonds Due September 1, 2046

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2037	\$935,000
2038	990,000
2039	1,040,000
2040	1,100,000
2041	1,160,000
2042	1,225,000
2043	1,290,000
2044	1,360,000
2045	1,435,000
2046 (maturity)	1,515,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the Term Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any Bonds designated for

redemption, at their addresses appearing on the Bond registration books in the principal office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the principal office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

City's Right to Rescind. The City has the right to rescind any notice of the optional redemption of Bonds and such notice may be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Neither the City nor the Fiscal Agent will have any liability to the Owners of the Bonds or any other party related to any such rescission of redemption.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption are deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "APPENDIX G – The Book Entry System." Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such

transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds follows:

Estimated Sources of Funds:

Principal Amount of Bonds	\$23,000,000.00
Plus Original Issue Premium	884,962.20
Total	\$23,884,962.20

Estimated Uses of Funds:

Deposit to Improvement Fund	\$19,900,000.00
Deposit to Reserve Fund	1,601,325.00
Deposit to Bond Fund ⁽¹⁾	1,671,238.40
Costs of Issuance ⁽²⁾	712,398.80
Total	\$23,884,962.20

(1) Represents an amount scheduled to provide for capitalized interest to and including September 1, 2017.

(2) Includes fees of bond and disclosure counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, Special Tax Consultant, Absorption Consultant, Appraiser and Municipal Advisor fees, Underwriter's discount, and other costs of issuance.

SECURITY FOR THE BONDS

Pledge of Special Tax Revenues and Other Amounts

As described more herein, all of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Improvement Fund and the Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge constitutes a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, including any mandatory sinking fund payments, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or defeased in accordance with the Fiscal Agent Agreement.

The Special Tax Revenues consist of the proceeds received by the City of Special Taxes levied on taxable real property within the boundaries of the District, including delinquent payments of the Special Taxes, interest and penalties thereon and the proceeds of any foreclosure actions brought following a delinquency, net of administration charges of the County (currently at 1% of the tax levy).

Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay debt service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any facilities financed with the proceeds of the Bonds are not pledged to pay debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Special Taxes

A Special Tax applicable to each parcel of taxable property in the District will be levied and collected according to the tax amount determined by the City Council through the application of the Special Tax Formula prepared by Economic & Planning Systems, Inc., Sacramento, California (the “**Special Tax Consultant**”), as originally adopted and subsequently amended, at the request of the Developer, and set forth in APPENDIX A hereto for all taxable properties in the District. Prior to remittance of the Special Tax collections to the City, the County deducts and retains a 1% County administration fee.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the State Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to the Special Tax Formula approved by the City. See “– Special Tax Methodology” below and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the “**Maximum Annual Special Tax**” in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount not in excess of the Maximum Annual Special Tax. Pursuant to the Acquisition Agreement (defined herein), the City has covenanted to levy the Maximum Annual Special Tax on all

Taxable Parcels, for the first ten years of the Special Tax levy, to generate additional pay-as-you-go proceeds, up to a maximum total (when combined with bond proceeds) of \$22 million. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula and described below) among the parcels of taxable property within the District according to the rate and methodology set forth in the Special Tax Formula. See “– Special Tax Methodology” below and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The City may levy the Special Tax at the Maximum Annual Special Tax rate authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted in the Fiscal Agent Agreement to annually levy the Special Taxes in an amount at least sufficient to pay the Annual Costs. Because each Special Tax levy on a parcel is limited to the Maximum Annual Special Tax authorized for such parcel as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Annual Costs will in fact be collected in any given year. See “SPECIAL RISK FACTORS – Tax Delinquencies” herein. The Special Taxes will be collected for the District by the County in the same manner and at the same time as the general taxes on real property are payable, although the City may prescribe another manner for collection if necessary to pay the debt service on the Bonds.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the Special Tax Formula. The following summary of the Special Tax Formula is qualified in its entirety by reference to the full text of the Special Tax Formula, which is set forth in “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Annual Costs. Each year, the City will determine the Annual Costs of the District for the upcoming Fiscal Year. The “**Annual Costs**” includes the following items:

- (i) Debt Service on the Bonds, where “Bonds” is defined to include bonds issued by the City for the District under the Act and any other debt, as defined in the Act, the City incurs to further the District’s purposes;
- (ii) any amounts needed to replenish Bond reserve funds, to the extent not included in the computation of Annual Costs in a previous Fiscal Year;
- (iii) Administrative Expenses for such Fiscal Year;
- (iv) any amounts needed to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or foreseeable deficiency expected to occur in such Fiscal Year; and

- (v) pay-as-you-go expenditures for Authorized Facilities.

The calculation of Annual Costs is the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula.

Classification of Parcels. By June 30 of each Fiscal Year, using the records of the City and the County Assessor, the City will cause each parcel in the District to be classified as a Taxable Parcel or a Tax-Exempt Parcel. Further, the City will cause each parcel to be classified as a Developed Parcel, a Small Lot Tentative Map Parcel, a Large Lot Parcel (including Remainder Parcels) or an Undeveloped Parcel. A **"Taxable Parcel"** is a parcel that is not a Tax-Exempt Parcel. A **"Tax-Exempt Parcel"** means a Parcel not subject to the Special Tax. Tax-Exempt Parcels, include (a) Public Parcels, (b) Parcels owned by the City, school districts, special districts, or the state or federal government, and (c) Large Lot Number 5 (CO-51) Assessor's Parcel Number 017-231-020 and Number 11 (CO-52) Assessor's Parcel Number 017-231-026 as identified on "Attachment 1" and "Attachment 3" to the Special Tax Formula or any Successor Parcel thereto as long as the Tax Category on that Original Parcel or any Successor Parcel thereto remains Light Industrial (Tech./Business Park).. At the time of formation of the District, land in the District comprised 4 large parcels, including Assessor's Parcel Number 017-230-077, which is projected for development consistent with Hewlett Packard's adjacent technology oriented use and will not bear a Special Tax if that type of development is achieved. The Developer recorded a large lot final map of the District in late December 2015, which created 32 "Large Lot Parcels," including by splitting Assessor's Parcel Number 017-230-077 into two parcels (described for development plan purposes and referred to herein as "CO-51" and "CO-52"). Taxable Parcels that are acquired by a public agency after the District has been formed will remain subject to the Special Tax unless a "trade" resulting in no net loss in Maximum Annual CFD Special Tax Revenue can be made, as described in the Special Tax Formula.

As described elsewhere in this Official Statement, there are currently two lawsuits against the City and Developer related to property, entitlements and environmental matters in the District. If determined adversely to the City and the Developer, such dispute could impact the planned build-out of the District into residential and commercial uses as described herein. See "LITIGATION" herein.

Calculating the Maximum Annual Special Tax. The Special Tax Formula provides a mechanism by which the Maximum Annual Special Tax is assigned to Original Parcels and Successor Parcels (including Large Lot Parcels, Single-Family Parcels and/or Remainder Parcels). The Special Tax Formula further provides for the treatment of a Unit that has been designated as an Affordable Unit or that no longer qualifies as an Affordable Unit. In accordance with the Special Tax Formula, the City may, in its sole discretion, allow for a transfer of the Maximum Annual Special Tax from one Large Lot Parcel to another in certain circumstances. Pursuant to the Special Tax Formula, the Maximum Annual Special Tax will be increased in each Fiscal Year following the Base Year by the **"Tax Escalation Factor,"** which is equal to 2% of the Maximum Annual Special Tax in effect in the prior Fiscal Year.

The Maximum Annual Special Tax for the initial Base Year (Fiscal Year 2015-16) for medium-density and low-density residential units is expected to range from \$1,500 to \$2,280 (excluding Affordable Units, which are to be taxed at 60% of the rate charged to market rate units, except for Very Low Income Affordable Units, which are exempt from the Special Tax),

however these amounts are subject to adjustment based upon the actual number of units built. For Large Lot Parcels and Undeveloped Parcels, the Special Tax is based upon the gross acres or number of units planned for such parcels. There is a combined rate for high density residential parcels that reflects \$1,200 per market rate unit and \$720 per low income Affordable Unit (Very Low Income Affordable Units are exempt from the Special Tax). Pursuant to the Special Tax Formula, the Maximum Annual Special Tax will escalate by 2% per year for the duration of the term of the Special Tax Formula. See "APPENDIX A – Rate and Method of Apportionment of Special Tax" and for a table showing the expected land uses and assigned Maximum Annual Special Taxes, see "Attachment 2" and "Attachment 3" in such Appendix.

Effect of Adverse Ruling in Litigation. In the event the Development Agreement Action results in invalidating the portion of the Development Agreement which provides for the mixed uses described herein (thus reverting permitted land use in the District back to the previously approved light industrial uses), the light industrial uses allowable under the HPCO Master Plan (described below) would remain in place as the then-current approved land use for the District. Likewise if the CEQA Action is held adverse to the City and the Developer, light industrial uses continue to be permitted per the 1996 environmental approvals. See "THE DISTRICT – The Hewlett-Packard|Campus Oaks (HPCO) Master Plan" below. The City is unable to determine the impact on timing of development or ultimate land uses in the event of an adverse ruling from either or both of the cases.

Calculating Annual Special Taxes. The Special Tax will be levied each year by calculating the Annual Costs which need to be generated by all Taxable Parcels in the District; the Special Tax (up to the maximum allowable amount) will be levied against each Taxable Parcel until the Special Tax levy equals the Annual Costs; however, the Special Tax Formula establishes a priority for which taxable properties will be levied a Special Tax. First, all Developed Parcels will receive a Special Tax levy. If additional Special Taxes are needed to pay Annual Costs, a levy will be made against all Small Lot Tentative Map Parcels, then against all Large Lot Parcels, and finally against all Undeveloped Parcels. In no event may a parcel be subject to a Special Tax levy that is greater than the Maximum Annual Special Tax applicable to it.

Limitation on Increases in Special Tax Levy. If owners of Taxable Parcels are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Annual Special Tax rates specified for each category of property within the District. In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such fiscal year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See "SPECIAL RISK FACTORS."

Prepayment of the Special Tax. The Special Tax Formula provides that, subject to certain conditions, landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City (a "**Prepayment**"). The amount of the Prepayment required is calculated according to a procedure set forth in the Special Tax Formula, which is generally based on the net present value of the remaining years in which the Special Tax will be collected and the Remaining Facilities Costs, all as described in Section 7 of the Special Tax Formula.

Prepayment is only allowed if the City determines that the prepayment does not jeopardize its ability to make timely payments of debt service on outstanding bonds.

Duration of the Special Tax. The Special Tax will be levied and collected (up to the maximum allowable amount) for as long as needed to pay the Annual Costs. However, the Special Tax Formula provides that the Special Tax may not be levied on any parcel in the District after Fiscal Year 2060-61. When all the costs of the Improvements and other Annual Costs incurred by the District have been paid, the Special Taxes will cease to be levied.

Levy of Annual Special Tax

The City covenants in the Fiscal Agent Agreement to fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the Special Tax Formula.

The Special Tax Formula provides a mechanism whereby the Developer and the City may utilize the pay-as-you-go component to pay for and/or reimburse the Developer for a portion of the cost of Improvements not funded by proceeds of the bonds issued for the District. Proceeds of the annual Special Tax levy will first be used to pay the Annual Costs (which include debt service payments on the Bonds) other than pay-as-you-go expenditures, and the City and the Developer contemplate that the Special Tax levy will include a pay-as-you-go component for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. As set forth in the Development Agreement and Acquisition Agreement, the City has agreed to cooperate with the Developer to provide for a pay-as-you-go component for the first 10 years of the Special Tax levy by levying the Maximum Annual Special Tax on all Taxable Parcels during such period, to generate additional pay-as-you-go proceeds, up to a maximum total (when combined with bond proceeds) of \$22 million. See "THE IMPROVEMENTS."

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, all Special Tax Revenues, other than as a result of Prepayments, received by the City are required to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds (the "**Special Tax Fund**"). Within the Special Tax Fund, a "**Surplus Account**" is established for the purposes described below. Pending any disbursement, moneys in the Special Tax Fund will be subject to a lien in favor of the Owners of the Bonds.

As soon as practicable after the receipt by the City of any Special Tax Revenues, other than as a result of Prepayments, or the transfer of amounts to the Special Tax Fund pursuant to the Fiscal Agent Agreement, but no later than 10 Business Days after such receipt or transfer, the City will withdraw from the Special Tax Fund and transfer to the Fiscal Agent:

- (i) for deposit in the Bond Fund (see "– Bond Fund" below), an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds during the then-current Bond Year; and

(ii) for deposit in the Reserve Fund (see “– Reserve Fund” below), an amount, taking into account amounts then on deposit in the Reserve Fund, so that the amount in the Reserve Fund equals the Reserve Requirement (as defined below).

After the transfers described above have been made, the City may, on or after September 2nd of each year, transfer to the Surplus Account of the Special Tax Fund the amount remaining in the Special Tax Fund, whereupon such moneys transferred shall be free of the pledge for payment of the Bonds. From time to time, the City may withdraw from the Surplus Account amounts needed to pay costs of the Improvements or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

As used in the Fiscal Agent Agreement, “**Bond Year**” means each 12-month period beginning on September 2nd in any year and extending to the next succeeding September 1st, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2016.

Bond Fund

The Fiscal Agent Agreement establishes a Bond Fund (the “**Bond Fund**”) to be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds. Moneys in the Bond Fund will be used for the payment of the principal of, and interest and any premium on, the Bonds, and pending such disbursement, subject to a lien in favor of the Owners of the Bonds. Within the Bond Fund, the Fiscal Agent will establish and maintain (i) a “**Capitalized Interest Account**,” to the credit of which deposit will be made on the closing date of the Bonds as described above under “ESTIMATED SOURCES AND USES OF FUNDS” and (ii) a “**Prepayment Account**,” which will be used exclusively for the administration of any Prepayments of Special Taxes to assure the timely redemption of Bonds.

On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the mandatory sinking fund payments or any optional redemption of the Bonds, provided that so long as monies remain in the Capitalized Interest Account, the Fiscal Agent will first withdraw from such Capitalized Interest Account for payment to the Owners of the Bonds the interest then due and payable thereon.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on any series of Bonds, the Fiscal Agent will withdraw from the respective reserve account within the Reserve Fund established for such series of Bonds to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent will provide written notice to the City of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund will be deposited in the Bond Fund. See “– Reserve Fund” below.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of mandatory sinking fund payments, and then to payment of principal due on the Bonds by reason of

mandatory sinking fund payments. Any mandatory sinking fund payment not made as scheduled shall be added to the following such payment date.

If 10 days before any Interest Payment Date it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent will report such fact to the City. The City covenants in the Fiscal Agent Agreement to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amounts authorized) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund (the “**Reserve Fund**”), to be held by the Fiscal Agent, and within the Reserve Fund the “**2016 Reserve Account**,” to the credit of which a deposit shall be made as described above under “ESTIMATED SOURCES AND USES OF FUNDS.” For each respective series of bonds issued on a parity basis for refunding purposes that are covered by the Reserve Fund, the Fiscal Agent will establish a separate subaccount within the Reserve Fund. Moneys in each subaccount shall be held in trust by the Fiscal Agent for the benefit of the Owners of the respective series of bonds as a reserve for the payment of principal of, and interest on, the respective series of bonds and will be subject to a lien in favor of the Owners of the respective series of such bonds.

The City has the right at any time to cause the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Fund Credit Instrument (as defined below), and (ii) an opinion of bond counsel stating that such release will not, of itself, cause the portion of the interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, the Fiscal Agent will transfer such funds from the Reserve Fund to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, the City is obligated either to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the Reserve Fund together with all Qualified Reserve Fund Credit Instruments held by the Fiscal Agent is at least equal to the Reserve Requirement (which funds may come from a draw by the Fiscal Agent on the Qualified Reserve Fund Credit Instrument prior to its expiration).

A “**Qualified Reserve Fund Credit Instrument**” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met:

- (i) the long-term credit rating of such bank or insurance company is rated in the “AA” category or higher by S&P or Moody’s at the time of issuance;
- (ii) such letter of credit or surety bond has a term of at least 12 months;
- (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released under the Fiscal Agent Agreement; and

(iv) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement or the amount to be restored to the Reserve Fund if not timely renewed or extended.

Upon delivery of the Bonds, the amount on deposit in the Reserve Fund will be established by depositing certain proceeds of the Bonds in the amount of the “**Reserve Requirement**” for the Bonds, which means, as of the date of any calculation, the lesser of 10% of the original principal amount of the Bonds covered by the Reserve Fund as calculated by the City, 100% of maximum annual debt service on the Bonds covered by the Reserve Fund, or 125% of average annual debt service on the Bonds covered by the Reserve Fund.

The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency within 5 days prior to any Interest Payment Date in the Bond Fund of the amount required for payment of the principal of, and interest on, the respective series of Bonds on such Interest Payment Date.

To the extent the Fiscal Agent is required to draw on amounts in the Reserve Fund, the Fiscal Agent will draw on such amounts from any accounts within the Reserve Fund on a pro rata basis based upon the amounts produced by calculating the Reserve Requirement for each series of Bonds related to such accounts; provided, that because the accounts are established within the Reserve Fund solely for the purpose of complying with federal tax law, nothing in the Fiscal Agent Agreement will be construed to limit the availability of amounts in any account within the Reserve Fund to pay debt service on any series of Bonds.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the outstanding Bonds. If the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the outstanding Bonds, the balance in the Reserve Fund will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement and investment income thereon will be subject to rebate requirements under applicable tax laws. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund will remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement will be

transferred to the Improvement Fund, if the Improvements have not been completed, or if the Improvements have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

Improvement Fund

Under the Fiscal Agent Agreement, there is established an Improvement Fund (the “**Improvement Fund**”), which is to be held in trust by the Fiscal Agent and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements. See “THE IMPROVEMENTS.” Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund. Upon completion of the Improvements and the payment of all Administrative Expenses of the District, the Fiscal Agent will transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed.

Delinquent Payments; Covenant to Foreclose

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City’s option, the Special Taxes may be billed directly to property owners or collected at a different time to meet the City’s financial obligations. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior fiscal year, and if the City determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. However, if the City determines on the basis of such review that (i) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (ii) property owned by any single property owner in the District is delinquent cumulatively by more than \$3,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District), then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent special taxes.

The Owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Annual Special Tax and subject to the limitation described under the caption “– Special Tax Methodology – Limitation on Increases of Special Tax Levy” above) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor’s filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See “VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – Overlapping Liens and Priority of Lien.”

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

No Future Parity Bonds

The maximum authorized indebtedness for the District is \$36,000,000; the Bonds are the first series of bonds being issued under such authorization for the District and the City has covenanted not to issue additional parity bonds except for refunding purposes.

Discharge of Agreement

Under the Fiscal Agent Agreement, if the City pays and discharges the entire indebtedness on all or any portion of the bonds outstanding under the Fiscal Agent Agreement in any one or more of the following ways:

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

(ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement, is fully sufficient to pay such outstanding bonds, including all principal, interest and redemption premiums; or

(iii) by irrevocably depositing with the Fiscal Agent, in trust, cash and federal securities in such amount as the City determines as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent will have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any bonds will not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such outstanding bonds will cease and terminate, except only the obligations of the City assuring (a) the exclusion of interest on the bonds from the gross income of the Owners of the bonds as provided in the Fiscal Agent Agreement and (b) the payment to the Owners of the bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent; and thereafter Special Taxes will not be payable to the Fiscal Agent.

Amendment of Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the bonds issued under the Fiscal Agent Agreement may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the bonds then outstanding, exclusive of bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment will (i) extend the maturity of any bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any bond, without the express consent of the Owner of such bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the bonds (except as otherwise permitted by the Act, the laws of the State or the Fiscal Agent Agreement), or reduce the percentage of bonds required for the amendment hereof.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any outstanding series of bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising thereunder, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the bonds; and

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Tax Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the bonds or to conform with the temporary and permanent regulations promulgated under the Tax Code.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds, based on the interest rates and maturity schedule set forth on the inside cover of this Official Statement (assuming no early redemptions), is set forth below.

Table 1
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Special Tax Bonds Series 2016
Annual Debt Service

Year Ending (Sept. 1)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 ⁽¹⁾	--	\$ 507,513.40	\$ 507,513.40
2017 ⁽¹⁾	--	1,163,725.00	1,163,725.00
2018	\$255,000	1,163,725.00	1,418,725.00
2019	295,000	1,155,437.50	1,450,437.50
2020	330,000	1,145,850.00	1,475,850.00
2021	370,000	1,135,125.00	1,505,125.00
2022	415,000	1,123,100.00	1,538,100.00
2023	460,000	1,106,500.00	1,566,500.00
2024	510,000	1,088,100.00	1,598,100.00
2025	530,000	1,067,700.00	1,597,700.00
2026	550,000	1,046,500.00	1,596,500.00
2027	575,000	1,024,500.00	1,599,500.00
2028	605,000	995,750.00	1,600,750.00
2029	635,000	965,500.00	1,600,500.00
2030	665,000	933,750.00	1,598,750.00
2031	700,000	900,500.00	1,600,500.00
2032	735,000	865,500.00	1,600,500.00
2033	770,000	828,750.00	1,598,750.00
2034	810,000	790,250.00	1,600,250.00
2035	850,000	749,750.00	1,599,750.00
2036	890,000	707,250.00	1,597,250.00
2037	935,000	662,750.00	1,597,750.00
2038	990,000	611,325.00	1,601,325.00
2039	1,040,000	556,875.00	1,596,875.00
2040	1,100,000	499,675.00	1,599,675.00
2041	1,160,000	439,175.00	1,599,175.00
2042	1,225,000	375,375.00	1,600,375.00
2043	1,290,000	308,000.00	1,598,000.00
2044	1,360,000	237,050.00	1,597,050.00
2045	1,435,000	162,250.00	1,597,250.00
2046	1,515,000	83,325.00	1,598,325.00

(1) Interest capitalized through September 1, 2017.

Source: Underwriter.

The Special Tax Formula is structured to produce Special Tax Revenues from the levy of the Maximum Annual Special Tax (net of County administration charges) which, when applied to the projected annual debt service on the Bonds, is anticipated (if the Maximum Annual Special Tax were levied) to result in an annual debt service coverage ratio of at least 110% for the life of the Bonds. However, increases in the actual levy may be limited by Section 53321(d) of the Act.

THE DISTRICT

Formation of the District

On August 19, 2015, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing certain public infrastructure improvements. After conducting a noticed public hearing, on September 22, 2015, the City Council adopted the Resolution of Formation, which established the District, set forth the Special Tax Formula within the District and described the Improvements to be financed by the District. On the same day, an election was held within the District in which the only landowner/voter in the District, the Developer, approved the proposed bonded indebtedness in the maximum aggregate principal amount of \$36,000,000 and the levy of the Special Tax in accordance with the Special Tax Formula. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

Location and Description of the District and the Immediate Area

General. The land in the District is located in the City's North Industrial Planning Area, as designated by the City's General Plan, approximately one mile west of the State Route 65/Blue Oaks Boulevard interchange. The site is located in a primarily residential area, bound by Blue Oaks Boulevard to the north, the Hewlett Packard Campus to the east, Woodcreek Golf Club to the south, and Woodcreek Oaks Boulevard to the west.

The land in the District is currently undeveloped and owned by a single developer; however, development of the District constitutes an in-fill project which is surrounded by developed property, including the Hewlett Packard Campus immediately to the east, significant single-family residential development to the south beyond the adjacent golf course and immediately to the west and north, and commercial development to the west and north. For additional demographic information on the City and County, see "APPENDIX D – The City of Roseville and Placer County."

Property in the District comprises approximately 190 acres, approximately 162 acres of which are currently planned for 948 residential units of low-, medium- and high-density product types and approximately 530,000 building square feet of non-residential development (consisting of 60,000 square feet of professional office, 170,000 square feet of commercial and 300,000 square feet of tech/business park), and the remaining approximately 28 acres of which are currently planned for parks, fire station, a municipal well, roads and open space uses. The tech/business park area (approximately 33 acres), as well as the parks, fire station, well, roads and open space, so long as used for such purposes, are exempt from the levy of the Special Tax.

The Hewlett-Packard|Campus Oaks Master Plan area, of which the land in the District is a part and which is described in more detail below, is one of the largest infill sites in the South Placer Region. It has been designated for development for over 35 years, with a portion of the area (the existing Hewlett-Packard Campus immediately adjacent to land in the District) already partially developed with light industrial and office uses. The undeveloped portions of the Hewlett-Packard|Campus Oaks Master Plan area consist primarily of grasslands with gently rolling topography that has been disturbed over time through bi-annual disk plowing. Water, wastewater, recycled water, drainage, electric, natural gas and telecommunications infrastructure exist within and adjacent to the Hewlett-Packard|Campus Oaks Master Plan area, including the District. Included in the area is an electric substation on the Hewlett-Packard

Campus, a 16-inch Pacific Gas & Electric (PG&E) high-pressure gas line that runs north-south through the area, as well as overhead power lines along adjacent arterials. Adequate capacity for development has been accounted for in the City's infrastructure planning and construction bringing utilities within the District site is underway. See "– The Hewlett-Packard|Campus Oaks (HPCO) Master Plan" herein.

Parcels in the District. The property in the District is within the 32 assessor parcels shown below. Initially, there were four assessor parcels in the District (APNs 017-230-074, -075, -076 and -077). The initial four parcels were subdivided into the corresponding large lot parcels shown below, and recording of the final large lot subdivision map occurred in late December 2015. As property develops, new parcel numbers will be established by final smaller lot subdivision maps to be recorded in the future.

The final large lot subdivision map that was recorded in December 2015 consists of 21 taxable large lot parcels covering the approximately 129 acres of residential and non-residential taxable property in the District. The following table shows currently projected land uses, assessor's parcels numbers and other parcel information, based on the 21 taxable large lot parcels. Actual land uses for each parcel may differ according to the final development plans of the Developer or other subsequent owners of parcels.

Table 2
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Large Lot Parcels and Assessor's Parcel Numbers

Large Lot Parcel No.	APN No.	Large Lot Final Map	Approx. Gross Acres
RESIDENTIAL USES			
LDR RESIDENTIAL			
CO-1	017-231-035	20	6.10
CO-2	017-231-040	25	6.21
CO-3	017-231-038	23	16.58
CO-6	017-231-034	19	8.14
CO-7	017-231-029	14	9.78
Sub-Total:			46.81
MDR RESIDENTIAL			
CO-4	017-231-023	8	8.37
CO-5	017-231-022	7	4.66
CO-11	017-231-030	15	4.72
CO-12	017-231-031	16	4.89
CO-13	017-231-027	12	3.40
CO-14	017-231-028	13	4.42
CO-15	017-231-025	10	2.51
CO-16	017-231-032	17	2.65
Sub-Total:			35.62
HDR RESIDENTIAL			
CO-21	017-231-018	3	4.94
CO-22	017-231-024	9	7.19
CO-23	017-231-033	18	4.93
CO-24a	017-231-036	21	2.35
CO-24b	017-231-037	22	2.35
Sub-Total:			21.76
Residential Total:			104.19
PROFESSIONAL OFFICE			
CO-31	017-231-016	1	5.45
Sub-Total:			5.45
COMMERCIAL			
CO-41	017-231-017	2	13.16
CO-42	017-231-019	4	6.2
Sub-Total:			19.36
LIGHT INDUSTRIAL (TECH / BUSINESS PARK)			
CO-51*	017-231-020	5	15.2
CO-52*	017-231-026	11	17.64
Sub-Total:			32.84
PARKS, OPEN SPACE & PUBLIC USES⁽¹⁾			
CO-61**	017-231-041	A	5.70
CO-62**	017-231-043	C	2.21
CO-63**	017-231-042	B	0.9
CO-64**	017-231-047	G	2.41
CO-65**	017-231-046	F	1.32
CO-81**	017-231-044	D	0.84
CO-82**	017-231-045	E	0.86
CO-75**	017-231-021	6	2.15
CO-76**	017-231-039	24	0.32
Parks, Open Space & Public Uses Total:			16.71

*These parcels are planned for light industrial/technology business park use and, so long as used for such purpose, are exempt from the levy of the Special Tax under the Special Tax Formula.

**These parcels are projected for non-taxable uses under the Special Tax Formula.

(1) Does not include roads expected to be built in the District.

Sources: Developer, City of Roseville, Morton & Pitalo, Inc.

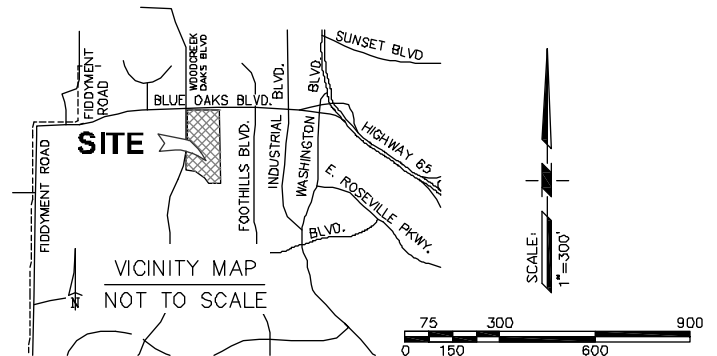
Maps. A District boundary map, a large lot parcel map, two land use maps showing anticipated development and an aerial overview map showing the in-fill nature of the projected development within the District, are shown on the following pages.

**CITY OF ROSEVILLE CALIFORNIA
HP CAMPUS OAKS
COMMUNITY FACILITIES
DISTRICT NO. 1
(PUBLIC FACILITIES)**

BEING PARCELS 1,2,3,4 AND AREAS SHOWN AS NEW MEADOW AND
PAINTED DESERT DRIVE, AS SHOWN ON THAT CERTAIN PARCEL
MAP OF SUBDIVISION NO. PL14-0109 "CAMPUS OAKS", RECORDED
IN BOOK 35 OF PARCEL MAPS ON PAGE 75.

BEING A PORTION OF SECTIONS 20 AND 29 T.11N., R.6E., M.D.M.
CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA

SCALE: 1"=300' DATE: JULY 29, 2015



LINE TABLE		
NO.	BEARING	DISTANCE
L1	S18°14'14"E	74.35'
L2	S34°12'19"E	98.65'
L3	S47°56'10"E	87.87'
L4	S33°13'08"E	112.48'
L5	N86°07'57"E	111.07'
L6	S46°49'21"E	123.83'
L7	S08°53'16"W	30.02'
L8	S01°30'30"E	35.23'
L9	S09°39'15"W	58.16'
L10	S36°14'06"E	152.38'
L11	S27°02'10"E	151.75'
L12	S11°28'16"E	112.53'
L13	S09°38'20"E	88.91'
L14	S56°23'35"E	102.79'
L15	N83°10'21"E	113.91'
L16	S56°56'45"E	127.47'
L17	S84°35'33"E	91.85'
L18	S41°48'05"E	92.80'
L19	S59°03'04"E	85.88'
L20	N89°58'45"E	76.31'

LINE TABLE		
NO.	BEARING	DISTANCE
L21	N45°50'55"W	133.58'
L22	N36°24'03"W	320.16'
L23	S89°46'10"W	60.00'
L24	N00°26'58"W	265.94'
L25	S38°09'10"E	148.63'
L26	S20°49'23"E	249.17'
L27	S49°54'57"E	71.93'
L28	S11°24'46"E	84.16'
L29	S00°00'03"W	44.80'

LEGEND

— BOUNDARY OF ANNEXATION
O DIMENSION POINT

TOTAL AREA OF ANNEXATION = 189.911 ACRES

Filed in the office of the City Clerk of the City of Roseville this _____ day of _____, 2015.

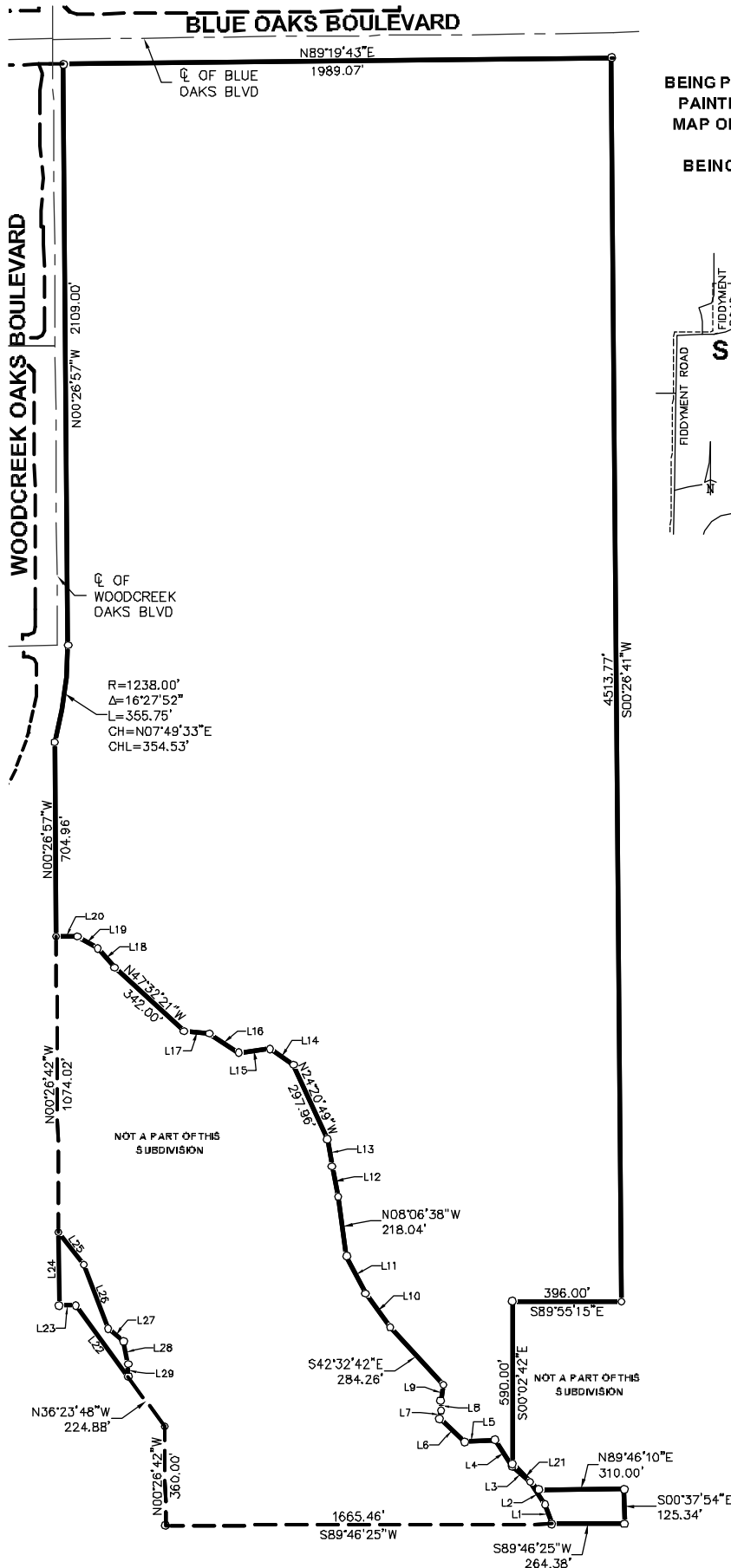
City Clerk

I hereby certify that the within map showing proposed boundaries of Community Facilities District No. 1 (Public Facilities) City of Roseville, County of Placer, State of California, was approved by the City Council of the City of Roseville, at a meeting thereof, held on the _____ day of _____, 2015, by its Resolution No. _____

City Clerk

Filed this _____ day of _____, 2015, at the hour of _____ o'clock p.m., in Book _____ of Maps of Assessment and Community Facilities Districts, at Page _____ in the office of the County Recorder in the County of Placer, State of California.

County Recorder,
County of Placer



WOODCREEK OAKS BOULEVARD

PAINTED DESERT DRIVE

CRIMSON RIDGE WAY

HP WAY

NEW MEADOW DRIVE

CO-51
BP
5.54 AC.

CO-41
CD
13.16 AC.

CO-42
CC
13 AC.

CO-51
T/BP-LI
15.20 AC.

CO-21
HDR
5.90 AC
125 du

CO-75
P/GP
2.15 AC.

CO-5
MDR
4.69 AC
49 du

CO-4
MDR
8.37 AC
84 du

CO-22
HDR
7.25 AC
119 du

CO-15
MDR
2.22 AC
19 du

CO-23
HDR
5.00 AC
72 du

CO-14
MDR
4.13 AC
50 du

CO-16
MDR
2.35 AC
19 du

CO-6
LDR
5.14 AC
46 du

CO-11
MDR
4.72 AC
54 du

CO-65
P/R

CO-12
MDR
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54 du

CO-7
LDR
9.75 AC
52 du

CO-1
LDR
6.10 AC
38 du

CO-248
HDR
2.35 AC
40 du

CO-83
OPEN SPACE
44.65 AC.

CO-61
P/R
5.70 AC.

CO-24b
HDR
2.35 AC
40 du

CO-2
LDR
6.21 AC
38 du

CO-84
P/R
2.42 AC

CO-82
OS
0.86 AC.

CO-3
LDR
16.53 AC
64 du

CO-81
OS
0.86 AC.

CO-17-230-074

CO-17-230-075

CO-79
T/BP
0.32 AC.

CO-52
T/BP-LI
17.65 AC.

CO-62
OS
0.86 AC.

CO-63
P/R
2.62 AC

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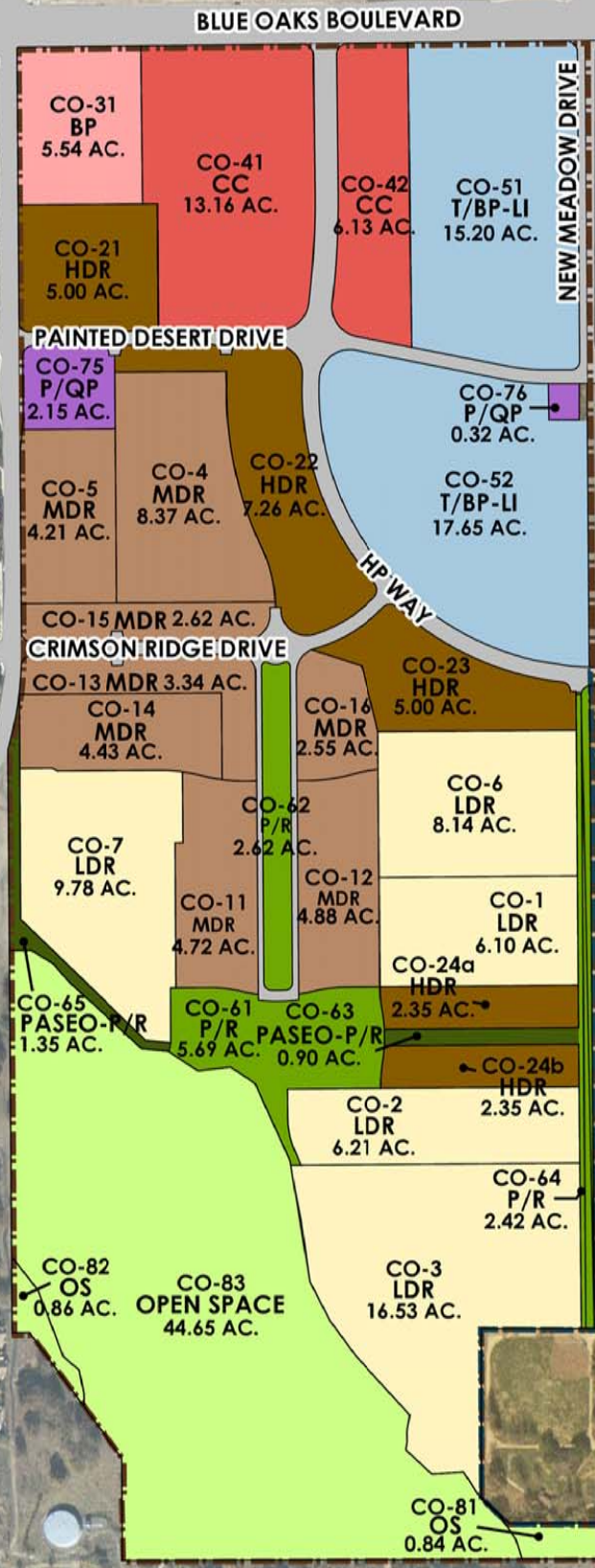
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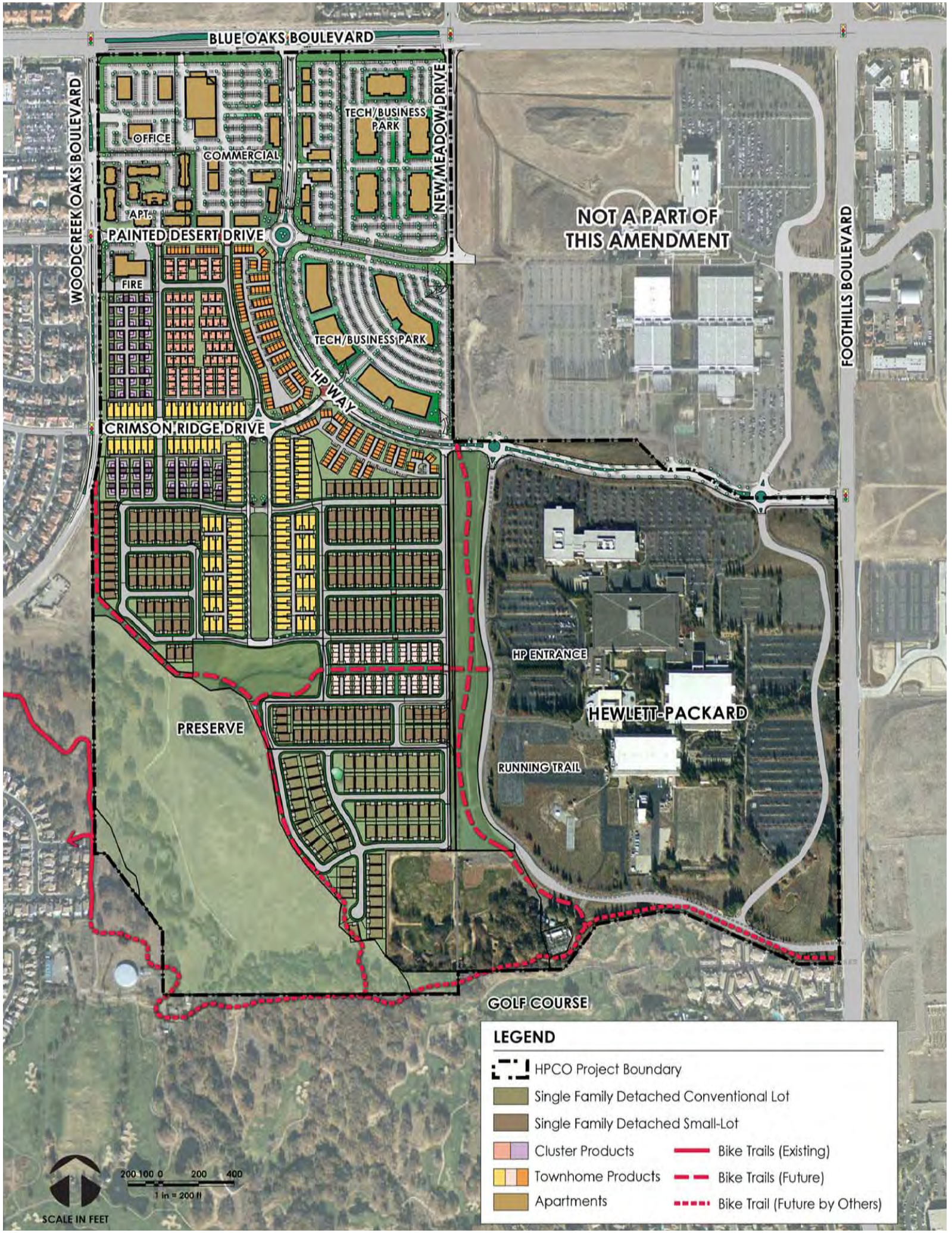
NOT A PART OF
THIS AMENDMENT

HEWLETT PACKARD
CAMPUS

LEGEND

Campus Oaks Boundary	Hewlett-Packard Campus Boundary
Low Density Residential	Tech/Business Park (LI)
Medium Density Residential	Public/Quasi-Public
High Density Residential	Open Space
Community Commercial	Park and Recreation
Business Professional	Paseo (P/R)





LEGEND

HPCO Project Boundary

Single Family Detached Conventional Lot

Single Family Detached Small-Lot

Cluster Products

Townhome Products

Apartments

Bike Trails (Existing)

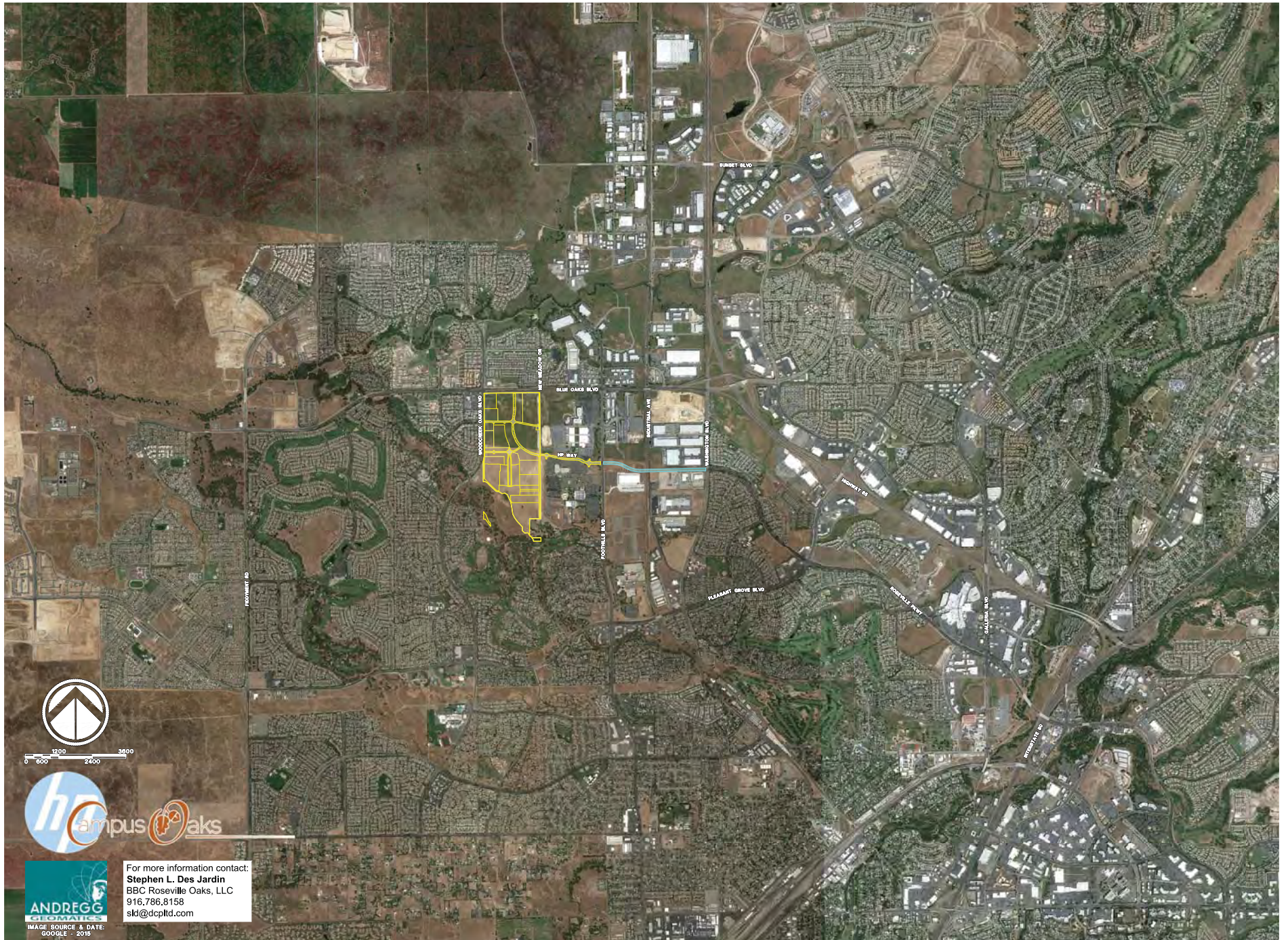
Bike Trails (Future)

Bike Trail (Future by Others)



SCALE IN FEET

200 100 0 200 400
1 in = 200 ft



0 600 1200 2400 3600



For more information contact:
Stephen L. Des Jardin
BBC Roseville Oaks, LLC
916.786.8158
sld@dcpltd.com

IMAGE SOURCE & DATE:
GOOGLE - 2015

The North Industrial Planning Area (NIPA) of the General Plan

The City's General Plan serves as the long-term policy guide for the physical, economic and environmental growth of the City and establishes a development framework for land use, affordable housing, resource protection, circulation, utilities and services, implementation and design. The City's General Plan designates the North Industrial Planning Area of the City (the "**NIPA**"), which consists of approximately 2,045 gross acres west of Washington Boulevard and north of the Northwest Roseville Specific Plan, as a planning subarea of the City. Devoted primarily to industrial uses, the area is intended to provide a major employment/industrial center for the South Placer region. The property within the District was annexed into the NIPA in 2000. Although originally designated for light industrial use under the General Plan, under the amended Development Agreement applicable to development in the District, most of the land in the District subject to the Special Tax is planned for residential and neighborhood commercial uses.

The Hewlett-Packard|Campus Oaks (HPCO) Master Plan

The Hewlett-Packard|Campus Oaks Master Plan (the "**HPCO Master Plan**") provides for a mixed use community on a 375.7 acre portion of the original Hewlett-Packard Roseville Campus Master Plan (the "**HP Campus Master Plan**"), which establishes development regulations for approximately 500 acres at the southwest corner of Blue Oaks and Foothills Boulevards in the NIPA. Originally adopted in June 1996, the HP Campus Master Plan envisioned manufacturing and office campus to accommodate Hewlett-Packard's existing and planned operations. Hewlett-Packard subsequently adjusted its facilities needs, divesting its ownership in all but a portion of the land in the HP Campus Master Plan area. While substantial development has occurred on the eastern portion of the HP Campus Master Plan area, including the Hewlett Packard Campus where Hewlett Packard currently employs approximately 2,200 employees, the western portion has remained undeveloped. The HPCO Master Plan envisions the creation of a mixed-use infill community that locates jobs, housing and services in close proximity to one another.

The HPCO Master Plan is organized into two physically and functionally integrated sub-areas: (i) the Hewlett-Packard Campus area (which is not in the District), accommodating existing and planned light industrial, recreation and related uses and (ii) the Campus Oaks area (which overlaps substantially with the District), planned for a new mix of tech/business park (light industrial), office, commercial, residential, park and recreation, open space and public uses. The HPCO Master Plan supersedes all prior master plan requirements for the HPCO Master Plan area. All development projects, infrastructure improvements and other activities within the area are required to be consistent with the HPCO Master Plan and related documents.

The Hewlett-Packard Campus area, which is not a part of the District, covers the eastern 141.2 acres of the HPCO Master Plan area, and currently includes Hewlett-Packard's existing facilities. This area is planned for continued light industrial, recreation and related development. The Campus Oaks area, which overlaps substantially with the boundaries of the District, covers the western 234.5 acres of the HPCO Master Plan area.

The HPCO Master Plan area is one of the largest infill sites in the South Placer Region. It has been designated for development for over 35 years, with a portion of the project (the Hewlett-Packard Campus) already partially developed with light industrial and office uses. The

undeveloped portions of the HPCO Master Plan area consist primarily of grasslands with gently rolling topography that has been disturbed over time through bi-annual disk plowing. Water, wastewater, recycled water, drainage, electric, natural gas and telecommunications infrastructure exist within and adjacent to the HPCO Master Plan area. Included is an electric substation on the Hewlett-Packard Campus, a 16-inch Pacific Gas & Electric (PG&E) high-pressure gas line that runs north-south through the area, as well as overhead power lines along adjacent arterials. Adequate capacity for development has been accounted for in the City's infrastructure planning.

Existing roadways provide direct local and regional access to the HPCO Master Plan area. Blue Oaks Boulevard, located along the northern edge of the project area and the District, is the primary east-west transportation corridor in the northern portion of the City and is projected to be one of the City's most traveled roads in the future. Blue Oaks connects the western sections of the City to Highway 65 just east of the HPCO Master Plan area, which then intersects with Interstate 80 approximately 3 miles further to the east. Foothills and Woodcreek Oaks Boulevards, along the eastern and western edges of the HPCO Master Plan area, are key north-south connections anticipated to eventually extend north to development projects planned there. Foothills Boulevard is anticipated to connect to future Placer Parkway.

The HPCO Master Plan area is surrounded by a broad range of compatible uses. Adjacent development includes existing light industrial, as well as vacant parcels zoned for light industrial use, to the east within the NIPA; commercial and residential uses to the north, also within the NIPA; residential uses, a retail center and the Pleasant Grove Creek open space to the west within the North Roseville Specific Plan (1997); residential uses and the Woodcreek Oaks Golf Course to the south within the Northwest Roseville Specific Plan (1989); and the City's pump station and recycled water tank to the southwest.

Development Agreement

In connection with the creation of the HP Campus Master Plan, a Development Agreement was entered into between the City and Hewlett-Packard Company, dated August 1, 1996. The Development Agreement was subsequently amended, including by the Third Amendment of Development Agreement, dated August 19, 2015, by and between the City and Hewlett-Packard Company and the Fourth Amendment of Development Agreement, dated August 19, 2015 by and between the City and the Developer in connection with the creation of the HPCO Master Plan. As used in this Official Statement, the term "**Development Agreement**" refers to the original Development Agreement with Hewlett-Packard Company, as and to the extent amended and applicable to land in the District in accordance with the amendments thereto, including the Third Amendment and Fourth Amendment.

The Development Agreement vests development rights, sets forth infrastructure improvements and dedication requirements, secures the timing and methods for financing improvements, and specifies other performance obligations as related to development of land in the District and the adjoining Hewlett-Packard Campus. All of the property in the District is subject to the requirements of the Development Agreement as well as the General Plan, City zoning ordinances and the HPCO Master Plan. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City's Zoning Ordinance No. 802. The Development Agreement is the primary implementation tool for development of land in the District and is intended to create a binding contract between the City and the Developer and their assigned successors in interest, which sets forth the needed infrastructure improvements,

park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements described therein. Included are provisions relating to infrastructure improvements, public dedication requirements, affordable housing requirements, landscaping amenities and other obligations of the parties. The Development Agreement is valid through December 31, 2045, runs with the property, and may be modified, terminated or extended only by mutual consent of the parties or as otherwise set forth therein. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, development of property within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement is binding on the Developer and all successor owner-developers of property in the District.

Prior to adoption of the Fourth Amendment to the Development Agreement in August 2015, all of the land in the District had a vested entitlement to be developed as light industrial. Pursuant to the Fourth Amendment, the City modified such entitlement to grant the Developer the right to develop all of the approximately 190 acres of land in the District as a combination of residential, commercial, light industrial, business professional and public/open space. More specifically, the Fourth Amendment entitled the Developer to the development of: (i) 82.4 acres of low/medium density residential, (ii) 22.0 acres of high-density residential, (iii) 19.3 acres of commercial/retail, (iv) 32.8 acres of light industrial (Tech Park/Business Park), (v) 5.5 acres of business professional and (vi) approximately 28 acres as parks, paseos, open space, roads and other public uses. In the Fourth Amendment, the Developer acknowledged that it has no right to seek to amend the zoning of the portion of the land identified therein as Parcels CO-51 and CO-52 from Light Industrial (Tech/Business Park), comprising the full 32.8 acres entitled to such use, for a period of 20 years from the effective date of the Fourth Amendment (i.e., prior to August 19, 2035). Pursuant to the Special Tax Formula, the 32.8 acres entitled as Tech/Business Park and the approximately 27 acres entitled as parks and open space, public uses and roads will be exempt from the levy of the Special Tax for so long as used for such purposes.

The Development Agreement sets forth the responsibility of the Developer and its successors for a portion of the costs of certain backbone public improvements required for its development of land in and around the District. See “THE IMPROVEMENTS” below. Funding of the Improvements with Bond proceeds will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreement. The Improvements not funded from Bond proceeds, if any, may be funded, if agreed to by the City and subject to the limitations set forth in the Acquisition Agreement, by Special Taxes on a pay-as-you-go basis. Any additional funds needed thereafter to complete the Improvements, together with in-tract subdivision improvements, are required to be funded by the Developer. See “THE IMPROVEMENTS – Estimated Cost of the Improvements” and “THE DISTRICT – Marketing and Sale of Parcels by the Developer.”

There are currently two lawsuits against the City and the Developer related to property, one of which involves the Development Agreement, which if determined adversely to the City and the Developer could impact the planned build-out of the District approved in the Development Agreement. See “LITIGATION” herein.

Developer's Anticipated Land Use Plan

The Developer has provided the following information with respect to expected development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property in the District will be completed, or that it will be completed in a timely manner or in accordance with the currently anticipated development plan described herein. Since the ownership of land in the District is subject to change, the anticipated development outlined below may not be continued by one or more subsequent owner(s) if the parcels currently constituting the land in the District are sold, although development by any subsequent owner(s) will be subject to the General Plan, City zoning ordinances, the HPCO Master Plan, the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

In particular, there are currently two lawsuits against the City and the Developer related to property entitlements and environmental matters, which if determined adversely to the City and the Developer could impact the planned build-out of the District into residential and commercial uses. See "LITIGATION" herein. The following summary is premised on the assumption that there will be no adverse impact on the property in the District due to the ongoing litigation in terms of land use, development timing or development costs.

The District consists of approximately 190 acres of land, subject to the HPCO Master Plan, the Development Agreement and other City policies and codes. The Developer envisions the land being organized into four distinct areas, each distinguished by its mix of uses and intended built character: (i) Residential Neighborhoods, (ii) Campus Oaks Town Center, (iii) Employment Center and (iv) Parks and Open Space. While each area has a unique purpose, the areas are planned to be interrelated and functionally overlap, creating a mutually supportive mix of uses. These interrelationships are expected to be enhanced by the compact development pattern and interconnected street and trail system that places jobs, housing and services in close proximity to each other.

Entitlements. Pursuant to the Development Agreement, the City has fully vested entitlement rights to the Developer to develop land in the District in accordance with the terms thereof. Property within the District encompasses approximately 190 acres, approximately 162 of which are planned for residential and non-residential development. Of this total area, approximately 104 acres are planned for 948 residential units planned as 242 low-density residential (LDR) (0.5-6.9 du/acre), 310 medium-density residential (MDR) (7.0-12.9 du/acre) and 396 high-density residential (HDR) (13.0 and above du/acre). For purposes of the levy of the Special Tax, 19 MDR units are planned as affordable-middle, 38 HDR units are planned as affordable-low and 38 HDR units are planned as affordable-very low. The 38 units planned as affordable-very low will not be obligated to pay any Special Tax. In addition to the residential development, approximately 58 acres are planned for non-residential uses, consisting of professional office, commercial and light industrial (which includes and is expected by the Developer to be developed as tech/business park uses). See "– Marketing and Sale of Parcels by the Developer" herein. For so long as it is used in such manner, the light industrial (tech/business park) area (consisting of approximately 33 acres) will not be obligated to pay any Special Tax.

The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map

conditions. See “– Development Agreement” above. The land received land use approval in August, 2015, including approval of the HPCO Master Plan, zoning consistent therewith, and the Development Agreement. The Developer's predecessor in interest previously received a Section 404 (wetlands) permit that accounts for development of property within the District. The Developer has received a grading permit for development and site improvement plans related to the installation of HP Way within the District, and grading is currently underway. Further site development can commence upon approval of site development plans and approval of improvement plans for particular parcels.

The table below shows a summary of planned land uses attributable to the land in the District at build-out. Actual uses may vary from this projection.

Table 3
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Land Use Development Plan at Buildout⁽¹⁾

Land Use	Approx. Gross Acres	Average Density	Bldg. Sq. Ft.	Units
Residential		<u>Units/Acre</u>		
LDR	46.8	5.2		242
MDR (Rowhouse)	18.1	7.2		130
MDR (Paseo)	8.4	10.0		84
MDR (Cluster)	9.1	10.5		96
HDR (Townhomes)	17.0	16.0		271
HDR (Apartments)	5.0	25.0		125
Residential Subtotal	104.3			948
Nonresidential		<u>FAR</u>		
Business Professional	5.5	0.25	60,000	
Community Commercial	19.3	0.20	170,000	
Tech/Business Park ⁽²⁾	32.9	0.21	300,000	
Nonresidential Subtotal	57.7		530,000	--
Subtotal – Residential and Nonresidential	162.0			948
Other Land Uses⁽²⁾				
Parks and Open Space	14.6			--
Public	2.5			--
Roads	10.7			--
Subtotal – Other	27.8			--
Total	189.8			948

(1) Land uses based on the Appraisal, Development Agreement and the Campus Oaks Master Plan Land Use Summary dated April 20, 2015. See “– Specific Land Use Designations and Zoning Districts” below for further details on each category of land use. Assumes no material adverse impact resulting from the two ongoing lawsuits against the City and Developer on the planned build-out of the District into residential and commercial uses. See “LITIGATION” herein.

(2) The 32.9 acres planned as Tech/Business Park and the 27.8 acres planned as parks, open space, public uses and public roads will be exempt from the levy of the Special Tax for so long as used for such purposes.

Source: DCP; Morton & Pitalo, Inc.; Special Tax Consultant; Developer.

Specific Land Use Designations and Zoning. Land uses in the District are implemented through the HPCO Master Plan and zoning as applied to each parcel. This includes the select application of the Development Standard (DS) and Special Area (SA) overlay districts to customize development standards and allowed use types. Permitted use types within the District are generally consistent with those allowed for by the corresponding

general zone districts as defined in the City's Zoning Ordinance. A description of each of the land uses (i.e., LDR, MDR, HDR, Business Professional, Community Commercial and Tech/Business Park) is set forth below."

Residential – Residential Neighborhoods. The land envisioned for the Residential Neighborhoods (approximately 104 acres) is entitled for 948 residential units, comprised of 242 units planned for development as LDR, 130 units planned for development as MDR (Rowhouse), 84 units planned for development as MDR (Paseo), 96 units planned for development as MDR (Cluster), 271 units planned for development as HDR (Townhomes) and 125 units planned for development as HDR (Apartments), although the actual mix of such housing types realized by the project will be subject to market conditions. In accordance with the Development Agreement, the Special Tax Formula contemplates that 19 MDR units will be designated as affordable-middle (and therefore subject to 60% of the Special Tax levy otherwise applicable), 38 HDR units will be designated as affordable-low (and therefore subject to 60% of the Special Tax levy otherwise applicable) and 38 HDR units will be designated as affordable-very low (and therefore entirely exempt from the levy of the Special Tax). The Residential Neighborhoods will provide for comfortable, well-connected and walking living environments that the Developer believes will be attractive to residents and accommodating the nearby workforce. The range of building densities is intended to support a diversity of living options and lifestyles.

Low-Density Residential (LDR). The LDR land use designation supports detached single-family homes on conventional and small lots. Lot sizes are expected to typically range from 4,500 to 6,000 square feet, but could vary. A variety of detached, single-family residential housing types are encouraged in the 0.5 to 6.9 dwelling units per gross acre (du/ac) density range.

Medium-Density Residential (MDR). The MDR land use designation supports both single-family detached and attached residential units. Lot sizes are expected to typically range from 1,500 to 4,500 square feet, but could vary. A wide range of front and alley loaded product types are encouraged (including varied small lot, court oriented, cluster, duet/half-plex and townhouse designs), all in the 7.0 to 12.9 dwelling units per gross acre (du/ac) density range.

High-Density Residential (HDR). The HDR land use designation accommodates both detached and attached residential units. Within this density range of 13.0 or greater dwelling units per gross acre (du/ac), a wide range of front and alley loaded product types are encouraged, including varied small lot, townhome, row house, courtyard, apartment and condominium designs.

Affordable Units. The City's General Plan Housing Element establishes a citywide goal that 10% of all new housing units in the City be affordable to middle-, low- and very-low income households. Housing affordability is based on household income categories defined by the U.S. Department of Housing and Urban Development. Consistent with this goal, 10% of the units in the District have been designated for middle-, low- and very low-income households. This includes a mix of purchase housing and rental housing, as set forth in the Development Agreement. Affordable units have been positioned in close proximity to the proposed "Campus Oaks Town Center" commercial area described below. The Developer currently anticipates that these units will be

located on portions of Parcel Nos. CO-5, CO-21, CO-22 and CO-23. The Special Tax Formula provides for a reduction by 40% of the otherwise applicable Special Tax for units that are the subject of the affordable housing provisions (except for 38 affordable-very low units, which are entirely exempt from the Special Tax). An affordable housing agreement (or substitute) is required for each parcel with an affordable housing allocation to detail and secure specific requirements and obligations, and will require City approval prior to the issuance of building permits, or recordation of a final small lot map where a subdivision map is required, for any large-lot parcel with an affordable housing allocation. The Development Agreement contemplates that the Developer will provide 95 total units of affordable housing; however, the total number of affordable units required will be calculated based on the number of residential units finally mapped and developed.

Non-Residential – Campus Oaks Town Center and Employment Center. The land envisioned for the Campus Oaks Town Center and the Employment Center (approximately 58 acres) is entitled for approximately 60,000 square feet of Business Professional office space, 300,000 square feet of Tech/Business Park uses and 170,000 square feet of neighborhood-serving Community Commercial development. These non-residential parcels are situated to the northern end of the District. The Campus Oaks Town Center is envisioned as a destination where residents, employees and passers-by can shop, eat, recreate, obtain services and meet their everyday needs. Integrating an interactive mix of retail, office, and high-density residential uses, emphasis is placed on creating a pedestrian friendly environment with easy access between uses and connectivity to the adjacent Residential Neighborhoods and Employment Center. The Employment Center addresses the City's desire to retain employment opportunities within the District as well as to continue to position the NIPA as a major employment/industrial center for the South Placer Region. The land planned for use as Tech/Business Park will not initially be subject to the levy of the Special Tax and will not be taxed in the future if it is utilized for light industrial uses (which includes use as tech/business park). See "SECURITY FOR THE BONDS – Special Tax Methodology."

Business Professional. The Business Professional land use designation provides for new employment and services opportunities, including professional offices, medical services and business support services. All Business Professional uses are to be located within the proposed Campus Oaks Town Center, on the southeast corner of Woodcreek Oaks and Blue Oaks Boulevard to maximize visibility and access.

Tech/Business Park. The Tech/Business Park land use designation is a variant of the Light Industrial designation unique to the Campus Oaks area of the HPCO Master Plan. The intent of this designation is to enhance the ability of the HPCO Master Plan area to attract a range of employment uses, including corporate users by providing a mix of uses that are compatible with the light industrial uses of the Hewlett-Packard Campus and the commercial and residential uses within the District. Allowed use types include professional offices, light manufacturing, research services and light wholesale and distribution.

Community Commercial. The Community Commercial land use designation provides a broad range of retail goods and services, including

grocery stores, restaurants, entertainment venues, retail sales, lodging and personal services. All Community Commercial uses are to be located within the proposed Campus Oaks Town Center, situated toward the northern end of the District.

Other – Parks and Open Space. The land envisioned for parks and open space (including public uses and roads) constitutes approximately 28 acres. This land has been incorporated within the District as a green network of parks, paseos, open spaces, trails, and active tree-lined streetscapes that enhance community interaction, character and sense of place. Parks and open space in the District are expected to provide for both passive, informal and/or self-directed, and active, formal and/or programmable recreational opportunities, serve as gathering places for residents and employees, help to establish a communal sense of identity and ownership, and provide for natural resource protection. The land developed as parks and open space will not be subject to the levy of the Special Tax.

Infrastructure and Utilities. The HPCO Master Plan identifies the backbone utility infrastructure necessary to accommodate full build-out of the land in the District. Water, recycled water, wastewater, drainage, electric, natural gas, and telecommunications infrastructure exist within and/or adjacent to the HPCO Master Plan area, and will be extended to all land in the District as part of the construction of the Improvements. The City provides water (potable and recycled), wastewater, drainage and flood control, electric service, and police and fire services. The City is expected to provide solid waste collection services to development in the District. PG&E provides natural gas. Communications are provided by AT&T, Comcast, Consolidated Communications and Wave Broadband.

Prior to selling residential sites to merchant home builders and commercial sites to commercial builders, the Developer expects to construct basic (sometimes referred to as “backbone”) infrastructure, primarily consisting of the main roadways through the project, which include underlying and adjacent sidewalks, water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities in the major streets, most of which is expected to be financed by Bond proceeds. For a list of improvements authorized to be constructed for the District, see “THE IMPROVEMENTS.” Given the infill nature of the land in the District, such backbone infrastructure construction by the Developer is planned to be completed in a single phase, except for the portion of Painted Desert Drive east of HP Way and New Meadow Drive, to be installed as and when needed by the project. Construction of such infrastructure improvements began with grading of a portion of infrastructure within the site in October 2015 and the Developer projects backbone infrastructure will be complete by Fall of 2016.

The Developer is responsible for the cost of construction of the infrastructure improvements and other costs needed to develop the land in the District. Proceeds of the Bonds and pay-as-you-go proceeds will provide a portion of the cost of improvements and the remainder will be contributed by the Developer, homebuilders, commercial builders or others. See “THE IMPROVEMENTS – Estimated Cost of the Improvements” below. “THE DISTRICT – Marketing and Sale of Parcels by the Developer.”

Subdivision Maps. A final Large Lot Subdivision Map consisting of 21 taxable large lot parcels covering the approximately 129 acres of residential and non-residential taxable property in the District has been approved by the City and was recorded in December 2015. The designated large lot parcels may eventually be further subdivided into individual “small” lots

upon recordation of the final subdivision maps for each large lot parcel. See “APPENDIX A – Rate and Method of Apportionment of Special Tax” and “Attachment 2” therein.

Phasing. Given the infill nature of the project and the planned mixed uses, development of existing large lots may occur in any order. The project was structured to allow for the potential phasing of backbone infrastructure and facilities to serve development progress, such that development in each phase can support the costs of the required in-tract improvements. Special infrastructure, facility and phasing requirements are described in the Development Agreement described above. See “– The Development Agreement” and “APPENDIX B – The Appraisal and Update to the Appraisal.” Notwithstanding the need for in-tract development to correspond to end user development progress, the Developer is constructing all of the required backbone infrastructure and facilities in a single phase, anticipated to be completed by Fall of 2016.

Environmental Matters

EIR and Addendum. Pursuant to CEQA, the Hewlett-Packard Master Plan Environmental Impact Report (the “**EIR**”) was certified with findings concurrent with initial adoption of the HP Campus Master Plan in 1996. The EIR evaluated the existing environmental resources within the project area, potential impacts and mitigation measures for such impacts. Concurrent with the adoption of the HPCO Master Plan in 2015, an Addendum to the EIR was adopted. The Addendum to the EIR analyzed the potential environmental impacts either created by the HPCO Master Plan or resulting from changed circumstances, and determined that, with the inclusion of applicant agreed mitigation, the HPCO Master Plan would not give rise to any new significant effects or any substantial increase in the severity of any previously identified significant effects. Accordingly, the Addendum concluded that none of the conditions identified in State CEQA Guidelines Section 15162 were present that require preparation of a subsequent or supplemental environmental impact report. Both the EIR and the Addendum incorporate mitigation monitoring and reporting programs.

There are currently two lawsuits against the City and the Developer related to property, one of which involves the CEQA approval, which if determined adversely to the City and the Developer could impact the timing of the development in the District. See “LITIGATION” herein.

Flood Hazard Map Information. According to the Federal Emergency Management Agency’s flood insurance rate maps (Map Panel Number 06061C-0413F and -0476F, with an effective date of June 8, 1998), the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding (outside of the 100-year and 500-year floodplains). Land in the District is also located outside of the Central Valley Flood Protection Plan’s target 200-year level of protection area.

Wetland Conditions. According to the City’s planning department, some jurisdictional wetlands may be affected by the development within the District, however any such impact is permitted under the 404 Permit for development of the property in the District previously obtained by the Developer’s predecessor in interest.

Seismic Conditions. According to the Seismic Safety Commission, property in the District is located within Zone 3, which is considered to be the lowest risk zone in the State. There are only two zones in the State: 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, property in the District 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.

Marketing and Sale of Parcels by the Developer

Development Plan. The Developer is not a builder. Rather than building residential and non-residential buildings, the Developer is constructing backbone infrastructure, and marketing large lot parcels to merchant builders and commercial users and developers for completion of parcel specific in-tract improvements and the construction and sale of homes or commercial buildings. The Developer intends to market parcels in the District to merchant builders or end-users and expects development in the District to proceed in a manner consistent with the permitted land use types (i.e., LDR, MDR, HDR, Business Professional, Community Commercial and Tech/Business Park) described under the caption "Developer's Anticipated Land Use Plan - Specific Land Use Designations and Zoning" above.

Development Schedule. The timing of both the residential and non-residential development within the District will be determined by respective market conditions. Construction of the roadway Improvements and marketing of large lots by the Developer has begun.

Residential Development. The Developer generally expects to sell unimproved large lot parcels created by the recorded large lot subdivision map, with legal entitlements vested by the Development Agreement and with utilities installed within the backbone roadways, but without any other improvements to or grading of the large lot parcels. Homebuilders purchasing these large lots will be expected to be responsible for processing any required tentative and final subdivision maps and obtaining any necessary design review approvals for their development, for rough grading and finished grading of their large lot parcels as needed to create buildable lots and pads, for installing internal street improvements within the large lot parcels, and for extending utilities to the large lot parcels from the utilities to be installed by the Developer within the backbone roadway improvements, all as part of their homebuilding development, construction, marketing and sale processes.

The marketing of large lots is underway, and ultimate closing of sales will be contingent on the pace of construction of the Improvements and market conditions. The current anticipated schedule for completion of the backbone Improvements is Fall of 2016, however sale contracts may be entered into prior to that date. No sales contracts or letters of intent have been entered into yet by the Developer for the residential large lot parcels.

Non-Residential Development. The marketing of large lot commercial and office parcels is also underway. The commercial sites are intended to be "neighborhood serving," meaning they are likely to include uses required daily by local and nearby residents, such as grocery stores, pharmacies, and local food service facilities. No sales contracts or letters of intent have been entered into yet by the Developer for the commercial or office large lot parcels.

Absorption Report

A market assessment and absorption report was prepared by The Gregory Group, Folsom, California (the "**Absorption Consultant**"), dated December, 2015 (the "**Absorption**

Report"). The Absorption Report was commissioned by the City in connection with its evaluation of the current development potential of the undeveloped land in the District entitled for residential uses. The Absorption Report analyzed residential product types, pricing and absorption for the entirety of the Developer's planned development in the District, based on then-existing market conditions within the City and the Sacramento region. A complete copy of the Absorption Report is attached to this Official Statement as APPENDIX C.

The description herein of the Absorption Report is intended for limited purposes only; the Absorption Report should be read in its entirety. See APPENDIX C. The conclusions reached in the Absorption Report are subject to certain assumptions and qualifications which are set forth in the Absorption Report.

Key findings of the Absorption Report by the Absorption Consultant include the following:

- The Sacramento new-home market began 2014 with strong sales and continuing price increases, but moderated in the second half of the year. 2015 again saw increasing sales. In 2015, there were 1,036 sales in the first quarter and 1,096 sales in the second quarter, for a mid-year total of 2,132 total sales (a 42.7% increase from a year earlier). At that pace, the Absorption Consultant noted that the Sacramento region could post a total of 4,000 new-home sales for 2015, which would be the first time it reached that level since 2008.
- The City of Roseville is the top-selling community in the Sacramento region; 24.2% of all new-home sales (based on 2015 year-to-date figures) are in the City.
- Proposed development in the District, according to the Absorption Consultant, meets demand for move-down, empty-nester and retiree housing, as well as for entry-level, affordable, first-time and first-time move-up housing by providing a range of residential product types. These include smaller lot attached and detached units (five product types situated on lots sized at less than 4,000 square feet), as well as units on larger low-density sized lots (5,000 to 6,600 square feet lots).
- The Absorption Consultant believed the proposed development in the District offered "a tremendous opportunity for success as an infill project," by offering easy ingress-egress, access throughout the community, office, retail and commercial uses and a built-in buyer base of residential within older residential homes and those that work at the adjacent HP Campus. In addition, local buyers will have the option of remaining within the area that they have lived in for many years with the ability to purchase new housing.
- According to the Absorption Consultant, communities that offer greater planning and integration of housing, terrain, trees, open space, walking trails and parks and superior product offerings (for example, superior product designs, features, and amenities), have the greater opportunity to meet with superior sales and pricing success. The Absorption Report states that the proposed development in the District has the potential to price and absorb at the upper end of the competing new-home communities in the subject market area.

- The Absorption Report states that the combination of being closer to job centers, as well as offering connectivity within the community, sets the planned development apart from the majority of current development in the Sacramento region.

The Absorption Report concludes that residential development in the District can absorb an average of 1.13 units per week for all eight product offerings over the marketing life of the development given the assumed home sizing and pricing set forth therein (that is, home sizes ranging from 1,450 to 4,200 square feet, and base prices ranging from \$347,000 to \$782,000). Given these assumptions, the time to absorb the production homes is estimated to be 3.17 years given the following absorption schedule:

Table 4
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Absorption Schedule⁽¹⁾

Product Type	Lot Size (Sq. Ft.) / Density (Units/Acre)	No. of Units	Recommended Absorption Per Week	Units Sold Per Year			
				2016	2017	2018	2019
HDR (Townhome - 2 story)	1,300/17.0	80	1.25	--	20	50	10
HDR (Townhome - 2/3 story)	1,050/15.6	191	1.25	20	60	79	32
MDR (Cluster - Green)	1,800-3,300/10.5	96	1.25	20	51	25	--
MDR (Paseo - Stub)	2,400/10.0	84	1.25	20	60	4	--
MDR (Rowhouse - Alley)	3,800/7.2	130	1.00	32	74	24	--
LDR/Traditional	5,000/5.9	142	1.00	--	48	74	20
LDR/Traditional	5,250/5.8	36	1.00	--	--	24	12
LDR/Traditional	6,600/3.9	64	1.00	--	--	24	40
Total Units:		823		92	313	304	114

Years to Absorb Production Homes: 3.17

(1) Does not include the 125 units projected by the Developer as HDR (Apartments) at an average density of 25.0 units/acre. Assumes no material adverse impact resulting from the two ongoing lawsuits against the City and Developer on the planned build-out of the District into residential and commercial uses. See "LITIGATION" herein. Units sold per year and estimated absorption shown are projected by the Absorption Consultant, and actual units sold per year and actual absorption will be dependent on when home sales begin and market conditions.

Source: Absorption Report.

THE IMPROVEMENTS

Eligible Improvements

The Bonds will provide a funding source for moneys expended to finance the public infrastructure and facilities authorized to be financed by the levy of Special Taxes in the District, which are referred to herein as the Improvements. The list of eligible Improvements is set forth in Exhibit B to the Resolution of Formation, adopted by the City Council, as the legislative body of the District, on September 22, 2015. These Improvements eligible to be reimbursed with proceeds of the Bonds consist of the following:

Transportation Improvements. Improvements to the following roadways, as well as other public roadway improvements designed to meet the needs of the project:

- Woodcreek Oaks Boulevard
- Blue Oaks Boulevard
- HP Way
- Painted Desert Drive
- Crimson Ridge Drive
- New Meadow Drive

Eligible roadway improvements include, but are not limited to, these: acquisition of land and easements; roadway design; project management; bridge crossings and culverts; clearing, grubbing, and demolition; grading, soil import/export, paving (including slurry seal), and decorative/enhanced pavement concrete or pavers; joint trenches, underground utilities, and undergrounding of existing utilities; dry utilities and appurtenances; curbs, gutters, sidewalks, bike trails (including onsite and off-site), enhanced fencing, and access ramps; street lights, signalization, and traffic signal control systems; bus turnouts and shelters; signs and striping; erosion control; median and parkway landscaping and irrigation; entry monumentation; Bus Rapid Transit improvements, including transfer stations and park-and-ride facilities; regional public transit improvements; masonry walls; traffic control and agency fees; and other improvements related thereto. Eligible improvements for the roads listed above also include any and all necessary underground potable and non-potable water, sanitary sewer, and storm drainage system improvements.

Potable and Non-Potable Water System Improvements. Authorized facilities include any and all on- and off-site backbone water and recycled (or non-potable) water facilities designed to meet the needs of development of the project. These facilities include, but are not limited to, potable and non-potable mains, valves, services, and appurtenances; wells; and water treatment and storage facilities. Facility improvements include, but are not limited to: site clearing, grading, and paving; curbs and gutters; recycled water storage tanks, booster pump stations, and all appurtenances thereto; wells; water treatment; stand-by generator; site lighting, drainage, sanitary sewer, and water service; landscaping and irrigation; access gates and fencing; and striping and signage, including water lines in all authorized facility roads, recycled water lines in all authorized facility roads, recycled water lines in all City parks, well construction on Lot 24 (CO-76), and off-site recycled water pump station improvements.

Drainage System Improvements. Authorized facilities include any and all on-site and off-site backbone drainage and storm drainage improvements designed to meet the needs of development of the project. These facilities include, but are not limited to, mains, pipelines and appurtenances; outfalls and water quality measures, temporary drainage facilities,

detention/retention basins, and drainage pretreatment facilities; drainage ways/channels, pump stations, landscaping, and irrigation; access roads, gates, and fencing; and striping and signage, as well as: all storm drain lines and facilities in authorized facility roadways; detention and drainage facilities; outfall channel improvements on Lots 1, 2, 4, and 5 (CO-31, CO-41, CO-42, and CO-51).

Wastewater System Improvements. Authorized facilities include any and all backbone wastewater facilities designed to meet the needs of development of the Project. These facilities include, but are not limited to, pipelines and all appurtenances thereto, manholes, tie-in to existing main line, force mains, lift stations, odor-control facilities, sewer treatment plant improvements and permitting related thereto, and related sewer system improvements, including all wastewater facilities in authorized facility roadways.

Park and Paseo Improvements. Authorized facilities include any and all improvements to parks and paseos located in the project, including construction of Park Sites HP-2, CO-64, CO-61, and CO-62; and construction of Paseo Sites CO-63 and CO-65.

Open Space Improvements. Authorized facilities include any and all open space improvements designed to meet the needs of development of the project, including, but not limited to, bike trails, bike/pedestrian bridges, storm drain crossings, storm drain detention/retention, wetland mitigation, tree mitigation, off-site hawk mitigation, agricultural mitigation or wetland mitigation, property acquisition, endowment payments for open space management, landscaping and irrigation, access gates and fencing, and related open space improvements, including improvements related to CO-81 and CO-82 other than those included in the Storm Drain section above, and wetland creation mitigation, fencing, etc.

Utilities. Authorized facilities include any and all utility improvements designed to meet the needs of development of the project. All utility improvements, easement payments, and land acquisition not located under or alongside transportation improvements are considered authorized facilities.

Other Public Facilities. Authorized facilities include any and all public facilities or infrastructure, including the project's pro rata contribution to the land acquisition of the off-site fire station site; site clearing; grading; and street frontage improvements, including curbs, gutters, and paving, including fire station site acquisition and improvement obligations on Lot 6 (CO-75).

Formation, Administrative, and Incidental Expenses. In addition to the foregoing, other incidental expenses as authorized by the Act, including, but not limited to, these: the cost of planning, permitting, approving, and designing the facilities (including the cost of environmental evaluation, orthophotography, environmental remediation/mitigation, and preparation of an overarching Operation and Maintenance [O&M] Plan for the City of Roseville Open Space Preserves); land acquisition and easement payments for authorized District facilities; project management, construction staking; engineering studies and preparation of an engineer's report for the use of recycled water; utility relocation and demolition costs incidental to the construction of the public facilities; cost associated with the creation of the District, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes or costs otherwise incurred to carry out the authorized purposes of the District; reimbursements to other areas for infrastructure facilities or planning purposes serving development in the District; and any other expenses incidental to the construction, completion, and inspection of the facilities and related expenses associated with any of the foregoing.

Estimated Cost of the Improvements

The total estimated cost of the Improvements to be constructed in connection with development of land in the District, as shown in the following table, is approximately \$19.8 million. The cost of the Improvements will initially be paid for by the Developer, with the Developer to be reimbursed for certain of such improvement expenditures from the proceeds of the Bonds. The Developer anticipates that all or nearly all of the \$19.8 million estimated total cost of the Improvements will be financed by the proceeds of the Bonds. The Developer has already expended approximately \$0.9 million of the estimated \$19.8 million total, and expects to be reimbursed for such amount with proceeds of the Bonds. Although there is not anticipated to be any shortfall in Bond proceeds available to construct the Improvements, the Developer is required to fund any such shortfall pursuant to the Development Agreement. In the event that Bond proceeds are insufficient to reimburse the Developer for construction of the City park tentatively referred to as “HP Park” to be located on Parcel HP-2 and CO-64, the park could be funded by the Developer and reimbursed from pay-as-you-go financing derived from proceeds of the Special Tax collections in excess of debt service described below. Construction of the City park is required by the Development Agreement to be commenced prior to the issuance of the 150th single family residential building permits to be issued in the District. See “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT – The Developer” for a description of other sources of funding available to the Developer.

Construction of Improvements set forth in the following table (other than the City park, the funding for which is anticipated to be available from proceeds of the Bonds) is underway and will be completed in a single phase. The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component can provide for funding of the cost of a portion of the Improvements in excess of the amount provided from proceeds of the Bonds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. The total principal amount of Improvements financed by the Bonds and the pay-as-you-go funding component of the Special Tax Formula is capped at \$22 million under the Acquisition Agreement. The City and the Developer contemplate utilizing the pay-as-you-go funding mechanism, as and if needed, during not more than the initial 10 years of the time the Bonds are outstanding, primarily for reimbursement of all or a portion of the cost of construction of the City park and other improvements serving the needs of the project. See “SECURITY FOR THE BONDS – Special Tax Methodology.”

The costs set forth in the table below are estimates based on projections; actual costs are expected to vary.

Table 5
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Summary of Eligible Improvements and Estimated Total Cost

Eligible Improvement	Estimated Total Cost⁽¹⁾
Blue Oaks Blvd - CO Frontage	\$ 2,164,320
Blue Oaks Blvd - QIP Frontage	1,295,112
Woodcreek Oaks Blvd	2,894,506
Painted Desert	1,264,418
Crimson Ridge	1,744,577
HP Way	4,217,913
HP Way - Offsite Reconstruction	2,124,872
HP Park	3,127,472
SWPPP	250,000
ASR Well (Well/Casing)	100,000
Recycled Water Pump Upgrade	300,000
Bike Trail Connection Study/Initial Design	318,000
Fire Propagation Study	10,000
LRMTP Transit Plan	3,500
<i>Total</i>	<u>\$19,814,690</u>

(1) Includes 7-15% contingencies and 18% (or less) soft costs, depending on the Improvement.
Source: Developer; Morton & Pitalo, Inc., *Opinion of Probable Construction Costs*.

Construction and Acquisition of the Improvements

The Developer expects construction of the Improvements, other than the park, to be completed by Fall of 2016. The timing of construction of end user structures by merchant builders and the commencement of sales of homes to homebuyers and commercial buildings to commercial owners and/or occupancy by tenants is dependent upon market conditions. The Developer is not a builder and marketing of large lots to merchant builders and others is underway, having principally commenced following recordation of the large lot parcel map in late December 2015.

In connection with the issuance of the Bonds, the City and the Developer have entered into a Funding, Construction and Acquisition Agreement (the “**Acquisition Agreement**”) which provides that the Developer or its affiliate will construct (or cause to be constructed or funded) the Improvements and related facilities, and the City, upon completion of construction and acceptance by the City, or through progress payments prior to completion of the entire Improvement, will purchase the Improvements or reimburse the Developer for expended amounts using a portion of the proceeds of the Bonds pursuant to the terms of the Acquisition Agreement. The Developer will be responsible for the portion of the cost of construction of the Improvements not paid with Bond proceeds; however a portion of the needed funding may come from the pay-as-you-go levy component (referred to above) available to the City under the Special Tax Formula. Consistent with the Development Agreement, the Acquisition Agreement contemplates that the City will provide for a pay-as-you-go levy component, as needed, to fund authorized Improvements beyond those paid for with proceeds of the Bonds up to a total \$22 million of bond proceeds and pay-as-you-go reimbursement by levying the Maximum Annual Special Tax on all Taxable Parcels for the first 10 years of the Special Tax levy. The City is not obligated to continue the levy for pay-as-you-go amounts once amounts available to reimburse the Developer for authorized Improvements have reached \$22 million or beyond 10 years.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the property within the District. There is no assurance that the Developer, as the sole current owner, or any subsequent owners, will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner(s) of any property within the District.

The Developer has provided the information set forth in this section. No assurance can be given that all information is complete. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.

The Developer

General. At the time of formation of the District and as of the date of this Official Statement, all of the land within the District was and is owned by the Developer, BBC Roseville Oaks, LLC, an entity comprised of a management team that is responsible for the day-to-day management of the entitlement and development operations, and a group of capital investors that have provided equity for the operations and development of the project. The Developer is a limited liability company formed in Illinois and registered to do business in California.

The managing member of the Developer is Bixby Bridge Capital, LLC (“**Bixby**”), which also holds a 44.2% ownership stake in the Developer. Bixby has provided \$24.8 million of the approximately \$56.2 million invested in connection with the development of the District by the Developer to date. The remaining \$31.4 million has been provided by other private investors, which also have an ownership stake in the Developer.

Bixby, founded in 1992, is a private real estate investor and lender. While principally focused on the United States, Bixby has investments throughout the world and across myriad asset classes, including industrial, office, hospitality, multi-family, marinas, residential lots, raw land, and retail. Bixby has offices in Northbrook, Illinois and Dallas, Texas.

David D. Colburn is the founder and managing principal of Bixby. Prior to founding his first investment partnership in 1991, Mr. Colburn worked for Bank of America. Mr. Colburn graduated with honors from Harvard University in 1980, and received an MBA from the Wharton School of the University of Pennsylvania in 1989.

Stephen L. Des Jardins is a member of the Developer and the Developer’s project manager for the Campus Oaks project. Bixby and Mr. Des Jardins first began working together in 2011. Since that time, they have worked together on three projects wherein Bixby has provided the financing and Mr. Des Jardins has provided local expertise in project management. The first such project was a shopping center in Rocklin, California known as Blue Oaks Marketplace that was 85% leased at the time and was subsequently re-tenanted and is being sold at a new higher value. The financing entity involved was named BBC Blue Oaks, LLC. Bixby and Mr. Des Jardins were also involved in the recapitalization of certain property acquisitions in the Diamond Creek area of the City, which included profit participation agreements with, initially, BlackPine Communities and currently Lennar Homes, both of which

are homebuilders. The financing entity involved was named BBC Diamond Creek, LLC. The Campus Oaks project is the third project involving Bixby and Mr. Des Jardins.

From 1992 to 2009, Mr. Des Jardins served as president and managing partner of Diamond Creek Partners, LTD. Diamond Creek Partners acquired approximately 360 acres directly across Blue Oaks Boulevard from the Hewlett Packard campus and Del Webb Sun City-Roseville. Obtaining entitlements for the property involved all phases of political action as well as wetland regulatory issues and the formation of a community facilities district under the Mello-Roos Act, and construction of major backbone infrastructure facilities (roads, water, sewers, bridges, etc.). The residential portion of the project has been sold out since 2000 and included lots sold to Woodside Homes, Centex Homes, Meritage Homes, John Laing Homes, U.S. Homes and Morrison Homes, as well as acreage for the Eskaton Village community at Diamond Creek. Commercial tenants for the project include La Provence Restaurant & Terrace, Melton Financial Group, Phoenix Risk Management Insurance Services, and the Diamond Creek offices. The remaining 19 acres of commercial property was rezoned and sold to BlackPine Communities and Lennar Homes (homebuilders) and is in the final stages of being built out. Key to this plan was the installation of master water and sewer to the west side of the site that included a 72" trunk sewer, robust recycled water distribution system, and the first work on aquifer storage and recovery (ASR) and the first ASR well was built in Diamond Creek. In 2008, after Western Sierra Bank was purchased by Umpqua Bank, the loan to Diamond Creek Partners, LTD. secured by the property was not renewed. Umpqua Bank did not accept a proposal for pre-paid interest or any structure, which led to a Chapter 11 filing by Diamond Creek Partners, LTD. in 2008 and subsequently the confirmation of a Plan for Reorganization of Diamond Creek Partners, LTD. at the end of 2009 that was supported by Umpqua Bank. During this time, there was never a proposal to restructure the bonds that had been issued in connection with development of the project and special tax payments on the property and bond payments were timely made and there was never any call upon the reserve fund for such bonds.

Concurrent with the Diamond Creek project referred to above, Mr. Des Jardins was also involved in other endeavors, including a 13 lot custom residential subdivision, the development of several parcels in Diamond Oaks, a warehouse project in Orangevale, California, a custom lot project on a rezone parcel in Diamond Creek after Diamond Creek entitlements were complete, and a Master Plan community in Auburn, California, which represented the city's first Specific Plan and EIR combination. In addition to these projects, Mr. Des Jardins has been the continuous owner of La Provence Restaurant & Terrace, a restaurant in the City.

Prior to Mr. Des Jardins's experience with Bixby, from 1986 to 1992, he worked as an acquisition and portfolio manager for RMB Realty in Fort Worth, Texas, which was the primary land acquisition and development arm of Robert M. Bass of the Bass brothers family. Also, from 1983 to 1986, Mr. Des Jardins was the executive administrator and portfolio manager for the James M. Brown Company in Dallas, Texas, which company had commercial brokerage operations and was exclusive representative for a financial planner. Mr. Des Jardins is a member of Lambda Alpha International (a global land economics society), the Building Industry Association, the Roseville Area Chamber of Commerce, the Urban Land Institute (ULI), the International Council of Shopping Centers (ICSC) and other professional organizations.

Ownership of Land and Anticipated Development. The Developer has owned the land in the District since December 2013. The Developer purchased the land from the nonprofit Hewlett-Packard Company Foundation, which acquired the land as a donation from the Hewlett-Packard Company in 2009. The Developer purchased all of the land in the District in cash, and

there is currently no outstanding indebtedness encumbering the property. The cash purchase price of the property was paid by the Developer with funds raised by equity capital calls on its members and without incurring any indebtedness or loan financing on the property, was approximately \$50 million, and the Developer subsequently invested an additional approximately \$6.2 million into the development of the District through December 31, 2015. Some of this \$6.2 million of investment is eligible to be reimbursed from Bond proceeds.

If the proceeds of the Bonds and the pay-as-you-go financing component of the Special Tax Formula, collectively, are not sufficient to finance all of the Improvements, the Developer intends to cover any shortfall using proceeds from the sales of land, the majority of which proceeds, net of sales expenses, are anticipated to be available to fund the costs of the project due to the absence of debt financing on the property.

The Developer has commenced grading and intends to construct backbone infrastructure in the District and sell individual residential and non-residential lots to merchant builders. The Developer is not a builder and expects to sell all of its land in the District to merchant homebuilders and commercial purchasers for development as infrastructure improvements are completed. See "THE DISTRICT – Developer's Anticipated Land Use Plan."

The Special Taxes are not personal obligations of the Developer or of any subsequent owner(s) of land in the District; the Bonds are secured only by Special Taxes Revenues and moneys held in certain funds as and to the extent set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

Development Experience of Managing Member Bixby. The Developer is a limited liability company established for the purpose of investing in the land in the District, and as such, has no other projects ongoing. However, Bixby, which is the managing member of the Developer and holds a 44.2% ownership interest in the Developer, has prior development experience. The following investments are representative of Bixby's recent transactions:

- 70 E Walton – Bixby purchased a 12-story mixed-use building containing 60,000 square feet of retail and residential space located in the Gold Coast neighborhood of Chicago, Illinois. The vintage building features high-end retail suites and 25 units of luxury short-term rental apartments.
- Aria Longboat Key – Bixby acquired a 5 acre oceanfront site in Longboat Key, Florida in 2009. In 2013, Bixby partnered with a local developer to develop plans for a 5-story 16-unit luxury condo development with residences that average 3,856 square feet. Presales were launched in Spring 2014, and construction started in summer 2014. The project is 100% presold, and buyers will be taking possession of their units in Spring 2016.
- Nanuku – Bixby acquired a 500-acre development in Pacific Harbour, Fiji. After finishing the infrastructure, Bixby opened an 18-villa boutique resort with a well-known operator, and started residential lot sales.
- Blue Oaks Marketplace – Bixby purchased an 88,000 square foot retail center in Rocklin, California. At acquisition, two out-parcels sat vacant and the leases were all short-term and below market. Bixby brought in national tenants, increased

occupancy and made capital improvements to enhance the appearance of the center.

For further information on Bixby and the individuals that control it (including Mr. Colburn), see Bixby's Internet homepage located at <http://www.bixbybridgecapital.com>. The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City, the District or the Underwriter. Nothing on this website is a part of this Official Statement or incorporated into this Official Statement by reference.

Financing Plan. The Developer owns its property in the District free and clear of any financing liens or deeds of trust and intends to fund the outstanding costs of development of the project with Bond proceeds, pay-as-you-go special tax revenues and, to the extent necessary, sales proceeds to be derived by the marketing and sale of land within the District to merchant builders. As of December 31, 2015, the Developer had expended approximately \$56.2 million in land acquisition and various entitlement and site development costs, including approximately \$0.9 million of reimbursable expenses for Improvements. The Developer estimates that it will require an additional \$18.9 million to complete its backbone infrastructure improvements within the District. See "THE IMPROVEMENTS" above.

To date, the Developer has financed its land acquisition and various site development costs related to its property in the District through internally generated funds received from investor members of the Developer, including Bixby. The Developer expects to use a combination of (i) internal funds generated from sales of lots to merchant builders, the majority of which proceeds, net of sales expenses, are anticipated to be available to fund the costs of the project due to the absence of debt financing on the property; and (ii) proceeds from the sale of bonds and pay-as-you-go special tax revenues to complete its development within the District and pay Special Taxes. The Developer does not expect to require any additional capital calls from investor members to fund the remaining costs of development or to pay the Special Taxes. However, many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses of funds to differ from the sources and uses described in this Official Statement. Notwithstanding the foregoing, the Developer believes that it will have sufficient funds available to complete its proposed development in the District, commensurate with the development timing described in this Official Statement.

No assurance can be given that any of the projected revenues, costs, or other amounts upon which the Developer has based its development assumptions will be achieved. Actual cash flow will depend on future events, such as the rate of land sales and actual costs of infrastructure development. To the extent the Developer needs cash to fund its operations, although not expected to be required or requested, the Developer may ask that investor members of the Developer advance amounts for that purpose. However, investor members have no legal obligation to fund any internal loans or to make any cash contributions to the Developer, nor is there any guarantee that the Developer will choose to do so under all circumstances.

Representations and Warranties of the Developer. The Developer will provide certain representations, warranties and covenants via a certificate delivered to the City and the Underwriter in connection with the pricing and closing of the sale of the Bonds, including the following:

(i) Except as disclosed in this Official Statement, to the actual knowledge of the Developer representative, the Developer is not aware of any material failures by it or any entity under managerial control of the Developer to comply in all material respects with previous continuing disclosure undertakings in a written certificate or agreement executed by it or its relevant entities to provide periodic continuing disclosure reports or notices of material events respecting securities offerings in the State within the past five years.

(ii) To the actual knowledge of the Developer representative, neither the Developer nor any of its relevant entities is currently in material default on any loans, lines of credit, agreements, or other contractual or financial obligations, or in breach of any applicable law, regulation, judgment or decree, and no event has occurred and is continuing that would constitute such a default or breach, the result of which could materially adversely affect the ability of the Developer: (A) to acquire, own, develop and sell its property in the District, as described in this Official Statement, (B) to pay Special Taxes on such property (to the extent the responsibility of the Developer) prior to delinquency, (C) to carry on its business as described in this Official Statement, or (D) to perform its obligations under the Developer Continuing Disclosure Agreement attached hereto as an appendix.

(iii) Except as disclosed in this Official Statement, to the actual knowledge of the Developer representative, neither the Developer nor any of its relevant entities is currently in default in, or, in the last five years, has ever defaulted to any material extent in, the payment of special taxes or assessments in connection with the District or any other community facilities districts or assessment districts in the State that was not cured prior to the institution of any enforcement action with a court of law.

(iv) Based upon its current development plans, including, without limitation, its current budget and subject to economic conditions and risks generally inherent in the development of real property, the Developer anticipates that it will have sufficient funds to (A) carry on its business as described in this Official Statement, (B) acquire, own, develop and sell its property as described in this Official Statement, and (C) pay Special Taxes on its property in the District (to the extent the responsibility of the Developer) prior to delinquency. *However, no assurance can be given that sources of financing available to the Developer will be sufficient to complete the property development and home construction as currently anticipated and as described in this Official Statement. Neither the Developer nor any of its relevant entities has any legal obligation of any kind to make any internal funds available or to obtain loans.*

VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN

The Appraisal

General. Seevers Jordan Ziegenmeyer, Rocklin, California (the “Appraiser”) prepared an Appraisal Report dated February 22, 2016, with a date of value of September 23, 2015 and an Update Appraisal Report, dated March 2, 2016, with a date of value of March 2, 2016 (together, the “Appraisal”). The Appraisal was prepared at the request of the City.

The Appraisal is set forth in its entirety in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Property Appraised. The Appraisal valued the fee simple estate of the approximately 129 acres of taxable property in the District, which consists of the taxable parcels listed in Table 2 above. The property appraised excludes the approximately 28 acres of land in the District designated for public and quasi public purposes and the approximately 33 acres of land planned for Tech/Business Park uses, given that such land is not subject to the levy of the Special Tax so long as it is used for such purposes. The Appraisal states that, overall, the appraised property is deemed functional in terms of its size, topography, shape and overall location, and there appear to be no unusual or restrictive physical limitations to the property.

Value Estimate. The value estimate for the appraised property as of the March 2, 2016 updated date of value, using the methodologies described in the Appraisal and subject to the hypothetical condition and assumptions and limiting conditions set forth in the Appraisal, and based on the ownership of the property as of that date is \$73,190,000. The valuation accounts for the impact of the lien of the Special Tax and represents the hypothetical market value of all the land in the District that was appraised.

In-Tract Development Costs, Permits and Fees. The Appraisal notes that the appraised property has an approved large lot (21 taxable lots) tentative map, which has been recorded in December 2015, allowing for 948 residential units (subject to further subdivision and design review approvals) and 3 non-residential sites that require all in-tract improvements and design review approvals. The 3 sites planned for non-residential uses total 24.83 acres for office and retail uses. According to information provided by the Developer to the Appraiser, in-tract costs for the appraised property’s LDR lots will range from \$33,000 to \$42,500 per lot, while in-tract costs for the smaller MDR/HDR lots will range from \$21,500 to \$27,000 per lot. Considering lot size and other physical characteristics of the appraised property, the Appraisal notes that the Developer’s projections for in-tract costs appear reasonable. For LDR and MDR/HDR residential lot components of the appraised property, the Appraiser used estimates commensurate with the Developer’s figures. The Appraisal also notes that the multifamily, office, and commercial components of the appraised property do not have in-tract costs like the single-family sites.

The Appraisal also notes that the appraised property’s permits and fees pertaining to home construction costs are approximately \$50,000 per lot for LDR lots, \$45,000 per lot for MDR lots, and \$30,000 per lot for HDR lots, which the Appraiser considered similar to competing projects located throughout the market area. These figures include building permit fees, development agreement fees and school fees. The Appraisal notes that these figures

represent estimates; actual permits and fees will vary by plan according to the actual home size constructed.

Appraisal Methodology. In the Appraisal, the Appraiser determined the highest and best use of the appraised property as vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity) as well as the highest and best use as improved, based on the hypothetical condition described below. The Appraiser determined that the highest and best use of the property is for near term single-family residential, multifamily residential (parcels planned for market rate units), and commercial uses, with an interim hold for development of the property's multifamily residential (parcels planned for affordable rental units only) and office use land.

In the valuation of the subject lots, the Appraiser utilized the sales comparison approach and extraction technique to estimate values for each category of LDR and MDR detached lots. To facilitate this portion of the analysis, the Appraiser selected a benchmark lot category within each of the LDR and MDR land uses. For the LDR lots, the largest lot grouping, in terms of lot count, is the 5,000 square foot lots. Village CO-7 with 58 planned lots served as the Appraiser's benchmark lot category for the LDR lots. For the MDR lots, the Appraiser similarly looked to the largest lot grouping in terms of lot count, and therefore selected a typical lot size of 3,800 square feet for the benchmark lot size for the MDR lots. Villages CO-11 and CO-12 served as the benchmark lot grouping for this category of lot. Both villages are expected to contain 34 planned lots, for a total of 68 lots. The Appraiser utilized a combination of two villages in consideration of the market's preference for at least 40 lots (according to the Appraisal, at or above 40 lots enables most builders to adequately spread the overhead of their typical marketing programs). After value conclusions were derived for each benchmark category, the Appraiser then derived values by lot size (categories) based on market supported value differences related to typical lot size.

In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions, and a market value for each benchmark lot category was concluded. Then, as a support of reasonableness, the Appraiser utilized an extraction analysis, which was reconciled with the sales comparison approach conclusion. For the MDR lots encumbered with affordable housing requirements, the Appraiser used exclusively the extraction technique in estimating value. After reconciling the indications of value estimated via the sales comparison approach and the extraction technique, the Appraiser used market derived adjustments to create estimates for each size category of lots in the LDR and MDR land use components. Due to limited available data, a land residual analysis was employed to determine the lot value for the HDR lots. The sales comparison approach was also utilized to determine the value of the appraised property's proposed office and commercial parcels. The Appraiser employed the extraction method to value the multifamily site that is subject to affordable housing requirements. Lastly, the Appraiser estimated the bulk market value of the appraised property, utilizing the subdivision development method (or discounted cash flow analysis). The Appraiser used an internal rate of return (and discount rate) of 14% in its discounted cash-flow analysis.

The Appraiser's analysis excluded a typical income capitalization approach, since the land uses represent vacant land with limited extended income potential.

Hypothetical Condition. *The Improvements, which are expected to be financed with proceeds of the Bonds and other sources provided by the Developer, were not in place as of the date of Appraiser's inspection of the appraised property; thus, the value estimate set forth in the Appraisal is subject to a hypothetical condition (of such*

improvements being in place), defined as that which is contrary to what exists but is supposed for the purposes of analysis. For purposes of the hypothetical condition, the Appraiser assumed all Improvements, estimated at a cost of approximately \$19,900,000, are in place, and that all of such amount will come from Bond proceeds. The appraised value accounts for the lien of the Special Tax.

Extraordinary Assumptions and Limiting Conditions. In addition to the hypothetical condition described above, the Appraisal is based upon a number of standard and special assumptions and conditions, all of which affect the estimate as to value, some of which include the following. See “APPENDIX B – The Appraisal and Update to the Appraisal” for a complete list of such assumptions and conditions.

- The Appraiser presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the appraised property.
- This Appraisal utilizes parcel sizes and land use configurations as reflected by the Hewlett-Packard Campus Oaks Master Plan dated June, 2015. Assessor’s Parcel Maps of the appraised property were reviewed by the Appraiser, and although the Appraiser noted total acreage is different, it is similar to the total acreage used.
- The Appraisal assumed, in accordance with information supplied by the Developer, after working closely with the City, that the appraised property’s permits and fees pertaining to home construction costs are approximately \$50,000 per lot for LDR lots, \$45,000 per lot for MDR lots, and \$30,000 per lot for HDR lots.
- Estimated in-tract development costs were provided by the Developer for use in the Appraisal. The Appraisal assumed that these cost estimates are accurate.
- Estimated costs for spinal infrastructure improvements, based on information prepared by the Special Tax Consultant, were assumed to total \$19,900,000. The Appraisal notes that, reportedly the projected construction fund amount from the bond issuance is \$19,900,000. Thus, the construction funds are projected to cover 100% of the spinal infrastructure improvement costs. The Appraiser notes that if, at some future date, it is determined that cost estimates or the anticipated construction fund amount are different than actual, the values contained in the Appraisal could be affected.
- The Appraisal notes that there is currently pending litigation against the appraised property. See “LITIGATION” herein. The analysis and values in the Appraisal are premised on the assumption that there will be no adverse impact on the appraised property due to the litigation in terms of land use, development timing or development costs.
- The Appraisal notes that as a condition for obtaining more than 200 single-family residential permits, the Developer must complete construction of the project park site. The Appraiser’s analysis is premised on the assumption that the park construction is completed within a timeframe that would not create an interruption in obtaining building permits, as dictated by market demand.

- Title to the property is assumed to be good and marketable unless otherwise stated in the Appraisal, and the property is appraised free-and-clear of any or all liens or encumbrances unless otherwise stated therein.

Aggregate Value. The retail value for the property represents estimates of what an end user would pay for a finished property under conditions requisite to a fair sale. The Appraiser considered property finished if it were in a state where it could be purchased and then or shortly thereafter be fully developed, with all major infrastructure in place, the subdivision map ready for final approval, and the in-tract improvements able to be completed shortly. The aggregate retail value is the sum of the retail values for the applicable property groupings. This value estimate excludes all allowances for carrying costs and is not equal to the market value of all the subject properties.

Market Value, Bulk Value. The bulk sale value represents the most probable price, in a sale of the appraised property within the District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The discounted value of the property represents the market value of the property in the District.

Projected Absorption Period. The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. The Appraiser reviewed the Absorption Report, created by The Gregory Group, when conducting its own absorption analysis. The Appraiser concluded that the absorption rates set forth in the Absorption Report appear reasonable based on current market conditions and anticipated continued strengthening. In light of the relative strength of the residential market in the West Roseville area and the appraised property's site features (proximity to transportation and nearby services), the Appraiser anticipated the disposition of the residential land could occur over an 18-month time period. The Appraisal notes that it does not estimate an exact sequencing of absorption of the residential parcels, given that such an attempt would be considered highly speculative. As such, the Appraisal averages the revenues for each revenue component over the respective absorption periods. See "APPENDIX B – The Appraisal and Update to the Appraisal," and "APPENDIX C – The Absorption Report" for additional information.

Exposure Time and Marketing Time. Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the Appraisal. The Appraisal states that a transfer of residential land in the region has typically occurred within 12 months of exposure, and therefore the estimated exposure time for the appraised property, if appropriately priced, would have been within 12 months of initial exposure. Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the appraised property. The Appraisal concludes that the marketing time for the appraised property is not anticipated to vary significantly from the exposure time, and therefore the marketing time is estimated at 12 months or less.

No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to

accurately forecast and project specific demand over a projected period. See “SPECIAL RISK FACTORS – Property Values and Property Development.”

Limitations of Appraisal Valuation. Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the estimate of market value set forth in the Appraisal can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See “– Overlapping Liens and Priority of Lien” below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “SPECIAL RISK FACTORS” herein.

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be \$73,190,000, subject to the limiting conditions stated therein. See “– The Appraisal” above and APPENDIX B hereto. The amount of direct and overlapping liens on the real property in the District is \$23,226,405 (representing the original principal amount of the Bonds of \$23,000,000, plus the overlapping lien of \$226,405, which is rounded to \$226,400 in Table 6 below). Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately 3.15 times the principal amount of the Bonds and overlapping debt, as shown in the table below.

Table 6
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Value to Burden Ratios for Taxable Property by Land Use Category⁽¹⁾

Land Use Category	2015-16 Maximum Annual Special Tax	% of 2015-16 Maximum Annual Special Tax	Allocated Overlapping Bond Lien ^{(2), (3)}	Allocated Direct Bond Lien ⁽²⁾	Total Direct and Overlapping Lien ^{(2), (3)}	Allocated Appraised Value ⁽²⁾	Appraised Value to Allocable Bond Ratio ⁽²⁾
Residential							
Low Density Residential (LDR)	\$551,760	35.9%	\$81,200	\$8,247,300	\$8,328,500	\$26,050,000	3.13 : 1
Medium Density Residential (MDR)	492,600	32.0	72,500	7,363,000	7,435,500	24,320,000	3.27 : 1
High Density Residential (HDR) ⁽⁴⁾	338,082	22.0	49,700	5,053,400	5,103,100	14,610,000	2.86 : 1
Subtotal Residential	1,382,442	89.8	203,400	20,663,700	20,867,100	64,980,000	3.11 : 1
Nonresidential							
Commercial	121,968	7.9	17,900	1,823,100	1,841,000	6,910,000	3.75 : 1
Office	34,335	2.3	5,100	513,200	518,300	1,340,000	2.59 : 1
Subtotal Nonresidential	156,303	10.2	23,000	2,336,300	2,359,300	8,250,000	3.50 : 1
Total	\$1,538,745	100.0%	\$226,400	\$23,000,000	\$23,226,400	\$73,230,000	3.15 : 1

(1) The analysis and appraised value in the Appraisal are premised on the assumption that there will be no adverse impact on the appraised property due to the ongoing litigation in terms of land use, development timing or development costs. See “–The Appraisal” and “LITIGATION” herein.

(2) Based on an overall bulk value amount of \$73,190,000 from the Appraisal. The rounded sum of Allocated Appraised Value is slightly higher than the rounded aggregate total of \$73,190,000. Direct and overlapping liens are allocated based on each category's percentage of 2015-16 maximum annual special tax.

(3) Amounts rounded to the nearest hundred.

(4) Includes apartment property as identified in the Appraisal.

Source: *Special Tax Consultant; Appraiser (for appraised value); Underwriter (for principal amount of Bonds).*

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developers or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

Overlapping Liens and Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

In addition to bonded debt, property in the District is also subject to special taxes authorized to be levied on behalf of the City's Community Facilities District No. 3 (Municipal Services) and Community Facilities District No. 4 (Open Space), which districts provide for escalating annual special taxes on property within each district's boundaries. For Fiscal Year 2015-16, CFD No. 3 is authorized to levy maximum annual special taxes in the respective approximate amounts of \$156 for low density residential, \$91 for medium density residential and \$46 for high density residential land use categories. CFD No. 3 is also authorized to levy annual special taxes on nonresidential land uses in the district. For Fiscal Year 2015-16, CFD No. 4 is authorized to levy maximum annual special taxes in an amount of up to approximately \$79 per residential unit for certain low density and medium density residential land use categories, with the levy on certain other medium density and high density categories expected to be less.

Although not yet formed, land in the District will also be subject to a new CFD No. 2 (Public Services) annual maintenance special tax to primarily fund maintenance of parks, parkways, street lighting and other public amenities. In July 2015, the annual CFD No. 2 maximum special taxes were estimated at approximately \$312 per low density residential unit and \$206 per medium and high density residential unit. A CFD No. 2 annual special tax is also anticipated to be levied on nonresidential land uses in the district.

Table 7
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Summary of Overlapping Bonded Debt (As of March 1, 2016)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	<u>% Applicable</u>	<u>Debt</u>
Roseville Joint Union High School District General Obligation Bonds	0.204%	\$150,867
Roseville City School District General Obligation Bonds	0.363	75,538
City of Roseville – HP Campus Oaks CFD No. 1 (Public Facilities)	100.000	--⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$226,405</u>
<u>OVERLAPPING GENERAL FUND DEBT⁽²⁾</u>		
Placer County Certificates of Participation	0.079%	\$ 26,783
Placer County Office of Education Certificates of Participation	0.079	1,169
Sierra Joint Community College District Certificates of Participation	0.060	4,693
Roseville Joint Union High School District Certificates of Participation	0.204	2,240
Roseville City School District Certificates of Participation	0.363	31,768
Placer Mosquito and Vector Control District Certificates of Participation	0.079	2,926
City of Roseville Certificates of Participation	0.272	<u>73,388</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$142,967
Less: City of Roseville Certificates of Participation supported by golf course enterprise <u>9,898</u>		
TOTAL NET OVERLAPPING GENERAL FUND DEBT		<u>\$133,069</u>
GROSS COMBINED TOTAL DEBT		\$369,372 ⁽²⁾
NET COMBINED TOTAL DEBT		\$359,474
<u>Ratios to Fiscal Year 2015-16 Assessed Valuation⁽³⁾</u>		
Direct Debt	0.00%	
Total Direct and Overlapping Tax and Assessment Debt	0.45%	
Gross Combined Total Debt.....	0.73%	
Net Combined Total Debt.....	0.71%	

(1) Excludes Bonds sold pursuant to this Official Statement.

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

(3) Fiscal Year 2015-16 Assessed Valuation equals \$50,567,547 (Land and Improvements).

Source: California Municipal Statistics, Inc.

There can be no assurance that the Developer, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the City, County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the City or the Developer.

Private liens, such as deeds of trust securing loans obtained by the Developer, may be placed upon property in the District at any time. Under State law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Estimated Tax Burden on Single Family Residential Parcel

The Development Agreement specifies that the overall tax burden after formation of the District shall not exceed 2% of the estimated sales price of a single family residential home. Based on estimated sales prices provided by the Developer, the Special Tax Consultant has projected that the overall tax burden for LDR units, MDR (Rowhouse) units and MDR (Paseo/Cluster) units will be approximately 1.65%, and the overall tax burden for HDR (Townhouses) units will be approximately 1.68%, as shown in the table on the following page.

Table 8
HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Projected Overall Tax Burden for Single-Family Residential Parcels
(Fiscal Year 2015-16)

Item		LDR	MDR (Rowhouse)	MDR (Paseo/Cluster)	HDR (Townhouse)
Estimated Home Price ⁽¹⁾		\$500,000	\$400,000	\$350,000	\$250,000
Homeowner's Exemption		(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)
Estimated Assessed Value		\$493,000	\$393,000	\$343,000	\$243,000
Ad Valorem Property Taxes⁽²⁾					
General Ad Valorem	1.0000%	\$4,930	\$3,930	\$3,430	\$2,430
Roseville City Elementary B&I 1992 Series A	0.0313%	\$154	\$123	\$107	\$76
Roseville City Elementary B&I 2002 Series A	0.0003%	\$2	\$1	\$1	\$1
Roseville City Elementary B&I 2002 Series A&B Refunding 2011	0.0141%	\$70	\$55	\$48	\$34
Roseville High B&I 1992	0.0247%	\$122	\$97	\$85	\$60
Roseville High B&I 2004 Series B Non Refunding	0.0013%	\$7	\$5	\$5	\$3
Roseville High B&I 2004 Series C Non Refunding	0.0040%	\$20	\$16	\$14	\$10
Roseville High B&I 2004 A, B, & C Refunding 2013	0.0184%	\$91	\$72	\$63	\$45
Subtotal, Ad Valorem Property Taxes	1.0942%	\$5,394	\$4,300	\$3,753	\$2,659
Direct Charges					
City of Roseville HP Campus Oaks CFD No. 1 (Public Facilities) ⁽³⁾		\$2,280	\$1,800	\$1,500	\$1,200
City of Roseville CFD No. 2 (Public Services) ⁽⁴⁾		\$312	\$312	\$312	\$206
City of Roseville CFD No. 3 (Municipal Services) ⁽⁵⁾		\$156	\$91	\$91	\$46
City of Roseville CFD No. 4 (Open Space) ⁽⁶⁾		\$76	\$76	\$76	\$76
Placer Mosquito & Vector Control		\$25	\$25	\$25	\$25
Subtotal, Direct Charges		\$2,850	\$2,305	\$2,005	\$1,553
Total Ad Valorem Property Taxes and Direct Charges		\$8,244	\$6,605	\$5,758	\$4,212
Overall Tax Burden		1.65%	1.65%	1.65%	1.68%

(1) Estimated Home Price and Estimated Assessed Value from Campus Oaks Master Plan Fiscal Impact Analysis Table D-2.

(2) Rates based on tax bill for Hewlett-Packard's site (APN: 017-230-056), which is not in the District, including FY 2014-15 rates for Tax Rate Area 005-001. No tax bill records available for parcels located in the District.

(3) Represents estimated tax charges of the District, based on the Maximum Annual Special Tax rates set forth in the Special Tax Formula.

(4) From the parks and open space financing plan analysis. This CFD is not yet formed.

(5) Provided by City from the Fiscal Impact Analysis.

(6) Estimated rate per unit based on the existing open space maintenance special tax.

Sources: DCP; Placer County Assessor; The Gregory Group; Special Tax Consultant.

SPECIAL RISK FACTORS

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. **THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE BONDS TO ENTITIES WITH TOTAL ASSETS OF AT LEAST \$50 MILLION, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER MAKING THAT, AND CERTAIN OTHER, REPRESENTATIONS SUBSTANTIALLY IN THE FORM ATTACHED HERETO AS APPENDIX H.***

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property subject to the Special Tax in the event of a foreclosure. See "SECURITY FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

Concentration of Ownership

All of the land within the District is currently owned by the Developer. An owner of property in the District is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient for the payment of debt service on the Bonds, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Developer, or any future owners of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the District's obligations on the Bonds. For a description of the Developer and certain of its affiliates, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT – The Developer." In that event, there could be a delay or failure in payments on the Bonds. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays" below and "SECURITY FOR THE BONDS – Delinquent Payments; Covenant to Foreclose."

Ongoing Litigation

As described elsewhere in this Official Statement, there are two current lawsuits against the City and Developer related to property, entitlements and environmental matters in the

District, and the Development Agreement. Each of these lawsuits has been brought by QIP, an owner of land adjacent to land in the District, related to the Developer's proposed development in the District. See "LITIGATION."

Between the two actions, QIP has requested, among other forms of relief, the following: (i) vacating and setting aside the City Council's August 5, 2015 approval of the HP Campus Oaks project, including the approval of a general plan amendment, rezone, master plan amendment, and all other associated approvals and/or entitlements, (ii) issuance of an injunction enjoining the City, the Developer and Hewlett-Packard Company from engaging in any activities related to the project that could result in any change or alteration in the physical environment until the City prepares and certifies a legally adequate environmental impact report for the project, and fully complies with all requirements of CEQA, and (iii) issuance of an injunction preventing any development in the District. No assurances can be given as to the outcome of either of these lawsuits and one or more of the requested forms of relief sought by QIP may be granted by a court in either case. In the event development was significantly delayed or prevented, the value of property in the District may be materially adversely affected.

The analysis and appraised value in the Appraisal are premised on the assumption that there will be no adverse impact on the appraised property due to the ongoing litigation in terms of land use, development timing or development costs. See "VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – The Appraisal" and "LITIGATION" herein.

Appraised Values

The Appraisal (which is set forth in APPENDIX B to this Official Statement) estimates the market value of the taxable property within the District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In considering the estimates of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, as well as the hypothetical condition of the Improvements having been completed, as set forth in the Appraisal (see APPENDIX B hereto). The improvements to be financed by the Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place). Additionally, the analysis and appraised value in the Appraisal are premised on the assumption that there will be no adverse impact on the appraised property due to the ongoing litigation in terms of land use, development timing or development costs. See "LITIGATION" herein.

In addition, the opinion of market value in the Appraisal is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in the District could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

Property Values and Property Development

The value of taxable property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the District's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

The Appraisal (which is set forth in APPENDIX B to this Official Statement) is based on certain assumptions made by the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur. See "— Appraised Values" above.

Neither the District nor the City has evaluated development risks related to the development of land in the District. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds in no way implies that the District or the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within the District

will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of non-completion.

Neither the Developer nor any other person provides any assurances that the project currently envisioned for the land in the District will be completed, or that sources of financing that will actually be available to the Developer will be sufficient to complete such projected development. The Developer has no obligation to the City or to owners of the Bonds to complete the project.

Risks of Real Estate Investment Generally. Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

Natural Disasters. The value of the parcels in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of the State, may be subject to earthquakes or other unpredictable seismic activity. See “THE DISTRICT – Environmental Matters.”

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

Recent California Drought. The Sacramento region, like most of the State, is prone to occasional drought. For example the State experienced an extended drought period that began in 1987 and continued until the winter of 1992-93. The State is also currently facing one of the most severe droughts on record. In January 2014, Governor Brown declared a drought State of Emergency and directed state officials to take all necessary actions to prepare for water shortages and directed local officials to reduce water usage by 20%. Since January 2014, the City has achieved an 18.7% water consumption reduction through implementing planned water efficiency programs to address occasional drought conditions. The volatility of weather patterns make it difficult to predict how long drought conditions will persist, or how often they may reoccur. However, when drought conditions do occur, it can affect community water usage for the duration of the drought as cities and water agencies implement drought management plans that require water usage reduction.

The City employs a portfolio approach to its water supplies which includes the use of surface water, groundwater and recycled water. This portfolio approach is designed to provide a more reliable water supply. Surface water is the City's primary water supply which is delivered from Folsom Reservoir under contracts with the Bureau of Reclamation and the Placer County Water Agency. The City also uses groundwater to supplement its surface water supplies during emergency and drought conditions. These ground water wells are designated to accommodate Aquifer Storage and Recovery (ASR). The City's ASR program allows for the storage of treated surface water in the groundwater basin through direct injection through the ASR wells. This water can be extracted later from the same wells for use during emergency or drought conditions. This water "banking" allows the City to use groundwater without significant impact to the ground water table when surface water supplies are limited. The City also uses recycled water generated from its wastewater treatment facilities for irrigation purposes in commercial landscaping, public rights-of way, parks and golf courses. The use of recycled water reduces the demand for treated water for these purposes and leaving more for domestic use.

The Development Agreement indicates that, even without the Developer's planned utilization of recycled water and implementation of a water conservation plan as described therein, the available water supply of the City, as set-aside to serve development of the property in the District, is sufficient to serve all of the anticipated development. In fact, the water demand expected based on the Developer's current development plan is less than the demand originally associated with the previously approved land uses for land in the District (i.e., Light Industrial). Further, the City indicates it has adequate surface water and groundwater supplies to meet the allocation for all phases of development in the District, notwithstanding existing limitations as part of the City's drought management programs. However, in the event that the City's water supply is severely limited or cut off by virtue of future actions beyond its control resulting from ongoing or future drought conditions, development within the District may be delayed or even stopped. Should the City need to restrict development it must do so City wide and cannot single out the District property in restricting development activity. In turn, the anticipated diversity of ownership of land within the District could also be reduced, making the owners of the Bonds more dependent upon the Developer's or other owners of undeveloped land timely payment of the Special Taxes levied on undeveloped property. Furthermore, such an increased period of concentrated ownership of undeveloped land increases the potential negative impact of any bankruptcy or other financial difficulties experienced by the Developer or successor owners. Any reduction or interruption in the water supply would also likely cause a reduction in the land value and thus a reduction in the security in the event of a need to foreclose on land within the District following a delinquency in the payment of Special Taxes.

Legal Requirements. Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

Hazardous Substances. Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. State law with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal

laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them. An EIR prepared for the property in 1996 did not indicate the presence of any hazardous substances within the District.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a foreclosure sale.

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although the Developer believes that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received, including the 404 permit previously obtained and applicable to development of the project, the discovery of an endangered plant or animal not covered by the existing permits and entitlements could delay development of vacant property in the District or reduce the value of undeveloped property.

Levy and Collection of Special Taxes

General. The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District.

Limitation on Maximum Annual Special Tax. The annual levy of the Special Tax is subject to the Maximum Annual Special Tax rate authorized in the Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

In addition to the Maximum Annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as

a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the calculation and levy of Special Taxes pursuant to the Special Tax formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of taxable property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of taxable property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Factors that Could Lead to Special Tax Deficiencies. The following are some of the factors that might cause the levy of the Special Tax on any particular taxable property to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of parcels of taxable property could be reduced through the acquisition of a parcel of taxable property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxable property (up to the Maximum Annual Special Tax for each such parcel) and, therefore, potentially insufficient funds available to pay debt service on the Bonds. Property owned by governmental entities is generally exempt from the levy of Special Taxes under the Act. However, pursuant to Section 53317.3 of the Act, if property not otherwise exempt from the Special Tax is acquired by a “public entity,” the Special Tax will continue to be levied on such property and will be enforceable against such public entity. Notwithstanding this provision of the Act, uncertainty exists as to whether property owned by a public entity could be successfully foreclosed upon to satisfy the amount of Special Taxes owed and there is no assurance that a governmental entity acquiring a parcel of taxable property would continue to pay the Special Taxes levied on such parcel.

Property Tax Delinquencies. Failure of the owners of taxable property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See “–Tax Delinquencies” below. Because the District was formed in 2015, a history of Special Tax collection and delinquency rates in the District is not available.

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS – Delinquent Payments; Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and

receipt by the City of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY FOR THE BONDS – Delinquent Payments; Covenant to Foreclose.”

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within the District.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Risks Associated with Commercial Real Estate

A portion of the land in the District is expected to be developed for Community Commercial and Business Professional uses. There are certain significant risks associated with these types of commercial property, as discussed in the following paragraphs.

Dependence on Tenant(s). The ability of property owner(s) within the District to pay Special Taxes may depend on the ability of tenants to meet their financial obligations under their leases. In the event of defaults by tenants, delays may be experienced in enforcing rights and substantial costs may be incurred in protecting the property owner’s investment. Furthermore, at any time, a tenant could seek protection under bankruptcy laws, which could result in the termination of the tenant’s lease and an interruption or loss of rental income. The bankruptcy of a major tenant, followed by the closing of its business or the leasing of its space to a different tenant or for a different use, could adversely affect the desirability of the property and result in a decrease in consumer traffic and sales income which would adversely affect the ability of the other tenants to meet their obligations under their leases.

Factors Affecting Economic Performance and Value of Commercial Property. The economic performance and value of the taxable property in the District will be affected by a number of factors, including national economic conditions, regional economic conditions (which may be adversely affected by plant closings, industry slow-downs and other factors), local real estate conditions such as an oversupply of retail space or a reduction in the demand for commercial and professional office space in the area, the attractiveness of the property to tenants, competition from other tenants, the quality of maintenance, the cost of insurance and management services, and increased operating costs. Other factors which may adversely affect the economic performance and value of the taxable property include changes in government regulations and other laws, rules and regulations governing real estate, zoning or taxes, increases in interest rates, the availability of financing and potential liability under environmental and other laws.

Due to these factors and other risks, there can be no assurance that the property currently contemplated to be developed as Community Commercial and Business Professional in the District will remain economically viable throughout the term of the Bonds, or that the

owners of the taxable property in the District will continue to have the ability throughout the term of the Bonds to pay the Special Taxes when due.

Bankruptcy and Foreclosure Delays

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY FOR THE BONDS – Delinquent Payments; Covenant to Foreclose,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Reserve Fund for transfer to the Bond Fund to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Parity Taxes and Special Assessments; Private Debt

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of three additional community facilities districts formed to fund services, known as the HP Campus Oaks CFD No. 2 (Public Services), CFD No. 3 (Municipal Services) and CFD No. 4 (Open Space). The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See “VALUE OF PROPERTY WITHIN THE DISTRICT AND SPECIAL TAX BURDEN – Estimated Tax Burden on Single Family Residential Parcel.”

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that

is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on taxable property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy and Foreclosure Delays” above.

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. See “THE DISTRICT – Marketing and Sale of Parcels by the Developer.” Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

Tax Delinquencies

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

The annual Special Tax levy will be billed and collected in two installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Bonds. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the Maximum Annual Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

See “SECURITY FOR THE BONDS – Delinquent Payments; Covenant to Foreclose” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of Special Taxes. See also “SECURITY FOR THE BONDS – Special Tax Methodology – Limitation on Increases of Special Tax Levy” for a discussion of the limitations imposed by the Special Tax Formula and the Act applicable to Special Tax increases, and, in particular, on residential property.

No Acceleration Provisions

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowner similarly situated to pursue certain remedies. So long as the Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondowners.

Ballot Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State’s constitutional initiative process and those measures could be adopted by State voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the District. See “–Property Values and Property Development” above. See also “–Voter Initiatives” below.

Voter Initiatives

Under the State Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Special Tax Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, State voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new

local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors at the time of such voted authorization. The District believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the District can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Recent Case Law Related to the Mello-Roos Act

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under San Diego’s city charter (the “Charter”) and was intended to function much like a community facilities district established under the Act. The CCFD was comprised of all of the real property in the entire city. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax.

The *San Diego* Court held that the CCFD special tax election did not comply with its Charter and with applicable provisions of the State Constitution -- specifically Article XIII A, section 4 (“Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district . . .”) and Article XIII C, section 2(d) (“No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.”) -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to the District, there were no registered voters within the District at the time of the election to authorize the Special Taxes. Significantly, the *San Diego* Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on property pursuant to the Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the *San Diego* Court’s holding does not apply to the special tax election in the District.

Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Act] shall be commenced within 30 days after the special tax is approved by the voters

53359. An action to determine the validity of bonds issued pursuant to [the Act] or the validity of any special taxes levied pursuant to [the Act] . . . shall . . . be commenced within 30 days after the voters approve the issuance of the bonds or the special tax

Landowner voters approved the Special Taxes and the issuance of the Bonds in compliance with all applicable requirements of the Act on September 22, 2015. Therefore, pursuant to Sections 53341 and 53359 of the Act, the statute of limitations period to challenge the validity of the Special Tax has expired.

Because the *San Diego* Court expressly stated that it did not consider the facts presented by the District and because the period for challenging the Special Taxes has passed, the City believes the Special Taxes are valid and cannot be challenged.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the State Constitution, commonly known as “**Proposition 13**,” provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” which is defined as the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, State voters approved an amendment to Article XIII A of the State Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limits imposed. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not “proceeds of taxes” such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

CONTINUING DISCLOSURE

The City has agreed for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2015-16 fiscal year (due January 15, 2017) and to provide notices of the occurrence of certain enumerated events.

The Developer has also agreed for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it or its affiliates owns in the District by not later than April 1st and October 1st of each year (reflecting reported information as of a date no more than 60 days prior) beginning with the report due October 1, 2016 (the "**Developer Periodic Reports**") and to provide notices of the occurrence of certain enumerated events. The obligation of the Developer to provide such information is in effect only so long as the Developer and its affiliates, or their successors, are collectively responsible for 20% of the Special Taxes, as described in the Developer Periodic Reports and the Developer's undertaking includes a provision that if a portion of the Developer's property which is responsible for 20% or more of the Special Taxes is sold, the reporting obligation may be assumed by the new owner and the Developer's obligations with respect to such property will be terminated, or if not so assumed, the Developer is to report such required information, as applicable to the transferee. The Developer's reporting obligation may end in certain other circumstances, as described in APPENDIX F. The Developer has not entered into any previous obligations to provide Developer Periodic Reports and this will be the Developer's first obligation to provide such reports.

Diamond Creek Partners, LTD., an entity with overlapping investors and management with the Developer, has previously entered into a continuing disclosure undertaking in connection with the issuance of the City of Roseville Diamond Creek Community Facilities District No. 1, Special Tax Bonds, Series 2007. As noted above under "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT - The Developer," this entity had a Chapter 11 filing. Following that event, commencing with the Diamond Creek Partners, LTD continuing disclosure report due April 1, 2011 and continuing annually thereafter, no Diamond Creek Partners, LTD continuing disclosure reports were filed. This was due, in part, to a lack of payment being made to the dissemination agent for such reports to be filed. In addition, due to a lack of an express requirement in the continuing disclosure undertaking for the dissemination agent to file a notice of failure to file a report by Diamond Creek Partners, LTD, such notices were not consistently filed.

For the Developer Periodic Reports to be delivered in connection with the Bonds, the Developer has engaged Willdan Financial Services as dissemination agent and the City is expected to pay the dissemination agent amounts owed for filing Developer Periodic Reports directly as part of the administrative expenses of the District payable from the Special Taxes.

The City Annual Report, Developer Annual Reports and notice of a listed event will be filed with the Municipal Securities Rulemaking Board. The covenants of the City have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the annual reports or the notices of listed events by the City and the Developer is summarized in "APPENDIX F – Forms of Continuing Disclosure Undertakings."

The City believes it currently is in material compliance with all of its continuing disclosure undertakings. Notwithstanding the foregoing, in the last five years:

(1) The Annual Reports for Fiscal Years 2011, 2012 and 2013 for certain of the City's then-outstanding obligations were filed between 1 and 950 days after the dates required for such filings.

(2) The Audited Financial Statements of the City for Fiscal Years 2011, 2012 and 2013 for certain of the City's then-outstanding obligations were filed between 1 and 1,663 days after the dates required for such filings.

(3) The City may not have in a timely manner filed all significant event notices, including notices of changes in the ratings of certain then-outstanding obligations resulting from changes in ratings to the bond insurers who insured such obligations or the underlying rates for such obligations. However, the City has subsequently filed all previous event notices of changes in ratings on all currently outstanding obligations of which it is aware.

The City has engaged contract support for the preparation and filing of its continuing disclosure reports, including as to the District, in order to ensure compliance with future continuing disclosure obligations.

UNDERWRITING

The Bonds were purchased through negotiation by Piper Jaffray & Co., Inc. (the "**Underwriter**"). The Underwriter agreed to purchase the Bonds at a price of \$23,643,922.20 (which is equal to the par amount of the Bonds, plus an original issue premium of \$884,962.20 and less the Underwriter's discount of \$241,040.00). The initial public offering prices set forth on the inside cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the inside cover page hereof.

MUNICIPAL ADVISOR

The City has retained FirstSouthwest, a Division of Hilltop Securities Inc., Santa Monica, California, as municipal advisor (the "**Municipal Advisor**") in connection with the planning, structuring and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not

deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

NO RATINGS

The City has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

LITIGATION

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of his knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

Notwithstanding the foregoing, there are two current disputes related to property, entitlements and environmental matters in the District, and the Development Agreement. The first is referred to in this Official Statement as the “**CEQA Action**,” and the second is referred to herein as the “**Development Agreement Action**.”

First, on September 10, 2015, the City was served with a Petition for Writ of Mandate from QIP (which consists of Quality Investment Properties Roseville, LLC, Quality Investment Properties Roseville II, LLC and Quality Investment Properties Roseville Land Company, LLC), an owner of property adjacent to the District, regarding the HP Campus Oaks project. The action was filed in Placer County Superior Court on September 3, 2015. The petition names the City and the City Council as co-defendants, and the Developer and Hewlett-Packard Company as the real parties in interest. The petition alleges that the co-defendants violated CEQA by relying upon the 2015 Addendum to the original 1996 EIR prepared for the HP Campus as opposed to preparing a new or supplemental environmental impact report. See “THE DISTRICT – Environmental Matters” above.

There are eight causes of action listed in the petition, all of which allege a violation of CEQA. QIP seeks to have a court order the City to do the following:

(i) Vacate and set aside the City Council's August 5, 2015 approval of the HP Campus Oaks project, including approval of a general plan amendment, rezone, master plan amendment, and all other associated approvals and/or entitlements.

(ii) Vacate and set aside the City Council's adoption of the Addendum, mitigation measures, mitigation monitoring program for the project, and City Council's adoption of findings and statement of overriding considerations.

(iii) Prepare and certify a legally adequate environmental impact report for the project.

(iv) Suspend any activity of the project that could result in any change or alteration in the physical environment until the City prepares and certifies a legally adequate environmental impact report for the project, and fully complies with all requirements of CEQA.

(v) Stay the effect of the City's approvals pending the outcome of the litigation.

(vi) Pay QIP for the costs of the suit, including its attorney's fees.

(vii) Issue an injunction enjoining the City, the Developer and Hewlett-Packard Company from engaging in any activities related to the project that could result in any change or alteration in the physical environment until the City prepares and certifies a legally adequate environmental impact report for the project, and fully complies with all requirements of CEQA.

(viii) Issue any other relief the court deems just and proper.

The City certified and lodged with the court the administrative record which was certified and lodged with the court on January 15, 2016. QIP filed a First Amended Petition for Writ of Mandate on February 1, 2016, to remove all language in the case suggesting that the case sounded in administrative mandamus instead of traditional mandamus, after a motion to strike such language was filed by the City and real parties in interest. A hearing on the matter is scheduled for July 14, 2016. A mandatory settlement conference with all parties present was held on October 20, 2015, and the parties failed to reach settlement at the conference.

Pursuant to an indemnification agreement between the City and Developer, the Developer is conducting the litigation on behalf of itself and the City, and is picking up all costs associated with the City's defense. Defense counsel is James G. Moose with Remy Moose Manley, LLP. The City believes its decision to rely on the Addendum to the 1996 EIR, rather than a new environmental impact report, is legally sound and will fully contest the litigation. If a court were to disagree, it could require the City to create a new environmental impact report, which may delay construction of the Improvements in the District and the Developer's sale of lots to merchant builders until 2017 or later. However, in the opinion of the Developer, an obligation to create a new environmental impact report for development of property in the District would not delay the construction timetable of the Improvements. No assurances can be

given as to the outcome of the litigation and one or more of the requested forms of relief sought by QIP may be granted by the court.

Second, on November 2, 2015, the City was served with a copy of a Complaint for Declaratory Relief, Breach of Contract and Petition for Writ of Mandamus filed by QIP. In its complaint, QIP alleges that by approving the HP Campus Oaks project, and related 2nd, 3rd, and 4th amendments to the original Development Agreement, the City and Developer committed a breach of contract with respect to the Development Agreement and Developer committed a breach of contract with respect to certain private development agreements. QIP alleges its consent to these subsequent amendments was required under the original Development Agreement given that the HP Campus Oaks project “affected” QIP’s portion of the original Master Plan area. The City’s position is that QIP’s consent was not needed since the amendments did not “affect” QIP’s rights, entitlements or obligations under the original Development Agreement.

The lawsuit names the City and the Developer as co-defendants and seeks (i) to have the 2nd, 3rd, and 4th amendments to the Development Agreement voided, (ii) to have an injunction issued preventing any development in the District, (iii) a declaration from the court that the amendments are void because they were entered into without QIP’s consent, and (iv) monetary damages from the Developer for breach of the separate private development agreements.

Pursuant to an indemnification agreement between the City and the Developer, the Developer is conducting the litigation on behalf of itself and the City, and is picking up all costs associated with the City’s defense. Lead defense counsel is George Hollister with the Hollister Law Corporation. The City believes its decision not to obtain QIP’s consent to the 2nd, 3rd and 4th amendments to the Development Agreement is legally sound and will fully contest the matter and Developer believes that its actions to obtain approval of the HP Campus Oaks Project and the 2nd, 3rd and 4th amendments to the Development Agreement were consistent with the private development agreements and will fully contest the matter. However, no assurances can be given as to the outcome of the litigation and one or more of the requested forms of relief sought by QIP may be granted by a court.

On December 22, 2015, the City and Developer filed a demurrer with the court to dismiss the Development Agreement Action. The demurrer was heard on February 2, 2016. Starting February 2, 2016, the court has up to 90 days to rule on the demurrer. A decision in favor of the City and the Developer on the demurrer will dismiss the Development Agreement Action and a decision denying the demurrer in whole or in part would allow the Development Agreement Action to proceed. The City is unable to determine what further court actions may be taken by QIP in reaction to a decision favorable to the City and the Developer.

Pursuant to the Special Tax Formula, if a Large Lot Map is recorded creating one or more Light Industrial Parcels and Remainder Parcels, there will be no net loss of Maximum CFD Special Tax Revenue as a result of the assignment of the Maximum Annual Special Tax to Light Industrial Parcels and Remainder Parcels from such Subdivision. The Maximum Annual Special Tax will be assigned to Light Industrial Parcels or Remainder Parcels using the greater of two formulas intended to ensure no net loss of revenues available to pay debt service on the bonds. See “SECURITY FOR THE BONDS – Special Tax Methodology” and APPENDIX A for additional details.

EXECUTION

The execution and delivery of this Official Statement by the City has been duly authorized by the City Council on behalf of the District.

CITY OF ROSEVILLE

By: /s/Jay Panzica
Chief Financial Officer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT A

City of Roseville
HP Campus Oaks Community Facilities District No. 1
(Public Facilities)
Placer County, California

AMENDED RATE, METHOD OF APPORTIONMENT, AND
MANNER OF COLLECTION OF SPECIAL TAX
(MARCH 3, 2016)

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (Act) applicable to the land in the HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (CFD) of the City of Roseville (City) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

“Acre” or **“Acreage”** means the land area of a County Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map or other Development Plan.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

“Administrative Expenses” means the actual or reasonably estimated costs related to the administration of the CFD, including, but not limited to, these:

- a. Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or any designee thereof or both).
- b. Costs of collecting the Special Taxes (whether by the County, the City, or otherwise).
- c. Costs of remitting the Special Taxes to the Trustee.
- d. Costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture.
- e. Costs to the City, CFD, or any designee thereof of complying with arbitrage rebate requirements.
- f. Costs to the City, CFD, or any designee thereof of complying with City, CFD, or obligated persons disclosure requirements.

- g. Costs associated with preparing Special Tax disclosure statements.
- h. Costs incurred in responding to public inquiries regarding the Special Taxes.
- i. Costs to the City, CFD, or designee thereof related to any appeal of the Special Taxes.
- j. Costs associated with the release of funds from an escrow account, if any.
- k. Costs to the City for the issuance of Bonds authorized by the CFD that are not recovered through the Bond sale proceeds.
- l. Amounts estimated to be advanced or already advanced by the City for any other administrative purposes, including attorney's fees and other costs related to collection of the Special Taxes and commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Administrator” means a City official in the Finance Department, or his or her designee.

“Affordable Housing Director” means, at any point in time, the person in the City who serves as head of the department that is in charge of the City's affordable housing program.

“Affordable Unit” means a Unit built on a Residential Use Parcel for which an Affordable Unit agreement has been entered into for the property designating the Unit as affordable. A Multifamily Parcel may have only a portion of the Units assigned as Affordable Units. The City Manager, or his or her designee, shall determine which Units are designated as Affordable Units and maintain an Affordable Unit listing, which shall contain all designated buildable parcels by tract and lot number, and in the case of Large Lot Parcels remaining before May 1 of the preceding Fiscal Year, the number of designated Affordable Units for each such Large Lot Parcel; all entries shall indicate the effective date of designation. The Affordable Unit listing also shall be updated to reflect those Units no longer qualifying as Affordable Units, also known as Market-Rate Units. The Affordable Unit listing, which shall contain all qualifying Affordable Units as of April 30, shall be made available to the Administrator by July 1 of each year for purposes of determining the Maximum Annual Special Tax for Parcels pursuant to **Section 4**.

“Annual Costs” means, for any Fiscal Year, the total of these:

- a. Debt Service to be paid from Special Taxes.
- b. The amount needed to replenish the reserve fund for the Bonds to the level required under the Bond Indenture, to the extent not included in a computation of Annual Costs in a previous Fiscal Year.
- c. Administrative expenses for such Fiscal Year.
- d. The amount needed to (1) cure any delinquencies in the payment of principal or interest on Bonds, which have occurred in the prior Fiscal Year and (2) to fund any foreseeable deficiency of the amount to be available for the payment of principal or interest on Bonds, which are expected to occur in such Fiscal Year.

- e. Authorized Facilities funded on a Pay-As-You-Go Basis, which shall be paid on a first in-first out basis.
- f. Less any available earnings on the reserve fund, Special Tax funds, or any other available revenues of the CFD or the City that may be used to fund Annual Costs.

“Anticipated Construction Proceeds” means, for purposes of a Full Prepayment, the amount anticipated to be available through the CFD for acquiring or constructing Authorized Facilities, which is equal to \$20.0 million at formation of the CFD. This amount is increased on July 1 of the current Fiscal Year for the prior calendar year by the average increase in the ENR-CCI.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means the Parcel and Parcel Number as assigned by the County Assessor on the equalized tax roll.

“Assigned Maximum Annual Special Tax” means the Maximum Annual Special Tax assigned to each Large Lot Parcel that is an Original Parcel based on the Expected Land Uses at CFD formation, as shown in **Attachment 3**.

“Authorized Facilities” means those facilities to be financed, as identified in the resolution forming the CFD.

“Base Year” means the Fiscal Year beginning July 1, 2015, and ending June 30, 2016.

“Benefit Share” means the Maximum Annual Special Tax for a Parcel divided by the Maximum Annual CFD Special Tax Revenue.

“Bond Share” means the share of Outstanding Bonds assigned to a Parcel as specified in **Section 7** hereof.

“Bond(s)” means any bond(s) issued by the City for the CFD under the Act and any other debt, as defined in the Act, the City incurs to further the CFD’s purposes.

“Bond Indenture” means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which any Bonds are issued.

“Building Permit” means a permit issued by the City for the construction of a Residential Use or Nonresidential Use structure.

“CFD” means the HP Campus Oaks Community Facilities District No. 1 (Public Facilities) of the City of Roseville, Placer County, California.

“City” means the City of Roseville in Placer County, California.

“Council” means the City Council of the City acting for the CFD under the Act.

“County” means the County of Placer, California.

“County Assessor’s Parcel” means a lot or Parcel with an assigned Assessor’s Parcel Number in the maps used by the County Assessor in preparing the tax roll.

“Debt Service” means the total amount of Bond principal, interest, and the scheduled sinking fund payments of the Bonds in the calendar year that begins in that Fiscal Year.

“Developed Parcel” means, in any Fiscal Year:

- a. For Single-Family Parcels: All Parcels for which a Final Small Lot Subdivision Map was recorded before May 1 of the preceding Fiscal Year.
- b. For Multifamily Parcels: All Parcels for which a Building Permit for new construction of a Residential Use structure was issued before May 1 of the preceding Fiscal Year.
- c. For all Nonresidential Use Parcels: All Parcels for which a Building Permit for new construction of a Nonresidential Use structure was issued before May 1 of the preceding Fiscal Year.

“Development Plan” means a condominium plan, apartment plan, site plan, or other plan that identifies such information as the type of structure, Acreage, square footage, or number of Units that are approved to be developed on a Single-Family Parcel, Multifamily Parcel, and Nonresidential Parcel.

“Expected Land Use(s)” means the total number of Units or Acres of each land use type by Tax Category expected within each Large Lot Parcel and Original Parcel at CFD formation as identified in **Attachment 3** of this RMA.

“ENR-CCI” means the Engineering News Record—Construction Cost Index for San Francisco in the prior calendar year, as determined on July 1 of the current Fiscal Year.

“Final Use Small Lot Parcel” means a Parcel designated for development as a single-family residence, which is part of a Final Small Lot Subdivision Map.

“Final Small Lot Subdivision Map” means a recorded map designating the final Parcel subdivision for individual single-family residential Parcels.

“Finance Director” means the Finance Director for the City, or his or her designee.

“Fiscal Year” means the period starting July 1 and ending the following June 30.

“Full Prepayment” means the complete fulfillment of a Parcel’s Special Tax obligation, as determined by following the procedures in **Section 7**.

“Large Lot Parcel” means a Parcel created by a Large Lot Subdivision Map.

“Large Lot Subdivision Map” means a recorded subdivision map creating Parcels by land use. However, the Large Lot Subdivision Map does not delineate Single-Family Parcels. A Final Small Lot Subdivision Map will create individual Single-Family Parcels.

“Light Industrial Parcel” means a Parcel zoned by the City as Light Industrial (Tech./Business Park).

“Market-Rate Unit” means a Unit that is not an Affordable Unit.

“Maximum Annual Special Tax” means the greatest amount of Special Tax that can be levied against a Parcel in a given Fiscal Year, as shown in **Attachments 2 and 3**.

“Maximum Annual Special Tax Rate” means the rate of Maximum Annual Special Tax charged per Unit or per Acre, as shown in **Attachments 2 and 3**.

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

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

“Multifamily” or **“Multifamily Parcel”** means any Parcel or Development Plan designated or developed for more than one residential dwelling Unit per Parcel. Such uses may consist of apartments or multifamily structures such as duplexes, triplexes, or time-share units.

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

“Original Parcel” means a Taxable Parcel identified in **Attachment 1** at formation of the CFD based on the Large Lot Subdivision Map recorded on December 23, 2015.

“Outstanding Bonds” means the total principal amount of Bonds that have been issued and not fully repaid or legally defeased.

“Parcel” means any County Assessor's Parcel in the CFD based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

“Partial Prepayment” means the partial fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 7**.

“Pay-As-You-Go Basis” means the use of annual and one-time Special Tax revenues to directly fund the acquisition, construction, and improvement of Authorized Facilities on a first in-first out basis.

“Prepayment” means the complete or partial fulfillment of a Parcel's Special Tax obligation, as determined by following the procedures in **Section 7**.

“Proportionately” means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Developed Parcels. For Small Lot Tentative Map Parcels, Proportionately means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Small Lot Tentative Map Parcels. For Undeveloped Parcels, Proportionately means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Undeveloped Parcels.

“Public Parcel” means any Parcel that is or is intended to be publicly owned, as designated in any final map that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; and public drainageways, landscaping, wetlands, greenbelts, and open space.

“Remainder Parcel” means a Parcel that is created as a result of the recording of a Large Lot Parcel Map or Final Small Lot Subdivision Map, which results in a Parcel within the boundaries of a Large Lot Parcel (identified in **Attachment 1**) that has not been mapped for final development approval. Such a Remainder Parcel may contain taxable and tax-exempt uses, such as Residential Uses, and Public Parcels, such as park sites. Once designated as a Remainder Parcel, such Parcel will be considered a Large Lot Parcel for the purposes of future Subdivisions and for the provisions of **Sections 4** through **6**.

“Remaining Facilities Costs” means the amount of Anticipated Construction Proceeds less construction proceeds from previous CFD Bond issuances and costs of Authorized Facilities funded on a Pay-As-You-Go Basis from the levy of the Special Tax.

“Remaining Facilities Cost Share” means the Remaining Facilities Costs multiplied by the Benefit Share.

“Residential Use” means a Parcel designated for residential use, such as single-family residential Units, residential condominiums, townhouses, or apartments.

“RMA” means the Rate and Method of Apportionment of Special Tax.

“Single-Family Parcel” means, in any Fiscal Year, all Parcels in the CFD for which a building permit was issued or may be issued for construction of a Unit that is a single-family residential, residential condominium, or townhouse Unit.

“Small Lot Tentative Map” means a map that is approved by the City for the purpose of showing the design of a proposed Subdivision, including the individual buildable lots expected in the Subdivision, as well as the conditions pertaining thereto. A Small Lot Tentative Map is not based on a detailed survey of the property in the map and is not recorded at the County Recorder’s Office to create legal lots.

“Small Lot Tentative Map Parcel” means, in any Fiscal Year, all Parcels included in a Small Lot Tentative Map that was approved before May 1 of the prior Fiscal Year and which have not yet become a Developed Parcel.

“Special Tax(es)” mean(s) any tax levy under the Act in the CFD.

“Subdivision” or **“Subdivided”** means a division of a Parcel into two or more Parcels through the Subdivision Map Act process. A Subdivision also may include the merging of two or more Parcels to create new Parcels.

“Successor Parcel” means a Parcel created by the Subdivision of an Original Parcel or a Successor Parcel.

“Tax Category” means the categories of taxable land uses shown in **Attachments 2** and **3**.

“Tax Collection Schedule” means the document prepared by the Administrator for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

“Tax Escalation Factor” means a factor of 2 percent in all Fiscal Years following the Base Year, by which the Maximum Annual Special Tax for the previous Fiscal Year will be increased.

“Taxable Acreage” means that area of a Parcel determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. An example might be that a Large Lot Parcel Map creates a Remainder Parcel that, according to **Attachment 1**, contains both taxable and tax-exempt uses, such as a park site.

“Taxable Parcel” means any Parcel that is not a Tax-Exempt Parcel.

“Tax-Exempt Parcel” means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include (a) Public Parcels, (b) Parcels owned by the City, school districts, special districts, or the state or federal government, and (c) Large Lot Number 5 (CO-51) Assessor’s Parcel Number 017-231-020 and Number 11 (CO-52) Assessor’s Parcel Number 017-231-026 as identified on **Attachment 1** and **Attachment 3** or any Successor Parcel thereto as long as the Tax Category on that Original Parcel or any Successor Parcel thereto remains Light Industrial (Tech./Business Park). If a Taxable Parcel is acquired by a public agency, the Parcel shall remain a Taxable Parcel based on the provisions of **Section 4.g**.

Certain privately owned Parcels also may be exempt from the levy of Annual Special Taxes, including common areas owned by homeowners’ associations or property owner associations, wetlands, detention basins, water quality ponds, and open space, as determined by the Administrator.

“Trustee” means a national banking association organized and existing under the laws of the United States.

“Undeveloped Parcel” means a Taxable Parcel that is not a Developed Parcel, Small Lot Tentative Map Parcel, or a Large Lot Parcel.

“Unit” means, for a Single-Family Parcel, the individual residential Unit on such Parcel, or for a Multifamily Parcel, an individual residential Unit in an apartment building.

3. Duration of the Special Tax

The Special Tax will be levied and collected for as long as it is needed to pay Annual Costs; however, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2060-61.

When all Authorized Facilities and other Annual Costs incurred by the CFD have been paid, the Special Taxes under each of the Special Tax programs shall cease to be levied. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. In addition, the Notice of Cessation of Special Tax shall identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

4. Administrative Tasks

Tasks required of the Administrator are discussed below:

- a. **Annual Special Tax Escalation.** The Administrator shall increase the Maximum Annual Special Tax by the Tax Escalation Factor in each Fiscal Year following the Base Year.

- b. Assignment of the Maximum Annual Special Tax to Original Parcels. **Attachment 3** identifies the Assigned Maximum Annual Special Tax for each Original Parcel at CFD Formation, which is determined for each Large Lot Parcel based on the Expected Land Uses within each Large Lot Parcel at CFD Formation. The Assigned Maximum Annual Special Tax shall continue to apply to the geographic area to which it was assigned. If, prior to further Subdivision, the Administrator determines there are multiple Assessor's Parcels within a Large Lot Parcel, the Administrator shall assign the Maximum Annual Special Tax to each Assessor's Parcel on a pro rata basis to all Assessor's Parcels within that Large Lot Parcel based on the percentage share of Taxable Acreage identified for each Assessor's Parcel. Similarly, if the Administrator determines there are multiple Large Lot Parcels within an Assessor's Parcel, the Maximum Annual Special Tax shall equal the sum of the Assigned Maximum Annual Special Tax for all Large Lot Parcels within that Assessor's Parcel.
- c. Assignment of the Maximum Annual Special Tax to Successor Parcels. As Original Parcels and Successor Parcels are Subdivided through creation of Final Small Lot Subdivision Maps, lot line adjustments or other Parcel amendments through the Subdivision Map Act process, use the following steps to assign the Maximum Annual Special Tax to new Successor Parcels. As a result of each assignment of the Maximum Annual Special Tax upon Subdivision of an Original Parcel or Successor Parcel, the sum of the Maximum Annual Special Taxes assigned to the newly created Taxable Parcels shall never be less, but may be greater, than the Assigned Maximum Annual Special Tax for that Original Parcel or Successor Parcel.
1. If an Original Parcel or Successor Parcel is Fully Subdivided into Single-Family Parcels with No Remainder Parcel(s). There shall be no net loss of Maximum CFD Special Tax Revenue as a result of the assignment of the Maximum Annual Special Tax to Single-Family Parcels. Use the following procedures to assign the Maximum Annual Special Tax to Single-Family Parcels:
- A. If the number of Single-Family Parcels is equal to or greater than the Expected Land Uses shown for the Large Lot Parcel in **Attachment 3**, assign the Maximum Annual Special Tax per Unit by Tax Category shown in **Attachments 2 and 3** to each Single-Family Parcel created by the Subdivision.
- B. If fewer Single-Family Parcels are created by the Subdivision and if **Attachment 3** shows that the Large Lot Parcel is not assigned any Affordable Units, divide the total amount of Maximum Annual Special Tax assigned to the Large Lot Parcel in **Attachment 3** by the total number of actual Single-Family Parcels created by the Final Small Lot Subdivision Map for such Large Lot Parcel. Assign this amount calculated per Unit to each Single-Family Parcel created by the Subdivision.
- C. If fewer Single-Family Parcels are created by the Subdivision and if **Attachment 3** shows that the Large Lot Parcel is assigned Affordable Units, for each newly created Taxable Parcel within the Subdivision designated as an Affordable Unit, assign the Maximum Annual Special Tax Rate shown for the Affordable Units in **Attachment 3** to the newly created Taxable Parcels designated as Affordable Units. At formation of the CFD, only Large Lots Parcel Number 7 (CO-5), Number 3 (CO-21), Number 9 (CO-22), and Number 18 (CO-23) are assigned such Affordable Units. As a special note, Affordable Units on Large Lot Parcel Number 3 (CO-21) are not assigned any

Maximum Annual Special Tax. For the remaining newly created Single-Family Parcels within the Subdivision that are not Affordable Units, subtract the Maximum Annual Special Tax Revenue from all the newly created Affordable Units from the Maximum Special Tax Revenue for the entire Large Lot Parcel being Subdivided and divide that resulting amount by the number of Single-Family Parcels that are not Affordable Units; assign the amount so calculated per Unit to each Single-Family Parcel created by the Subdivision that is not an Affordable Unit.

2. If Original or Successor Parcel Is Subdivided into Single-Family Parcels and One or More Remainder Parcels. When an Original or Successor Parcel is Subdivided into Single-Family Parcels and one or more Large Lot Parcels (or Remainder Parcels), the Maximum Annual Special Tax is assigned to the Single-Family Parcels and Large Lot Parcels created by the Subdivision in the following manner:
 - A. Apportion the Maximum Annual Special Tax to the area(s) that is/are being Subdivided into Single-Family Parcels and to the area(s) that will be Remainder Parcel(s) on a pro rata basis, based on the percentage share of Taxable Acreage represented by each such area as compared to the total area of the Original or Successor Parcel. .
 - B. For each area Subdivided into Single-Family Parcels, if the Subdivision produces the same number of Units or a greater number of Units as compared to the Expected Land Uses anticipated in **Attachment 3** for that portion of the Original or Successor Parcel, assign the Maximum Annual Special Tax Rate per Unit by Tax Category in **Attachment 2** and **3** for that portion of the Original or Successor Parcel being Subdivided into Single-Family Parcels.
 - C. For each area Subdivided into Single-Family Parcels, if fewer Single-Family Parcels are created by the Subdivision and if **Attachment 3** shows that the Original or Successor Parcel is not assigned any Affordable Units, divide the total amount of Maximum Annual Special Tax assigned to that portion of the Original or Successor Parcel in **Attachment 3** being Subdivided into Single-Family Parcels by the total number of actual Single-Family Parcels created by the Final Small Lot Subdivision Map within that portion of the Large Lot Parcel. Assign this amount calculated per Unit to each new Single-Family Parcel created by the Subdivision.
 - D. For each area Subdivided into Single-Family Parcels, if fewer Single-Family Parcels are created by the Subdivision and if **Attachment 3** shows that the Original or Successor Parcel is assigned Affordable Units, for each newly created Taxable Parcel within the Subdivision designated as an Affordable Unit, assign the Maximum Annual Special Tax Rate shown for the Affordable Units in **Attachment 3** to the newly created Taxable Parcels designated as Affordable Units. At formation of the CFD, only Large Lots Parcel Number 7 (CO-5), Number 3 (CO-21), Number 9 (CO-22), and Number 18 (CO-23) are assigned such Affordable Units. As a special note, Affordable Units on Large Lot Parcel Number 3 (CO-21) are not assigned any Maximum Annual Special Tax. For the remaining newly created Single-Family Parcels within the Subdivision that are not Affordable Units, subtract the Maximum Annual Special Tax Revenue from all the newly created Affordable Units from the Maximum Special Tax Revenue for that portion of the Original or Successor Parcel being Subdivided into

Single-Family Parcels and divide that resulting amount by the number of Single-Family Parcels that are not Affordable Units; assign the amount so calculated per Unit to each Single-Family Parcel created by the Subdivision that is not an Affordable Unit.

- E. For the Remainder Parcel or Parcels, identify the Maximum Annual Special Tax for the entire Original or Successor Parcel that has been Subdivided. Sum the Maximum Annual Special Tax for all Single-Family Parcels created by the Subdivision, including Single-Family Parcels with Affordable Units. Subtract the sum of the Maximum Annual Special Tax for all Single-Family Parcels from the Maximum Annual Special Tax for the Original or Successor Parcel being subdivided and compare it to the Maximum Annual Special Tax assigned to the Remainder Parcel or Parcels in Step 4.c.2.A. Assign to each Remainder Parcel, the lesser of the calculations in this step or in Step 4.c.2.A, but in no event less than the difference between the previously Assigned Maximum Annual Special Tax for the Original Parcel or Successor Parcel being Subdivided and the total of the Maximum Annual Special Tax for all Single Family Parcels created by such Subdivision.

Once designated as a Remainder Parcel, such Parcel will be considered a Large Lot Parcel for the purposes of future Subdivisions and for the provisions of **Sections 4** through **6**.

3. If Original or Successor Parcel are Subdivided creating multiple land use and Tax Categories:

- A. Identify the Maximum Annual Special Tax for the Original Parcel or Successor Parcel that is being Subdivided.
- B. For each Taxable Parcel created by Subdivision multiply the Maximum Annual Special Tax per Unit or per Acre by the number of Units (Single Family Parcels and Multifamily Parcels excluding Large Lot Number 3 [CO-21]) or number of Acres (Large Lot Parcel Number 3 [Multifamily Parcel CO-21] or Nonresidential Parcels). For each Taxable Parcel created by Subdivision that includes Affordable Units, multiply the number of Affordable Units by the Tax per Unit for such Affordable Units, except for Large Lot Parcel Number 3 (CO-21), for which the Affordable Units are not assigned a Maximum Annual Special Tax.
- C. Sum the Maximum Annual Special Tax for each Successor Parcel and compare it to the Maximum Annual Special Tax of the Original or Successor Parcel that is being Subdivided. If the sum of Maximum Annual Special Tax for each Successor Parcel is greater than the Maximum Annual Special Tax for the Original Parcel, the Administrator shall apply the Maximum Annual Special Tax calculated above for each Successor Parcel.
- D. If the Maximum Annual Special Tax for the Original Parcel or Successor Parcel that is being subdivided is greater than the sum of Maximum Annual Special Tax for each Successor Parcel being created, increase proportionately the Maximum Annual Special Tax per Unit or Per Acre (excluding the Maximum Annual Special Tax for Affordable Units consistent with **Section 4.c.1.B**) on each Successor Parcel such that the sum of Maximum Annual Special Tax for all Successor Parcels equals the Maximum Annual Special Tax for the Original Parcel.

4. If an Original or Successor Parcel is Zoned, Rezoned and/or Subdivided into Light Industrial Parcels and One or more Remainder Parcels. In the event that a Large Lot Map is recorded and/or any Taxable Parcels are zoned to light industrial use creating one or more Taxable Parcels that are Light Industrial Parcels and Remainder Parcels, there shall be no net loss of Maximum CFD Special Tax Revenue as a result of the assignment of the Maximum Annual Special Tax to Light Industrial Parcels and Remainder Parcels from such Subdivision. The Administrator will note that this subsection of the RMA does not apply to Large Lot Parcel Number 5 (CO-51) Assessor's Parcel Number 017-231-020 and Number 11 (CO-52) Assessor's Parcel Number 017-231-026 as shown on **Attachments 1** and **3** at CFD formation. The Maximum Annual Special Tax shall be assigned to Light Industrial Parcels or Remainder Parcels using the greater of the following items:
- A. Multiply the Taxable Acreage for each Light Industrial Parcel and for each Remainder Parcel by the Maximum Special Tax per Acre for Light Industrial Parcels from **Attachment 3** (not including Large Lot Parcel Numbers 5 and 11). Sum the Maximum Annual Special Tax from each new Light Industrial Parcel and each new Remainder Parcel and compare the sum to the Maximum Annual Special Tax from the Original Parcel(s) or Successor Parcel(s) being Subdivided. If the sum of Maximum Annual Special Tax for each new Light Industrial Parcel and new Remainder Parcel is greater than the Maximum Annual Special Tax for the Original Parcel(s) or Successor Parcel(s), the Administrator shall apply the Maximum Annual Special Tax as so calculated for each new Light Industrial and Remainder Parcel. If the sum of Maximum Annual Special Taxes from all new Light Industrial Parcels and Remainder Parcels is less than the Maximum Annual Special Tax from the Original Parcel(s) or Successor Parcel(s) being subdivided, assign the Maximum Annual Special Tax to each new Light Industrial Parcel and Remainder Parcel as described below.
 - B. Sum the Maximum Annual Special Tax from all Original or Successor Parcels being Subdivided. Allocate this total Maximum Annual Special Tax to each new Light Industrial and Remainder Parcel created by the Subdivision on a pro rata basis to all such Light Industrial Parcels and Remainder Parcels based on the percentage share of Taxable Acreage identified for each Light Industrial Parcel and Remainder Parcel.
- d. Affordable Units that Become Market-Rate Units. If, in any Fiscal Year, the City Manager, or his or her designee, determines that a Unit that previously had been designated as an Affordable Unit no longer qualifies as such, the Affordable Housing Director shall update the Affordable Unit listing by denoting the change in status of the Unit, together with the effective date thereof. For all Affordable Units that are converted to Market-Rate Units, such Units shall be assigned the Maximum Annual Special Tax per Unit based on their Tax Category as shown in **Attachment 2**, as adjusted by the Tax Escalation Factor.
- e. Transfer of the Assigned Maximum Annual Special Tax from One Large Lot to Another. The Maximum Annual Special Taxes shown in **Attachment 3** were determined based on the Expected Land Uses for each Large Lot Parcel shown in **Attachment 1**. If the number of planned residential Units or nonresidential Acreage is transferred from one Large Lot Parcel to another before recording of a Final Small Lot Subdivision Map in any portion of the Large

Lot Parcel, the City may, in its sole discretion, allow for a transfer of the Maximum Annual Special Tax from one Large Lot Parcel to another. Such a transfer shall be allowed only if (1) all adjustments are agreed to in writing by the affected property owners and the Finance Director, and (2) there is no reduction in the Maximum Annual CFD Special Tax Revenues as a result of the transfer. Should a transfer result in an amendment to **Attachment 2** or **Attachment 3** of the Notice of Special Tax Lien, the requesting property owner shall bear the costs to effect the transfer in the CFD records and prepare the required amendments to the Notice of Special Tax Lien and **Attachments 2** and **3**. Before the transfer, the City may require a deposit from the requesting property owner for such costs. If such a transfer is requested and approved by the Finance Director, the Administrator shall apply the following steps to redistribute the Maximum Special Tax among the Parcels:

- Step 4.e.1. Determine the Maximum Annual Special Tax associated with the land uses that will be transferred by multiplying the number of residential Units or nonresidential Acreage by the Maximum Annual Special Tax Rate per Unit identified for the Units or Acreage in **Attachment 3** (escalated by the Tax Escalation Factor to the then-current Fiscal Year).
- Step 4.e.2. Subtract the amount determined in *Step 4.e.1.* from the Maximum Annual Special Tax for the Large Lot Parcel from which the Units or Acreage will be transferred to determine the new Maximum Annual Special Tax for the Large Lot Parcel.
- Step 4.e.3. Add the amount determined in *Step 4.e.1.* to the Maximum Annual Special Tax for the Large Lot Parcel to which the Units or Acreage is being transferred to determine the new Maximum Annual Special Tax for the Large Lot Parcel.
- f. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is transferred to a private owner or, in the case of Large Lot Parcel Number 5 (Parcel CO-51) Assessor's Parcel Number 017-231-020 or Number 11 (CO-52) Assessor's Parcel Number 017-231-026, is no longer needed for Light Industrial (Tech./Business Park) use, and is zoned to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for the newly assigned Tax Category for such a Parcel is determined using the provisions of **Sections 4** and **5**.
- g. Taxable Parcels Acquired by a Public Agency. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel, such as a park site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum Annual CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Finance Director.

5. Assignment of the Maximum Annual Special Tax

- a. Classification of Parcels. For purposes of the next Fiscal Year tax levy, by June 30 of each Fiscal Year, using the Definitions in **Section 2**, the Parcel records of the Assessor's secured tax roll as of January 1, and other City development approval records, the Administrator shall cause:
 1. Each Parcel to be classified as a Taxable Parcel or Tax-Exempt Parcel.
 2. Each Parcel to be classified as a Developed Parcel, a Small Lot Tentative Map Parcel, a Large Lot Parcel (including Remainder Parcels), or an Undeveloped Parcel.
- b. Assignment of the Maximum Annual Special Tax to Taxable Parcels. The Maximum Annual Special Tax will be assigned to each Taxable Parcel each Fiscal Year using the procedures (not all steps may be applicable for each such Parcel) in **Section 4**.

6. Calculating Annual Special Taxes

The Administrator will compute the Annual Costs and determine the annual Special Tax levy for each Taxable Parcel based on the assignment of the Special Tax in **Sections 4** and **5**. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Annual Costs using the definition of Annual Costs in **Section 2**.
- b. For all Taxable Parcels, calculate the Special Tax levy for each using the following steps:
 - Step 6.b.1. The Special Tax shall be levied proportionately on all Parcels of Developed Property up to the amount of Annual Cost or up to 100 percent of the Maximum Special Tax for each Developed Parcel, whichever is less.
 - Step 6.b.2. If additional revenue is needed after *Step 6.b.1.*, the Special Tax shall be levied proportionately on each Small Lot Tentative Map Parcel until the revenue from the Special Tax levy in this step, when added to the levy amount computed in *Step 6.b.1.*, equals the Annual Costs, or up to 100 percent of the Maximum Annual Special Tax for all Small Lot Tentative Map Parcels.
 - Step 6.b.3. If additional revenue is needed after *Step 6.b.2.*, the Special Tax shall be levied proportionately on each Large Lot Parcel until the revenue from the Special Tax levy in this step, when added to the levy amount computed in *Step 6.b.2.*, equals the Annual Costs, or up to 100 percent of the Maximum Annual Special Tax for all Large Lot Parcels.
 - Step 6.b.4. If additional revenue is needed after *Step 6.b.3.*, the Special Tax shall be levied on each Undeveloped Parcel until the revenue from the Special Tax levy in this step, when added to the levy amounts determined in *Step 6.b.3.*, equals the Annual Costs, or up to 100 percent of the Maximum Annual Special Tax for all Undeveloped Parcels.

- c. Levy on each Taxable Parcel the amount calculated above.
- d. Prepare the Tax Collection Schedule and, unless an alternative method of collection has been selected pursuant to **Section 9**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the County Auditor for such inclusion.

The Administrator will make every effort to calculate the Special Tax correctly for each Parcel. It will be the burden of the taxpayer to correct any errors in determining which Parcels are subject to the tax and their Special Tax assignments.

7. Prepayment of the Special Tax Obligation

A property owner may permanently or partially satisfy the Maximum Annual Special Tax for a Taxable Parcel by a Full or Partial Prepayment, as permitted under Government Code Section 53344. Prepayments must be made by May 1 to have the Prepayment reflected in the following Fiscal Year's Special Tax levy. Prepayment is permitted only under the following conditions:

- The City determines that Prepayment of the Special Tax does not jeopardize its ability to make timely payments of Debt Service on Outstanding Bonds.
- The landowner prepaying the Special Tax on a Parcel has paid any delinquent Special Tax and penalties on that Parcel before Prepayment.
- Amounts in the reserve fund are equal to or greater than the reserve fund requirement.
- The City determines that the Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110-percent Maximum Special Tax coverage of Debt Service, plus Administrative Expenses in all years where there will be Outstanding Bonds.

When permitted, the Administrator shall calculate Full Prepayments using the following steps:

- a. The Full Prepayment amount before any issuance of CFD Bonds shall be calculated using the following procedures:
 - Step 7.a.1. Determine the Maximum Annual Special Tax for the Developed Parcel for which the Special Tax is to be prepaid using the provisions of **Sections 4** and **5**.
 - Step 7.a.2. Divide the amount from *Step 7.a.1.* by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Full Prepayment Parcel.
 - Step 7.a.3. Multiply the Remaining Facilities Costs, as increased by ENR-CCI from the Base Year, by the Benefit Share to determine the Full Prepayment amount.
 - Step 7.a.4. Add to the amount determined in *Step 7.a.3.* any costs to the City, including the costs of any City consultants, associated with the preparation of the Full Prepayment calculation.

- b. The Full Prepayment amount after all issuances of CFD Bonds shall be calculated using the following procedures:
- Step 7.b.1. Determine the Maximum Annual Special Tax for the Developed Parcel for which the Special Tax is to be prepaid using the provisions of **Sections 4 and 5**.
 - Step 7.b.2. Divide the amount from *Step 7.b.1.* by the Maximum CFD Annual Special Tax Revenue to determine the Benefit Share for the Parcel.
 - Step 7.b.3. Multiply the Benefit Share by the total amount of Outstanding Bonds to determine the Bond Share for the Full Prepayment Parcel.
 - Step 7.b.4. Multiply the Benefit Share by the Remaining Facilities Costs, as increased by ENR-CCI from the Base Year, to determine the Remaining Facilities Cost Share for the Full Prepayment Parcel.
 - Step 7.b.5. Sum the Bond Share and Remaining Facilities Cost Share from *Steps 7.b.3. and 7.b.4.*
 - Step 7.b.6. Determine the total amount of Bonds to be called by rounding the amount summed in *Step 7.b.5.* down to the nearest \$5,000.
 - Step 7.b.7. Multiply the amount calculated in *Step 7.b.6.* by the call premium for the next available call date.
 - Step 7.b.8. Determine the Reserve Fund Share for the Full Prepayment Parcel by multiplying the Reserve Fund Requirement by the Benefit Share.
 - Step 7.b.9. Reduce the amount calculated in *Step 7.b.5.* by the amount of the Reserve Fund Share in *Step 7.b.8.*, provided the amount in the Reserve Fund equals the Reserve Fund Requirement after reduction.
 - Step 7.b.10. Determine the Full Prepayment amount by adding to the amount calculated in *Step 7.b.9.* any fees, call premiums, and interest to the next Bond call date not covered by Special Taxes already levied and collected for the prepaying Parcel, and expenses incurred by the CFD in connection with the Full Prepayment calculation or the application of the proceeds of the Full Prepayment to the call of Outstanding Bonds.
 - Step 7.b.11. If the Special Taxes already have been levied but not collected, the Parcel shall not become a Full Prepayment Parcel until the owner of the Parcel has paid the Special Taxes included on the current property tax bill in addition to the Full Prepayment amount.
- c. Partial Prepayments are allowed only for Parcels owned by a property owner before the issuance of the initial Building Permit. A Partial Prepayment can occur only once per Assessor's Parcel. The City may allow a Partial Prepayment if it is determined that the Partial Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110-percent Maximum Special Tax coverage of Debt Service, plus Administrative Expenses in all years where there will be Outstanding Bonds. Partial Prepayments can occur only after the Final Bond Sale. Partial Prepayments will be calculated as described below:

The amount of any Partial Prepayment must be either 25 percent or 50 percent of the Full Prepayment amount determined in Step 7.b.10. A Partial Prepayment may be made in an amount equal to 25 percent or 50 percent of the Full Prepayment desired by the party making a Partial Prepayment, except that the full amount of Administrative fees and expenses determined in **Section 6.b.10.** shall be included in the Partial Prepayment. The Maximum Annual Special Tax that can be levied on a Parcel after a Partial Prepayment is made is equal to the Maximum Annual Special Tax that could have been levied before the Prepayment, reduced by the percentage of the Full Prepayment that the Partial Prepayment represents, all as determined by or at the direction of the Finance Director. For example, if the Partial Prepayment is equal to 25 percent, the Maximum Annual Special Tax applied to the Parcel would be 75 percent of the Maximum Annual Special Tax.

8. Interpretation, Application, and Appeal of Special Tax Formula and Procedures

Any taxpayer who feels the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax. The Finance Director then will promptly review the appeal and, if necessary, will meet with the applicant. If the Finance Director verifies that the tax should be modified or changed, the Special Tax levy will be corrected and, if applicable in any case, a credit or refund will be granted.

Interpretations may be made by the City, without Resolution or Ordinance of the Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CFD.

Without Council approval, the Finance Director may make minor, non-substantive administrative and technical changes to the provisions of this RMA that do not materially affect the rate, method of apportionment, or manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

The City, upon request of an owner of land in the CFD that is not a Developed Parcel, also may amend this RMA in any manner acceptable to the City, without Resolution or Ordinance of the Council, upon the affirmative vote of such owner and without the vote of owners of any other land in the CFD, provided such amendment only affects such owner's land and does not reduce the total Maximum Annual Special Tax Revenue for the CFD.

9. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes, provided, however, the Administrator or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet the City's financial obligations.

LEGEND

- ⊕ FOUND SECTION CORNER, QUARTER CORNER AS NOTED
- ⊙ FOUND STANDARD CITY MONUMENT IN MONUMENT WELL
- ⊙ FOUND 3/4" IRON PIN WITH COPPER COLLAR STAMPED L58371
- ⊙ FOUND MONUMENT AS NOTED
- ⊙ SET STANDARD CITY MONUMENT IN MONUMENT WELL STAMPED L54751
- ⊙ SET 3/4" IRON PIN WITH COPPER COLLAR STAMPED L54751
- DIMENSION POINT—NOTHING FOUND OR SET
- I.R.O.D. IRREVOCABLE OFFER OF DEDICATION
- P.U.E. PUBLIC UTILITY EASEMENT
- P.E. PEDESTRIAN EASEMENT
- (OA) OVERALL DIMENSION
- (1) RECORD PER 35 PM 75, PCR

**BASIS OF BEARINGS**

THE BASIS OF BEARINGS FOR THIS MAP IS NAD 83, CALIFORNIA STATE PLANE COORDINATE SYSTEM, ZONE 2, EPOCH DATE 2010, BASED ON GPS TIES TO THE CALIFORNIA HIGH PRECISION GEODETIC NETWORK (HPGN) STATIONS INDUSTRIAL (PID-DH6533) AND NEWFIDDY (PID-DL9185) USING THE PUBLISHED DATA LISTED BELOW PER THE NATIONAL GEODETIC SURVEY (NGS):

STATION	LATITUDE	LONGITUDE	NORTHING (US FT)	EASTING (US FT)	CONVERGENCE
INDUSTRIAL	38°47'22.400438"N	121°18'30.176510"W	2,050,111.922	6,758,793.906	00°26'09.8"
NEWFIDDY	38°47'44.658500"N	121°21'31.463240"W	2,052,258.285	6,744,425.218	00°24'15.5"

NOTES

1. ALL DIMENSIONS SHOWN HEREON ARE IN FEET AND DECIMALS THEREOF.
2. GROSS ACREAGE OF THE SITE SHOWN HEREON IS 189.91± AC.
3. THE FILING OF THIS MAP CREATES 32 LARGE LOTS.
4. THE FOLLOWING DOCUMENTS CONTAIN EASEMENTS THAT MAY AFFECT THE PROPERTY SHOWN HEREON, THE LOCATION OF WHICH ARE NOT DEFINED THEREIN:
2011-0039391, REFERS TO "GRANT OF ACCESS EASEMENT" AS STATED IN THE PARAGRAPH ENUMERATED "4." OVER PARCEL 4 OF 34 PM 73 AND FOR THE BENEFIT OF PARCEL 1 OF SAID 34 PM 73.
2011-0053955, REFERS TO "EASEMENTS FOR STORM WATER DRAINAGE SYSTEMS" OVER PARCEL 4 OF 34 PM 73 FOR THE BENEFIT OF PARCELS 1, 2 AND 3 OF SAID 34 PM 73.
5. PURSUANT TO SECTION 66499.20.2 OF THE GOVERNMENT CODE, LOTS 1, 2, 3 AND 4 AS SHOWN ON THE CERTAIN PARCEL MAP ENTITLED "CAMPUS OAKS" FILED FOR RECORD IN BOOK 35 OF PARCEL MAPS, AT PAGE 75, PLACER COUNTY RECORDS, ARE HEREBY MERGED AND RESUBDIVIDED AND THE FOLLOWING PUBLIC EASEMENTS AND RIGHTS OF WAY ARE HEREBY ABANDONED:
A. THE STREETS NEW MEADOWS DRIVE AND PAINTED DESERT DRIVE.
B. PUBLIC UTILITY EASEMENTS DESIGNATED "P.U.E."
C. PEDESTRIAN EASEMENTS DESIGNATED AS "P.E."

LOT DESIGNATION REVISIONS

TENTATIVE MAP/ CONDITIONS OF APPROVAL LOT DESIGNATION	LARGE LOT FINAL MAP LOT DESIGNATION
LOT 'H'	LOT 'B'
LOT 'I'	LOT 'F'



LARGE LOT FINAL MAP
CAMPUS OAKS
 SUBDIVISION No. PL14-0373
 ALL OF PARCELS 1, 2, 3 AND 4 OF THE CAMPUS OAKS
 PARCEL MAP BOOK 35 OF PARCEL MAPS, PAGE 75, PCR
 LYING WITHIN A PORTION OF
 SECTIONS 20 & 29, T.11 N., R.6 E., M.D.B.M.
 CITY OF ROSEVILLE
 PLACER COUNTY, CALIFORNIA
 DECEMBER 2015
ANDREGG
GEOMATICS
 www.andregg.com
 800-400-7072

Attachment 2
 HP Campus Oaks CFD No. 1
 Maximum Special Tax by Tax Category in the Base Year of FY 2015-16 [1]

Tax Category [2]	Maximum Annual Special Tax per Unit or per Acre	Unit of Measure	Original Parcel / Large Lot Parcel Numbers	Original Assessor's Parcel Numbers
LDR	\$2,280	per unit	(20, 25, 23, 19, 14)	017-231-035, 017-231-040, 017-231-038, 017-231-034, 017-231-029
MDR	\$1,800	per unit	(15, 16, 12, 10, 17)	017-231-030, 017-231-031, 017-231-027, 017-231-025, 017-231-032
MDR [3]	\$1,500	per unit	(8, 7 - portion, 13)	017-231-023, 017-231-022 (portion), 017-231-028
MDR (Affordable) [3]	\$900	per unit	(7 - portion)	017-231-022 (portion)
HDR [3]	\$1,200	per unit	(9 - portion, 18 - portion, 21, 22)	017-231-024 (portion), 017-231-033 (portion), 017-231-036, 017-231-037
HDR (Affordable) [3]	\$720	per unit	(9 - portion, 18 - portion)	017-231-024 (portion), 017-231-033 (portion)
HDR	\$6,300	per acre	(3)	017-231-018
BP	\$6,300	per acre	(1)	017-231-016
CC	\$6,300	per acre	(2, 4)	017-231-017, 017-231-019
T/BP-LI [4]	\$0	per acre	(5, 11)	017-231-020, 017-231-026
T/BP-LI [5]	\$6,300	per acre	(N/A)	(N/A)
			tax cat	tax cat

Source: Campus Oaks; City of Roseville; EPS.

- [1] Maximum Annual Special Taxes shown are for the Base Year and shall be adjusted by the Tax Escalation Factor in each Fiscal Year after the Base Year.
- [2] Land use designations as defined in the City's General Plan Land Use Element, as may be amended.
- [3] Amount applicable only to a subset of the units within the Original Parcel / Large Lot Parcel.
- [4] Applicable only to Original Parcel - Large Lot Parcel Number 5 and Large Lot Parcel Number 11 and any Successor Parcels thereto that continue to be zoned Light Industrial. These Original Parcels are Tax-Exempt at CFD Formation.
- [5] Applicable to any Taxable Parcels zoned Light Industrial (Tech/Business Park) excluding Original Parcel - Large Lot Parcel Number 5 and Large Lot Parcel Number 11 and any Successor Parcels thereto from those Original Parcels. See also Footnote 3 above.

Attachment 3
HP Campus Oaks CFD No. 1
Maximum Special Tax in the Base Year of FY 2015-16 [1]

Original Parcel/ Large Lot Parcel	Specific Plan Lot Designation	Assessor's Parcel Number	Tax Category	Acres	No. of Units	% of Total Units	Maximum Annual Special Tax		
							Per Unit	Per Acre	Maximum Annual Special Tax
RESIDENTIAL									
Low Density Residential (0.5-6.9 du/ac)									
Lot 20	CO-1	017-231-035	LDR	6.10	36	3.8%	\$2,280	-	\$82,080
Lot 25	CO-2	017-231-040	LDR	6.21	36	3.8%	\$2,280	-	\$82,080
Lot 23	CO-3	017-231-038	LDR	16.58	64	6.8%	\$2,280	-	\$145,920
Lot 19	CO-6	017-231-034	LDR	8.14	48	5.1%	\$2,280	-	\$109,440
Lot 14	CO-7	017-231-029	LDR	9.78	58	6.1%	\$2,280	-	\$132,240
Subtotal Low Density Residential				46.81	242	25.5%			\$551,760
Medium Density Residential (7.0-12.9 du/ac)									
Lot 8	CO-4	017-231-023	MDR	8.37	84	8.9%	\$1,500	-	\$126,000
Lot 7	CO-5	017-231-022	MDR	4.66	27	2.8%	\$1,500	-	\$40,500
					19	2.0%	\$900	-	\$17,100
Subtotal Lot 7					46				\$57,600
Lot 15	CO-11	017-231-030	MDR	4.72	34	3.6%	\$1,800	-	\$61,200
Lot 16	CO-12	017-231-031	MDR	4.89	34	3.6%	\$1,800	-	\$61,200
Lot 12	CO-13	017-231-027	MDR	3.40	24	2.5%	\$1,800	-	\$43,200
Lot 13	CO-14	017-231-028	MDR	4.42	50	5.3%	\$1,500	-	\$75,000
Lot 10	CO-15	017-231-025	MDR	2.51	19	2.0%	\$1,800	-	\$34,200
Lot 17	CO-16	017-231-032	MDR	2.65	19	2.0%	\$1,800	-	\$34,200
Subtotal Medium Density Residential				35.62	310	32.7%			\$492,600
High Density Residential (13.0 and above, Attached or Detach du/ac)									
Lot 3	CO-21 [2]	017-231-018	HDR	4.94	87	9.2%	-	\$6,300	\$31,122
					38	4.0%	-		
Subtotal Lot 3					125				\$31,122
Lot 9	CO-22	017-231-024	HDR	7.19	95	10.0%	\$1,200	-	\$114,000
					24	2.5%	\$720	-	\$17,280
Subtotal Lot 9					119				\$131,280
Lot 18	CO-23	017-231-033	HDR	4.93	58	6.1%	\$1,200	-	\$69,600
					14	1.5%	\$720	-	\$10,080
Subtotal Lot 18					72				\$79,680
Lot 21	CO-24a	017-231-036	HDR	2.35	40	4.2%	\$1,200	-	\$48,000
Lot 22	CO-24b	017-231-037	HDR	2.35	40	4.2%	\$1,200	-	\$48,000
Subtotal High Density Residential				21.77	396	41.8%			\$338,082
TOTAL RESIDENTIAL				104.20	948	100.0%			\$1,382,442
NONRESIDENTIAL									
Professional Office									
Lot 1	CO-31	017-231-016	BP	5.45	-		-	\$6,300	\$34,335
Commercial									
Lot 2	CO-41	017-231-017	CC	13.16	-		-	\$6,300	\$82,908
Lot 4	CO-42	017-231-019	CC	6.20	-		-	\$6,300	\$39,060
Commercial Subtotal				19.36	-				\$121,968
Light Industrial (Tech/Business Park) [3]									
Lot 5	CO-51	017-231-020	T/BP-LI	15.20	-		-	\$0	\$0
Lot 11	CO-52	017-231-026	T/BP-LI	17.64	-		-	\$0	\$0
Light Industrial (Tech/Business Park) Subtotal				32.84	-				\$0
Light Industrial (Tech/Business Park) [4]									
N/A		N/A	T/BP-LI	0.00				\$6,300	\$0
TOTAL NONRESIDENTIAL				57.65					\$156,303
TOTAL				161.85	948				\$1,538,745

special

Source: Campus Oaks; City of Roseville; EPS.

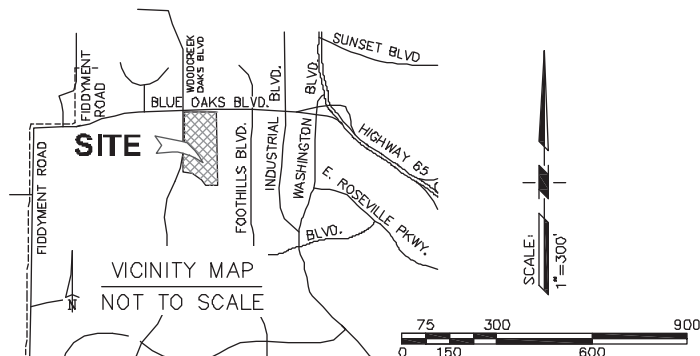
- [1] The Maximum Special Taxes shown are for the Base Year and shall be adjusted by the Tax Escalation Factor in each Fiscal Year after the Base Year.
- [2] Special tax per acre takes account that 38 units of Affordable Housing is planned to be included within development on this parcel. and there is no Maximum Annual Special Tax assigned to those 38 Affordable Housing Units.
- [3] Applicable only to Original Parcel - Large Lot Parcel Number 5 and Large Lot Parcel Number 11 and any Successor Parcels thereto that continue to be zoned Light Industrial. These Original Parcels are Tax-Exempt Parcel at CFD formation.
- [4] Applicable to any Taxable Parcels zoned Light Industrial (Tech/Business Park) excluding Original Parcel - Large Lot Parcel Number 5 and Large Lot Parcel Number 11 and any Successor Parcels thereto from those Original Parcels. See also Footnote 3 above.

**CITY OF ROSEVILLE CALIFORNIA
HP CAMPUS OAKS
COMMUNITY FACILITIES
DISTRICT NO. 1
(PUBLIC FACILITIES)**

BEING PARCELS 1,2,3,4 AND AREAS SHOWN AS NEW MEADOW AND
PAINTED DESERT DRIVE, AS SHOWN ON THAT CERTAIN PARCEL
MAP OF SUBDIVISION NO. PL14-0109 "CAMPUS OAKS", RECORDED
IN BOOK 35 OF PARCEL MAPS ON PAGE 75.

BEING A PORTION OF SECTIONS 20 AND 29 T.11N., R.6E., M.D.M.
CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA

SCALE: 1"=300' DATE: JULY 29, 2015



LINE TABLE		
NO.	BEARING	DISTANCE
L1	S18°14'14"E	74.35'
L2	S34°12'19"E	98.65'
L3	S47°56'10"E	87.87'
L4	S33°13'08"E	112.48'
L5	N86°07'57"E	111.07'
L6	S46°49'21"E	123.83'
L7	S08°53'16"W	30.02'
L8	S01°30'30"E	35.23'
L9	S09°39'15"W	58.16'
L10	S36°14'06"E	152.38'
L11	S27°02'10"E	151.75'
L12	S11°28'16"E	112.53'
L13	S09°38'20"E	88.91'
L14	S56°23'35"E	102.79'
L15	N83°10'21"E	113.91'
L16	S56°56'45"E	127.47'
L17	S84°35'33"E	91.85'
L18	S41°48'05"E	92.80'
L19	S59°03'04"E	85.88'
L20	N89°58'45"E	76.31'

LINE TABLE		
NO.	BEARING	DISTANCE
L21	N45°50'55"W	133.58'
L22	N36°24'03"W	320.16'
L23	S89°46'10"W	60.00'
L24	N00°26'58"W	265.94'
L25	S38°09'10"E	148.63'
L26	S20°49'23"E	249.17'
L27	S49°54'57"E	71.93'
L28	S11°24'46"E	84.16'
L29	S00°00'03"W	44.80'

LEGEND

— BOUNDARY OF ANNEXATION
O DIMENSION POINT

TOTAL AREA OF ANNEXATION = 189.911 ACRES

Filed in the office of the City Clerk of the City of Roseville this
_____ day of _____, 2015.

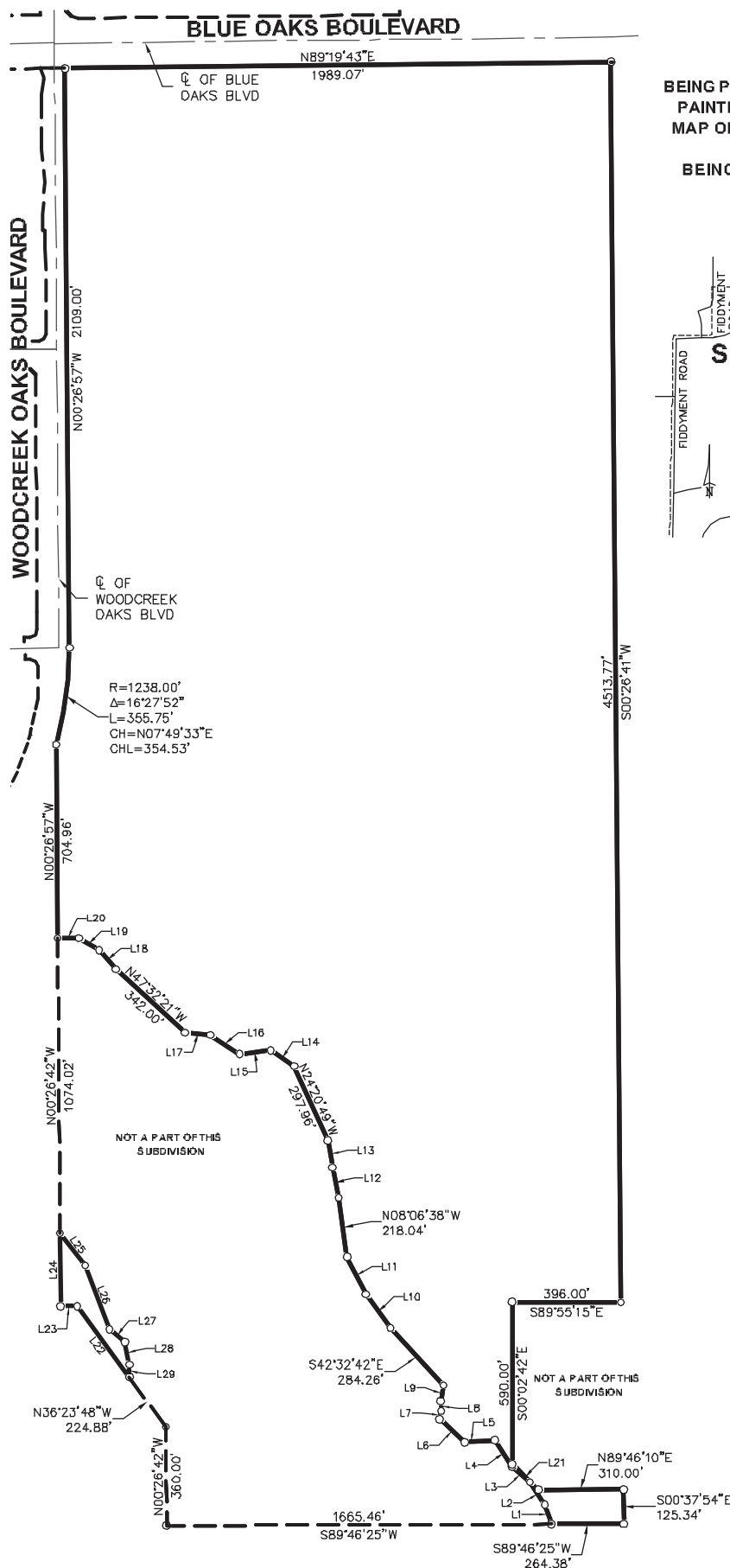
City Clerk

I hereby certify that the within map showing proposed boundaries of
Community Facilities District No. 1 (Public Facilities) City of Roseville,
County of Placer, State of California, was approved by the City Council of
the City of Roseville, at a meeting thereof, held on the _____ day of
_____, 2015, by its Resolution No. _____

City Clerk

Filed this _____ day of _____, 2015, at the hour of _____ o'clock
p.m., in Book _____ of Maps of Assessment and Community Facilities
Districts, at Page _____ in the office of the County Recorder in the
County of Placer, State of California.

County Recorder,
County of Placer



APPENDIX B

THE APPRAISAL AND UPDATE TO THE APPRAISAL

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Update Appraisal Report

City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities)

Roseville, California 95747



Date of Report: March 2, 2016

Prepared For:

Mr. Monty Hanks - Finance Director
City of Roseville
311 Vernon Street
Roseville, CA 95678

Prepared By:

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



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation



March 2, 2016

Mr. Monty Hanks, Finance Director
City of Roseville
311 Vernon Street
Roseville, CA 95678

RE: City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities)
Roseville, California 95747

Dear Mr. Hanks:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an update to our appraisal of the above-referenced property. In the original document, dated February 22, 2016, we submitted an Appraisal Report, conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004). Our original appraisal had an effective date of value of September 23, 2015. **This update appraisal may only be used in conjunction with our original report.** As an Update Appraisal Report, this document does not present complete discussion of the data, reasoning and analyses used in the appraisal process to develop the appraiser's opinions of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's work file.

The appraised property represents the initially taxable parcels within the HP Campus Oaks Community Facilities District (CFD) No. 1 (Public Facilities). The CFD includes the taxable and non-taxable portions of the Hewlett-Packard Campus Oaks Master Plan, excluding the Hewlett-Packard campus. Specifically, the boundaries of the CFD include 189.04 acres of the Campus Oaks area, of which 129.16 acres will be initially taxable. The tax exempt property in the District includes 16.32 acres of public use land, 32.85 acres of planned light industrial use (which could become taxable in the future if converted to a different use) and 10.71 acres of roads. As of the date of inspection, September 23, 2015, the subject consisted primarily of raw, unimproved land. The subject is more fully described within the original Appraisal Report dated February 22, 2016.

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." Construction fund proceeds provided through the Bond issuance will be used for backbone infrastructure. These improvements include, but are not limited to, improvements along the existing Blue Oaks Boulevard and Woodcreek Oaks Boulevard as well as the planned roadways Painted Desert Drive, Crimson Ridge, and HP Way, in addition to other infrastructure improvements. The market value estimated herein is based on the hypothetical condition that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed. The estimate of market value accounts for the impact of the Lien of the Special Taxes securing the Bonds.

Presented below is a summary of pertinent information pertaining to the subject property:

Property Rights Appraised:

Fee Simple Interest

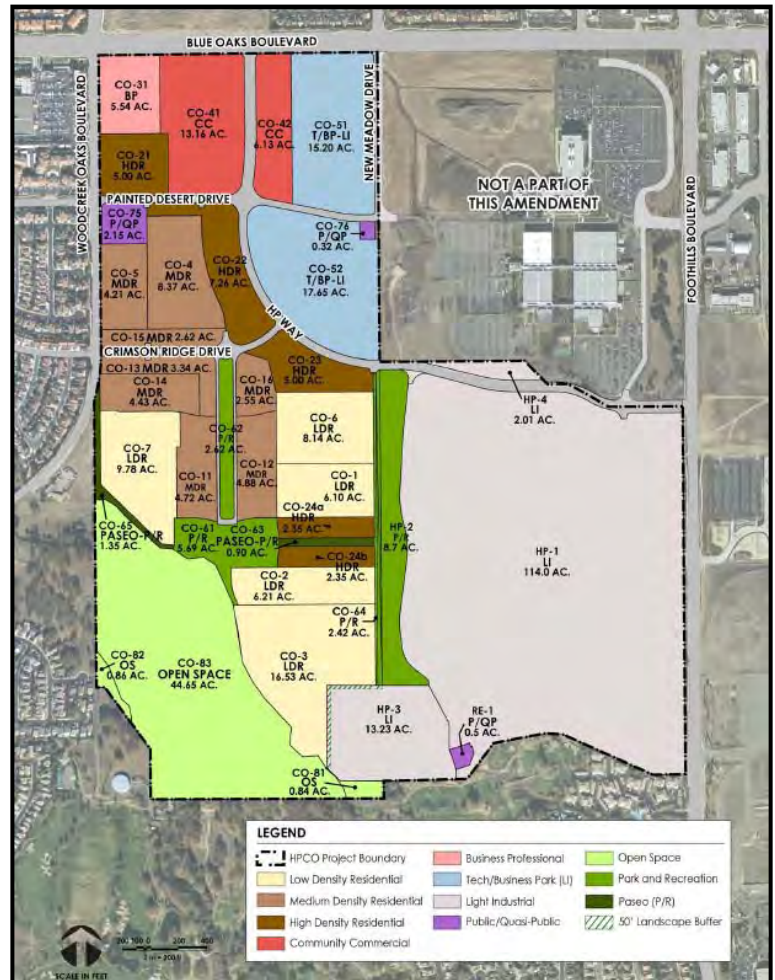
Property Description & History:

The City of Roseville HP Campus Oaks Community Facilities District No. 1 is located within the Hewlett-Packard Campus Oaks Master Plan area. Specifically, the boundaries of the CFD include 189.04 acres of the Campus Oaks area, of which 129.16 acres are planned for taxable parcels. The subject comprises the initially taxable properties within the CFD to be encumbered by the associated bonds. Two large lot Tech/Business Park parcels are included in the Master Plan but are exempt portions of the District and not included in the subject. The subject property is currently undeveloped with Final Map approval.

Subject Property Planned Land Uses	Acres	No. of Units
Low Density Residential	46.76	242
Medium Density Residential	35.60	310
High Density Residential	<u>21.97</u>	<u>396</u>
Total Residential	104.33	948
Professional Office	5.54	
Community Commercial	<u>19.29</u>	
Total Commercial and Employment Uses	24.83	
Total Planned Taxable	129.16	
Non-Taxable Portions		
Tech/Business Park	32.85	
Parks	13.85	
Public / Quasi-Public	2.47	
Roads	10.71	
TOTAL	189.04	948

The subject's parcels are located at the southeast corner of Blue Oaks boulevard and Woodcreek Oaks Boulevard, within the City of Roseville, Placer County, California 95747.

The Master Plan Area is shown below:



Three Year Sales History

It has been reported that on December 10, 2013 the Campus Oaks property was sold by the Hewlett-Packard Company to Diamond Creek Partners, LTD for \$50,000,000, or approximately \$265,000 per acre. The sale included acreage consisting of exempt portions of the District, which are not a part of the subject property, and occurred prior to further entitlement work (rezoning and tentative/final map filing); as such, the transaction is not considered to be an indicator of the subject property's current value. To the best of our knowledge there have been no other transfers of the subject property within three years prior to the date of value and the subject property is not currently being marketed for sale.

Zoning:

Zoning for the subject property includes a Development Standards (DS) overlay allowing for modified development standards (e.g., lot area, setbacks, and building heights) from those specified by the underlying general zone districts.

Planned Land Uses	Zoning Districts
Low Density Residential	RS/DS, R1/DS
Medium Density Residential	RS/DS
High Density Residential	R3/DS
Business Professional	BP
Community Commercial	CC

A description of the zoning designations is found in the *Property Legal Data* section presented in the original report.

Entitlements:	A Large Lot Final Subdivision Map has been approved for the subject property consisting of 21 taxable large lot parcels containing 129.16 acres.
Flood Zone:	Zone X – Areas determined to be outside of the 100-year and 500-year floodplains
Earthquake Zone:	Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)
Highest and Best Use:	Near term single-family residential, near-term multifamily residential (parcels planned for market rate units), near-term commercial, hold for future multifamily (parcels planned for affordable rental units only) or office use development
Type and Definition of Value:	The purpose of this update appraisal is to estimate the not-less-than bulk value of the subject property.
Scope of Work:	In preparing this update appraisal, we analyzed market data presented in our original appraisal report dated February 22, 2016. In addition, we analyzed current market conditions in the market area of the subject property, through an analysis of recent market sales and market surveys published by local real estate brokerage houses. This Update Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file.
Date of Inspection:	The subject was not re-inspected. The subject property was originally inspected on September 23, 2015.
Date of Report:	March 2, 2016
Date of Value:	March 2, 2016

Conclusion of Not-Less-Than Value:

SEVENTY THREE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS

\$73,190,000

The market value estimated herein is based on a ***hypothetical condition*** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.

The estimate of market 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.

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 properties. The subject properties do 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 Update Appraisal Report dated March 2, 2016, which contains 11 pages, must remain attached to the original appraisal dated February 22, 2016 which contains 152 pages, plus related exhibits and Appendix, in order for the value opinions set forth herein to be considered valid.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

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

Extraordinary Assumptions

1. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. 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.
2. This report utilizes parcel sizes and land use configurations as reflected by the Hewlett-Packard Campus Oaks Master Plan dated June, 2015. Assessor's Parcel Maps of the subject property were reviewed and although total acreage is different it is similar to the total acreage used. If, at some future date, it is determined that sizes or land uses identified in the Master Plan are different than actual, the values contained herein could be affected.
3. According to the Master Developer, after working closely with the city, the subject's permits and fees pertaining to home construction costs are approximately \$50,000 per lot for LDR, \$45,000 per lot for MDR lots and \$30,000 per lot for HDR lots. If, at some future date, it is determined that permits and fees are different than actual, the values contained herein could be affected.
4. Estimated in-tract development costs were provided by the Master Developer for use in this assignment. It is assumed that these cost estimates are accurate. If, at some future date, it is determined that cost estimates are different than actual, the values contained herein could be affected.
5. Estimated costs for spinal infrastructure, prepared by Economic & Planning Systems, Inc. (EPS), are \$19,900,000. Reportedly the projected construction fund amount from this bond issuance is \$19,900,000. Thus, the construction funds are projected to cover 100% of the spinal infrastructure improvement costs. If, at some future date, it is determined that cost estimates or the anticipated construction fund amount are different than actual, the values contained herein could be affected.
6. There is currently pending litigation (two lawsuits) against the subject property. The analysis and values herein are premised on the assumption that there will be no adverse impact on the subject due to the litigation in terms of land use, development timing, or development costs. If the subject is negatively impacted, the values contained herein could be affected.
7. As a condition for obtaining more than 200 single-family residential permits the master developer must complete construction of the project park site. This analysis is premised on the assumption that the park construction is completed within a timeframe that would not create an interruption in obtaining building permits, as dictated by market demand.

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.” Proceeds from the Bonds will be used to finance and/or reimburse backbone infrastructure improvements. The market value estimated herein is based on the hypothetical condition such improvements have been completed.

GENERAL ASSUMPTIONS AND LIMITING CONDITONS

This appraisal report is subject to the following 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. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the 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.
17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
18. The appraiser is not qualified to determine the existence of mold, the cause of mold, the type of mold or whether mold might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.

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 not re-inspected the property that is the subject of this report.
- Eric Segal, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Kevin Ziegenmeyer, MAI

State Certification No.: AG013567 (Expires June 4, 2017)

March 2, 2016

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 not re-inspected the property that is the subject of this report.
- Kevin K. Ziegenmeyer, MAI, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement for Practicing Affiliates of the Appraisal Institute.



Eric Segal, Appraiser

State Certification No.: AG026558 (Expires February 18, 2017)

March 2, 2016

DATE

Appraisal Report

**City of Roseville HP Campus Oaks
Community Facilities District No. 1
(Public Facilities)**
Roseville, California 95747



Date of Report: February 22, 2016

Prepared For:

Mr. Monty Hanks - Finance Director
City of Roseville
311 Vernon Street
Roseville, CA 95678

Prepared By:

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



Real Estate Appraisal & Consultation



Seevers
Jordan
Ziegenmeyer

Real Estate Appraisal & Consultation

February 22, 2016

Mr. Monty Hanks, Finance Director
City of Roseville
311 Vernon Street
Roseville, CA 95678

**RE: City of Roseville HP Campus Oaks
Community Facilities District No. 1 (Public Facilities)
Roseville, California 95747**

Dear Mr. Hanks:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an appraisal of certain properties within the boundaries of the HP Campus Oaks Community Facilities District No. 1 (the "CFD"), under the assumptions and limiting conditions contained in this report.

The attached Appraisal Report was prepared in compliance with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016/17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP). Furthermore, this appraisal has been performed in accordance the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). Additionally, this valuation is offered in accordance with the limiting conditions, assumptions and significant factors set forth in this report.

The CFD includes the taxable and non-taxable portions of the Hewlett-Packard Campus Oaks Master Plan, excluding the Hewlett-Packard campus. Specifically, the boundaries of the CFD include 189.04 acres of the Campus Oaks area, of which 129.16 acres will be initially taxable. The tax exempt property in the District includes 16.32 acres of public use land, 32.85 acres of planned light industrial use (which could become taxable in the future if converted to a different use) and 10.71 acres of roads. The subject comprises the initially taxable properties within the CFD. Thus, it is noted that any properties not subject to the lien of the Special Tax securing the CFD Bonds are also not part of the subject property.

Construction fund proceeds provided through the Bond issuance will be used for backbone infrastructure. These improvements include, but are not limited to, improvements along the existing Blue Oaks Boulevard and Woodcreek Oaks Boulevard as well as the planned roadways Painted Desert Drive, Crimson Ridge, and HP Way, in addition to other infrastructure improvements. The market value estimated herein is based on a **hypothetical condition** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.

As a result of our analysis, our opinion of the as-is market value of the fee simple interest in the subject property, in accordance with the general and extraordinary assumptions and limiting conditions set forth herein, as of September 23, 2015, is as follows:

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

Mr. Monty Hanks
February 22, 2016
Page 2

SEVENTY THREE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS

\$73,190,000

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

We hereby certify the property has been inspected and have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the property. This letter must remain attached to the report, which contains 151 pages, plus related exhibits and Appendix, in order for the value opinions set forth herein to be considered valid.

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.

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

Respectfully submitted,



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



Eric A. Segal, Appraiser
State Certification No.: AG026558
Expiration Date: February 18, 2017

/dtn

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property:	The appraised property comprises the initially taxable parcels within the boundaries of City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities), consisting of 129.16 acres. The entire District includes a total of 189.04 acres planned for a mix of residential, commercial, office, tech/business park, public and park uses. The subject portion, 129.16 acres, will include a mix of residential, commercial, and office uses.																																				
Location:	In general, the subject property is contained within the western portion of the Hewlett-Packard Campus Oaks Master Plan area, located at the southeast corner of Blue Oaks Boulevard and Woodcreek Oaks Boulevard, within the city of Roseville, Placer County, California 95747.																																				
Assessor Parcel Numbers:	The subject is identified as APNs 014-230-074, -075, -076, and -077.																																				
Owner of Record:	BBC Roseville Oaks LLC																																				
Land Area and Zoning:	<table><tr><th>Subject Property Planned Land Uses</th><th>Acres</th><th>Zoning Districts</th><th>No. of Units</th></tr><tr><td>Low Density Residential</td><td>46.76</td><td>RS/DS, R1/DS</td><td>242</td></tr><tr><td>Medium Density Residential</td><td>35.60</td><td>RS/DS</td><td>310</td></tr><tr><td>High Density Residential</td><td>21.97</td><td>R3/DS</td><td>396</td></tr><tr><td>Total Residential</td><td>104.33</td><td></td><td>948</td></tr><tr><td>Professional Office</td><td>5.54</td><td>BP</td><td></td></tr><tr><td>Community Commercial</td><td>19.29</td><td>CC</td><td></td></tr><tr><td>Total Commercial and Employment Uses</td><td>24.83</td><td></td><td></td></tr><tr><td>Total Planned Taxable</td><td>129.16</td><td></td><td></td></tr></table>	Subject Property Planned Land Uses	Acres	Zoning Districts	No. of Units	Low Density Residential	46.76	RS/DS, R1/DS	242	Medium Density Residential	35.60	RS/DS	310	High Density Residential	21.97	R3/DS	396	Total Residential	104.33		948	Professional Office	5.54	BP		Community Commercial	19.29	CC		Total Commercial and Employment Uses	24.83			Total Planned Taxable	129.16		
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Flood Zone:	Flood Zone X – Areas outside of the 100 and 500-year floodplains. Flood insurance is not required.																																				
Earthquake Zone:	Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)																																				
Entitlements:	A Large Lot Tentative Subdivision Map has been approved for the subject property consisting of 21 taxable large lot parcels containing 129.16 acres.																																				
Lot Sizing:	The area of the subject’s planned single-family lots range from 1,485 to 6,600 square feet.																																				
Highest and Best Use:	Near term single-family residential, near-term multifamily residential (parcels planned for market rate units), near-term commercial, hold for future multifamily (parcels planned for affordable rental units only) or office use development.																																				

Property Rights Appraised:	Fee simple estate
Date of Inspection:	September 23, 2015
Effective Date of Value:	September 23, 2015
Date of Report:	February 22, 2016
Exposure Time:	12 months
Conclusions of Value:	\$73,190,000

*The market value conclusion noted above is subject to the General and Extraordinary Assumptions as well as the Limiting Conditions referenced on pages 7 through 10 of this report and is based on a **hypothetical condition** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.*

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user of this Appraisal Report is the City of Roseville. The Appraisal Report is intended for use as an aid in bond underwriting. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this Appraisal Report for inclusion in the Preliminary Official Statement (POS) and Official Statement (OS) for the express purpose of marketing the Bonds.

APPRAISAL REPORT FORMAT

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2016/17 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

TYPE AND DEFINITION OF VALUE

The purpose this appraisal is to estimate the market value (fee simple estate) of the appraised property, as of the date of inspection (September 23, 2015). 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

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).

PROPERTY RIGHTS APPRAISED

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

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

DATES OF INSPECTION, VALUE AND REPORT

An inspection of the subject property was completed on September 23, 2015, which represents the effective date of market value. This Appraisal Report was completed and assembled on February 22, 2016.

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 were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Mr. Stephen Des Jardins, representing BBC Roseville Oaks, LLC (master developer), who provided project maps and a status update on the overall project. Mr. Des Jardins also provided documentation identifying the subject parcels by Assessor’s parcel number (APN) and detailing proposed land uses for the land area within the District. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Roseville 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 Placer Treasurer-Tax Collector’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.

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

In this appraisal we determined the highest and best use of the subject property as vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity) as well as the highest and best use as improved, based on a hypothetical condition. As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for near term single-family residential, multifamily residential (parcels planned for market rate units), and commercial uses, with an interim hold for development of the subject's multifamily (parcels planned for affordable rental units only) and office use land.

In the valuation of the subject lots we utilized the sales comparison approach and extraction technique to estimate values for each category of LDR and MDR detached lots. To facilitate this portion of the analysis we selected a benchmark lot category within the subject's low density and medium density residential land uses. For the low density residential lots the largest lot grouping, in terms of lot count, is the 5,000 square foot lots. Village CO-7 with 58 planned lots will serve as our benchmark lot category for the low density lots. Again, looking to the largest lot grouping in terms of lot count we selected a typical lot size of 3,800 square feet for the benchmark lot size for the medium density lots. Villages CO-11 and 12 will serve as the benchmark lot grouping for this category of lots. Both villages contain 34 planned lots, for a total of 68 lots. We have utilized a combination of two villages in consideration of the market's preference for at least 40 lots (at or above 40 lots enables most builders to adequately spread the overhead of their typical marketing programs). Once value conclusions are derived for each benchmark category we then derived values by lot size (categories) based on market supported value differences related to typical lot size.

In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions, and a market value for each benchmark lot category was concluded. Then, as a support of reasonableness, we utilized an extraction analysis, which was reconciled with the sales comparison approach conclusion. For the subject's MDR lots encumbered with affordable housing requirements, we exclusively used the extraction technique in estimating value. After reconciling the indications of value estimated via the sales comparison approach and the extraction technique, we used market derived adjustments to concluded estimates for each size category of lots in the LDR and MDR land use components. Due to limited available data a land residual analysis was employed to determine the lot value for the subject's HDR lots. The sales comparison approach was also utilized to determine the value of the subject's office and commercial parcels (proposed). We employed the extraction method to value the subject's multifamily site subject to affordable housing requirements. Lastly, we estimated the bulk market value of the subject property, utilizing the subdivision development method (or discounted cash flow analysis).

Our analysis excluded a typical income capitalization approach, since the subject land uses represent vacant land with limited extended income potential.

The individuals involved in the preparation of this appraisal include Kevin Ziegenmeyer, MAI; Eric Segal, Appraiser; and Noah Kauffman, Research Analyst. Messrs. Ziegenmeyer, Segal, and Kauffman inspected the subject property. Mr. Kauffman assisted in 1) reviewing the subject property information, 2) the collection and confirmation of market data, 3) the analysis of the market data, and 4) preparing portions of the draft report. Messrs. Ziegenmeyer and Segal 1) reviewed the subject property information, 2) reviewed Mr. Kauffman's research and also collected and confirmed data, 3) made any necessary revisions and/or amplifications, and 4) completed the final report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

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

Extraordinary Assumptions

1. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. 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.
2. This report utilizes parcel sizes and land use configurations as reflected by the Hewlett-Packard Campus Oaks Master Plan dated June, 2015. Assessor's Parcel Maps of the subject property were reviewed and although total acreage is different it is similar to the total acreage used. If, at some future date, it is determined that sizes or land uses identified in the Master Plan are different than actual, the values contained herein could be affected.
3. According to the Master Developer, after working closely with the city, the subject's permits and fees pertaining to home construction costs are approximately \$50,000 per lot for LDR, \$45,000 per lot for MDR lots and \$30,000 per lot for HDR lots. If, at some future date, it is determined that permits and fees are different than actual, the values contained herein could be affected.
4. Estimated in-tract development costs were provided by the Master Developer for use in this assignment. It is assumed that these cost estimates are accurate. If, at some future date, it is determined that cost estimates are different than actual, the values contained herein could be affected.
5. Estimated costs for spinal infrastructure, prepared by Economic & Planning Systems, Inc. (EPS), are \$19,900,000. Reportedly the projected construction fund amount from this bond issuance is \$19,900,000. Thus, the construction funds are projected to cover 100% of the spinal infrastructure improvement costs. If, at some future date, it is determined that cost estimates or the anticipated construction fund amount are different than actual, the values contained herein could be affected.
6. There is currently pending litigation (two lawsuits) against the subject property. The analysis and values herein are premised on the assumption that there will be no adverse impact on the subject due to the litigation in terms of land use, development timing, or development costs. If the subject is negatively impacted, the values contained herein could be affected.
7. As a condition for obtaining more than 200 single-family residential permits the master developer must complete construction of the project park site. This analysis is premised on the assumption that the park construction is completed within a timeframe that would not create an interruption in obtaining building permits, as dictated by market demand.

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.” Proceeds from the Bonds will be used to finance and/or reimburse backbone infrastructure improvements. The market value estimated herein is based on the hypothetical condition such improvements have been completed.

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,

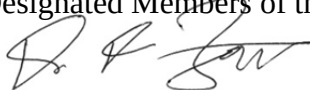
the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the 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. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of Bonds.

CERTIFICATION STATEMENT

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed 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 an inspection of the property that is the subject of this report.
- Eric A. Segal, Appraiser, and Noah Kauffman, Research Analyst, provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Kevin K. Ziegenmeyer, MAI

State Certification No.: AG013567 (Expires June 4, 2017)

February 22, 2016

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 an inspection of the property that is the subject of this report.
- Kevin K. Ziegenmeyer, MAI and Noah Kauffman, Research Analyst, 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 Appendix 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.



Eric A. Segal, Appraiser

State Certification No.: AG026558 (February 18, 2017)

February 22, 2016

DATE

PROPERTY DESCRIPTION AND HISTORY

Campus Oaks (subject is a portion of)



Source: Campus Oaks Master Plan Amendment



Source: Google Earth, boundaries are approximate

Introduction

The City of Roseville HP Campus Oaks Community Facilities District No. 1 is located within the Hewlett-Packard Campus Oaks Master Plan area. Specifically, the boundaries of the CFD include 189.04 acres of the Campus Oaks area, of which 129.16 acres are planned for taxable parcels. The subject comprises the properties within the CFD to be encumbered by the associated bonds. Two large lot Tech/Business Park parcels are included in the Master Plan but are exempt portions of the District and not included in the subject. The subject property is currently undeveloped and has an approved Large Lot Tentative Subdivision Map.

Subject Property Planned Land Uses	Acres	No. of Units
Low Density Residential	46.76	242
Medium Density Residential	35.60	310
High Density Residential	<u>21.97</u>	<u>396</u>
Total Residential	104.33	948
Professional Office	5.54	
Community Commercial	<u>19.29</u>	
Total Commercial and Employment Uses	24.83	
Total Planned Taxable	129.16	
Non-Taxable Portions		
Tech/Business Park	32.85	
Parks	13.85	
Public / Quasi-Public	2.47	
Roads	10.71	
TOTAL	189.04	948

Facilities Financed by the District

The CFD has been established to create a land-secured funding mechanism to generate a construction fund from bonds for authorized facilities. The construction fund proceeds will be used for backbone infrastructure. These improvements include, but are not limited to, improvements along the existing Blue Oaks Boulevard and Woodcreek Oaks Boulevard as well as the planned roadways Painted Desert Drive, Crimson Ridge, and HP Way, in addition to other infrastructure improvements. The market value estimated herein is based on a ***hypothetical condition*** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.

Three-year Sales History

It has been reported that on December 10, 2013 the Campus Oaks property was sold by the Hewlett-Packard Company to Diamond Creek Partners, LTD for \$50,000,000, or approximately \$265,000 per acre. The sale included acreage consisting of exempt portions of the District, which are not a part of the subject property, and occurred prior to further entitlement work (rezoning and tentative map filing); as such, the transaction is not considered to be an indicator of the subject property's current value. To the best of our knowledge there have been no other transfers of the subject property within three years prior to the date of value and the subject property is not currently being marketed for sale.

Subject Property – Strengths, Weaknesses, Opportunities, Threats

Strengths:

- Desirable regional location (South Placer County)
- The subject's infill site is a logical location for development
- Good condition of surrounding homes
- Good transportation linkages with proximity to State Highway 65 and Interstate 80

Weaknesses:

- The housing market is still in a state of recovery, which could impact pricing in the near term
- Site development has not begun
- With a large number of residential units (948), sell-out is anticipated to take several years

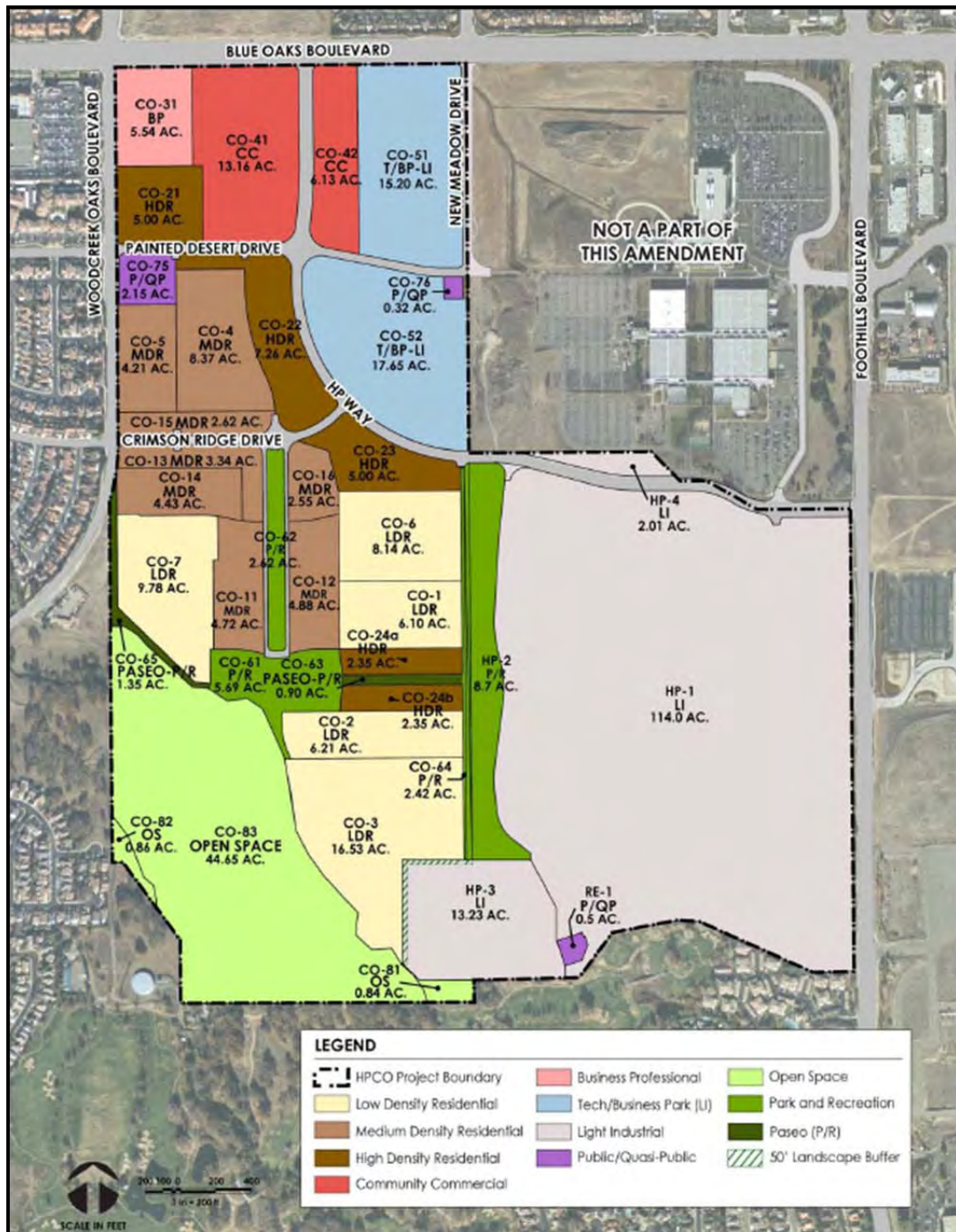
Opportunities:

- Strengthening residential sector may be a signal the local economy is entering an expansionary cycle

Threats:

- Macroeconomic factors, and the possibility the economy remains stagnant and the residential sector loses steam
- Unforeseen delays

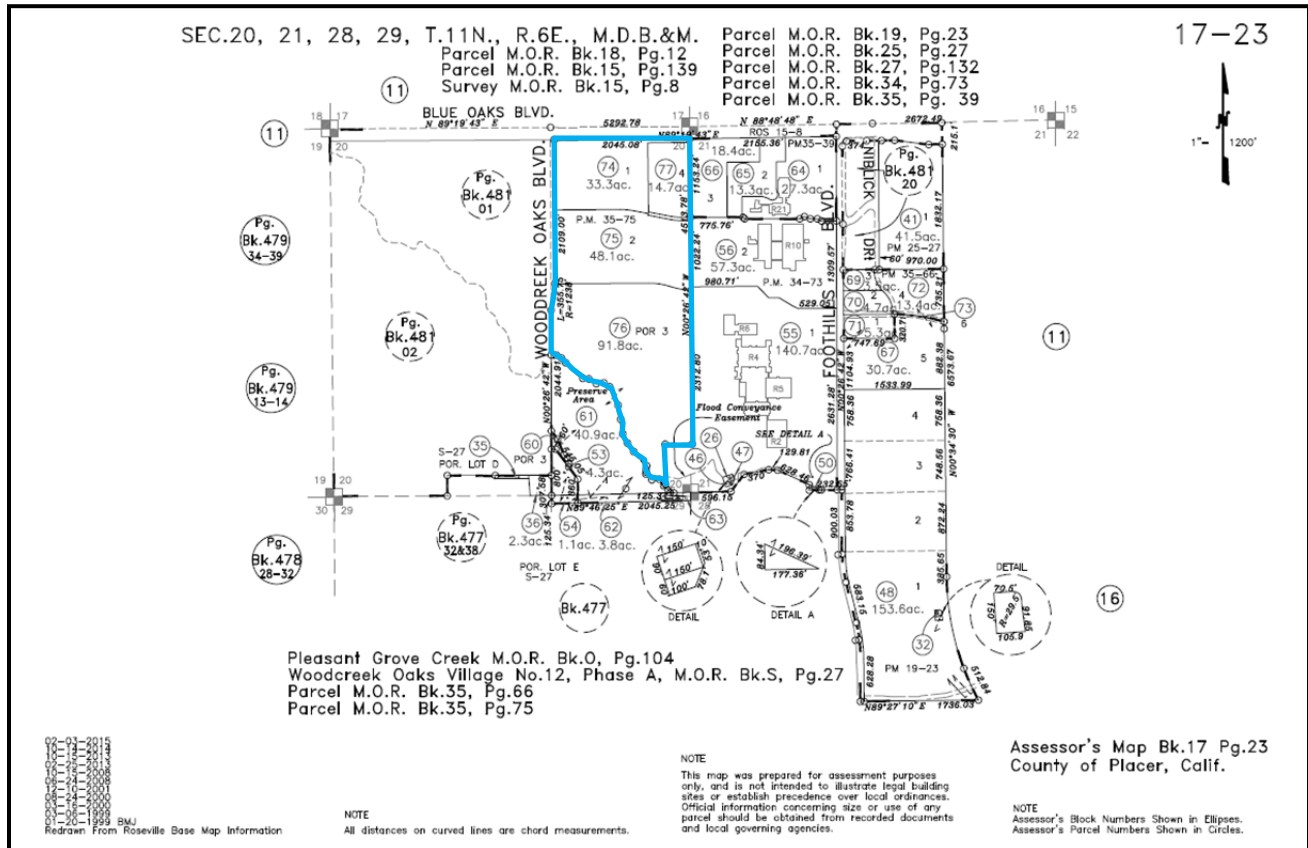
MASTER PLAN AREA LAND USE PLAN



PROPERTY LEGAL DATA

Assessor's Parcel Number(s)

The subject is identified as the initially taxable portions of APNs 014-230-074, -075, -076, and -077. The subject's parcel map is presented below.



Location

In general, the subject property is located at the southeast corner of Blue Oaks Boulevard and Woodcreek Oaks Boulevard, within the city of Roseville, Placer County, California 95747.

Owner(s) of Record

Title to the subject property is presently vested with BBC Roseville Oaks LLC.

Legal Description

A complete 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.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the infrastructure and property improvements are completed. Additionally, the definition of market value employed in this appraisal assumes a sale of the appraised property. The subject property is located in tax rate area 005001 with a corresponding tax rate of 1.0888%. Current property tax information for the subject's parcels is summarized in the following table.

	APN: 017-230-074	017-230-075	017-230-076	017-230-077	Total
Assessed Land Value	\$8,961,646	\$12,944,668	\$24,705,139	\$3,956,094	
Assessed Improvement Value	\$0	\$0	\$0	\$0	
Total Assessed Value	\$8,961,646	\$12,944,668	\$24,705,139	\$3,956,094	\$50,567,547
Tax Rate Area:	005001	005001	005001	005001	
Tax Rate:	1.0888%	1.0888%	1.0888%	1.0888%	
Taxes on Assessed Value	\$97,573.32	\$140,940.00	\$268,986.62	\$43,073.46	\$550,573.40
Direct Levies:					
Placer Mosquito & Vector Control	\$4.94	\$4.94	\$4.94	\$4.94	
City of Roseville Public Services CFD #4 MR	<u>\$10,126.60</u>	<u>\$14,627.34</u>	<u>\$27,916.64</u>	<u>\$4,470.30</u>	
	\$10,131.54	\$14,632.28	\$27,921.58	\$4,475.24	\$57,160.64
Total 2015/2016 Property Taxes	\$107,704.86	\$155,572.28	\$296,908.20	\$47,548.70	\$607,734.04

The appraised property consists of the initially taxable parcels within the HP Campus Oaks Infrastructure Community Facilities District No. 1. The CFD has been established to create a land-secured funding mechanism to generate a construction fund from bonds for authorized facilities. The construction fund proceeds will be used for backbone infrastructure. These improvements include, but are not limited to, improvements along the existing Blue Oaks Boulevard and Woodcreek Oaks Boulevard as well as the planned roadways Painted Desert Drive, Crimson Ridge, and HP Way, in

addition to other infrastructure improvements. The market value estimated herein is based on a ***hypothetical condition*** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed. Maximum annual Special Tax amounts, as provided for use in this appraisal, are shown in the following table.

HP Campus Oaks CFD No. 1 - Maximum Special Tax				
Large Parcel Designation	Land Use	No. of Lots	Typical Lot Size (SF)	Base Year Max. Tax
<i>Residential</i>				
CO-1	LDR	36	5,000	\$2,280
CO-2	LDR	36	5,250	\$2,280
CO-3	LDR	64	6,600	\$2,280
CO-6	LDR	48	5,000	\$2,280
CO-7	LDR	58	5,000	\$2,280
CO-4	MDR	84	2,400	\$1,500
CO-5	MDR	27	3,300	\$1,500
Affordable -	Middle	19	1,800	\$900
CO-11	MDR	19	3,800	\$1,800
CO-12	MDR	28	3,800	\$1,800
CO-13	MDR	24	3,800	\$1,800
CO-14	MDR	28	2,400	\$1,500
Cluster		22	3,300	\$1,500
CO-15	MDR	19	3,800	\$1,800
CO-16	MDR	19	3,800	\$1,800
CO-21	HDR	87	Apt.	\$6,300/AC
Affordable -	Very Low	38		\$0
CO-22	HDR	95	1,050	\$1,200
Affordable -	Low	24		\$720
CO-23	HDR	58	1,050	\$1,200
Affordable -	Low	14		\$720
CO-24a	HDR	40	1,300	\$1,200
CO-24b	HDR	40	1,300	\$1,200
<i>Nonresidential</i>		<i>Acres</i>		
CO-31	BP	5.54	acres	\$6,300/AC
CO-41	CC	13.16	acres	\$6,300/AC
CO-42	CC	6.13	acres	\$6,300/AC

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

A Large Lot Tentative Subdivision Map has been approved for the subject property consisting of 21 taxable large lot parcels containing 129.16 acres. Zoning for the subject property includes a Development Standards (DS) overlay allowing for modified development standards (e.g., lot area, setbacks, and building heights) from those specified by the underlying general zone districts. A description of the zoning designations covering the subject property are presented below.

Planned Land Uses	Zoning Districts
Low Density Residential	RS/DS, R1/DS
Medium Density Residential	RS/DS
High Density Residential	R3/DS
Business Professional	BP
Community Commercial	CC

R1/DS, RS/DS – Low Density Residential: The R1 and RS, Single-Family Residential district is intended for detached, single-family homes on conventional and small lots. Lot sizes typically range from 4,500 to 6,000 square feet with a density range of 0.5 to 6.9 dwelling units per acre.

RS/DS – Medium Density Residential: The RS, Medium Density Residential district accommodates both single-family detached and attached residential units. Lot sizes typically range from 1,500 to 4,500 square feet with a density range of 7.0 to 12.9 dwelling units per acre.

R3/DS – High Density Residential: The R3, High Density Residential land use designation is intended for both detached and attached residential units, at a minimum density of 13.0 units per acre.

BP – Business Professional: The Business Professional district provides for new employment and service opportunities. Uses may include professional offices, medical services, and business support services.

CC – Community Commercial: The Community Commercial district is intended to provide goods and services to meet the residents’ and employees’ daily needs. Uses may include grocery stores, restaurants, entertainment venues, retail sales, lodging and personal services.

Flood Zone

Source:	Federal Emergency Management Agency
Flood Zone:	Zone X – Areas outside the 100-year and 500-year floodplains
Map Panel:	06061C-0413F and -0476F
Panel Date:	June 8, 1998
Flood Insurance:	Flood insurance is not required.

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 appraised property comprises the taxable parcels within the boundaries of City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities), consisting of 129.16 acres planned for a mix of residential, commercial, and office uses.

Land Area:

Subject Property Planned Land Uses	Acres	No. of Units
Low Density Residential	46.76	242
Medium Density Residential	35.60	310
High Density Residential	<u>21.97</u>	<u>396</u>
Total Residential	104.33	948
Professional Office	5.54	
Community Commercial	<u>19.29</u>	
Total Commercial and Employment Uses	24.83	
Total Planned Taxable	129.16	

Topography: Generally level

Shape: The subject land areas are primarily irregular in shape, yet functional for development under their respective land use and zoning designations.

Access, Frontage, Visibility: The subject site has access and/or frontage and visibility from the CFD's primary roadways including Blue Oaks Boulevard and Woodcreek Oaks Boulevard. Overall, the accessibility and visibility of the property are considered good for residential and commercial use.

Adjacent Uses:

North

Commercial and vacant land as well as single family residential development

East

Hewlett-Packard campus and light industrial properties

South

Woodcreek Oaks Preserve and Woodcreek golf course

West

Single-family residential development

Utilities:

Public utilities, including electricity, natural gas, sewer, public water, telephone, etc., are available to the subject's perimeter and will be extended to proposed lots and parcels upon completion of site development.

Unimproved Residential Lots:

The subject property has an approved large lot (21 lots) tentative map allowing for 948 residential units (not yet approved) and 3 non-residential sites that require all in-tract improvements.

Unimproved Commercial and Office Use Parcels:	As noted above, the subject property includes three proposed large lot parcels containing a total of 24.83 acres for office and retail uses. Although the Master Plan includes additional acreage for Tech/Business Park use these portions are exempt from the CFD Special Tax and are not included in the subject property.
Drainage:	Based on our physical inspection of the subject property, it appears drainage is adequate for development. Upon subdivision and development, it is assumed future site improvements would provide adequate drainage for suburban development.
Soils:	The appraiser has not been provided a soils report to determine the load bearing capacity of the subject property. Based on the surrounding improvements, no adverse subsoil conditions are apparent. The soils appear to be similar to other local parcels 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 subject 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. The value estimate 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 any such conditions, or for any expertise or engineering knowledge required to discover them.
Offsite Improvements:	The existing roadways along the northern and western borders of the subject property will require improvements including curbs, gutters, sidewalks, street lights, and traffic signals.
Onsite Improvements:	No onsite improvements are yet complete.
Backbone Infrastructure	Backbone infrastructure costs for the subject are estimated to be \$20,300,000. This amount is anticipated to be included in bond funding and this valuation is based upon the <i>hypothetical condition</i> that backbone infrastructure is in place.
In-tract Development Costs:	For low density residential lots, in-tract improvements in the region typically range from approximately \$30,000

to \$45,000 per lot. According to the Master Developer, in-tract costs for the subject's low density lots will range from \$33,000 to 42,500 per lot. The smaller MDR lots will range in cost from \$21,500 to \$27,000 per lot. Considering lot size and other physical characteristics of the subject property, the developer's projections for in-tract costs appear reasonable. For LDR and MDR/HDR residential lot components of the subject we will use estimates commensurate with the Master Developer's figures. For the reader's reference, the multifamily, office, and commercial components do not have in-tract costs like the single family sites.

Permits and fees for Home Construction:

The subject's permits and fees pertaining to home construction costs are approximately \$50,000 per lot for LDR, \$45,000 per lot for MDR lots and \$30,000 per lot for HDR lots, which is generally similar, relative to competing projects located throughout the market area. These figures include building permit fees, development agreement fees and school fees. Note these figures represent estimates; actual permits and fees will vary by plan according to the actual home size constructed.

Affordability Requirement:

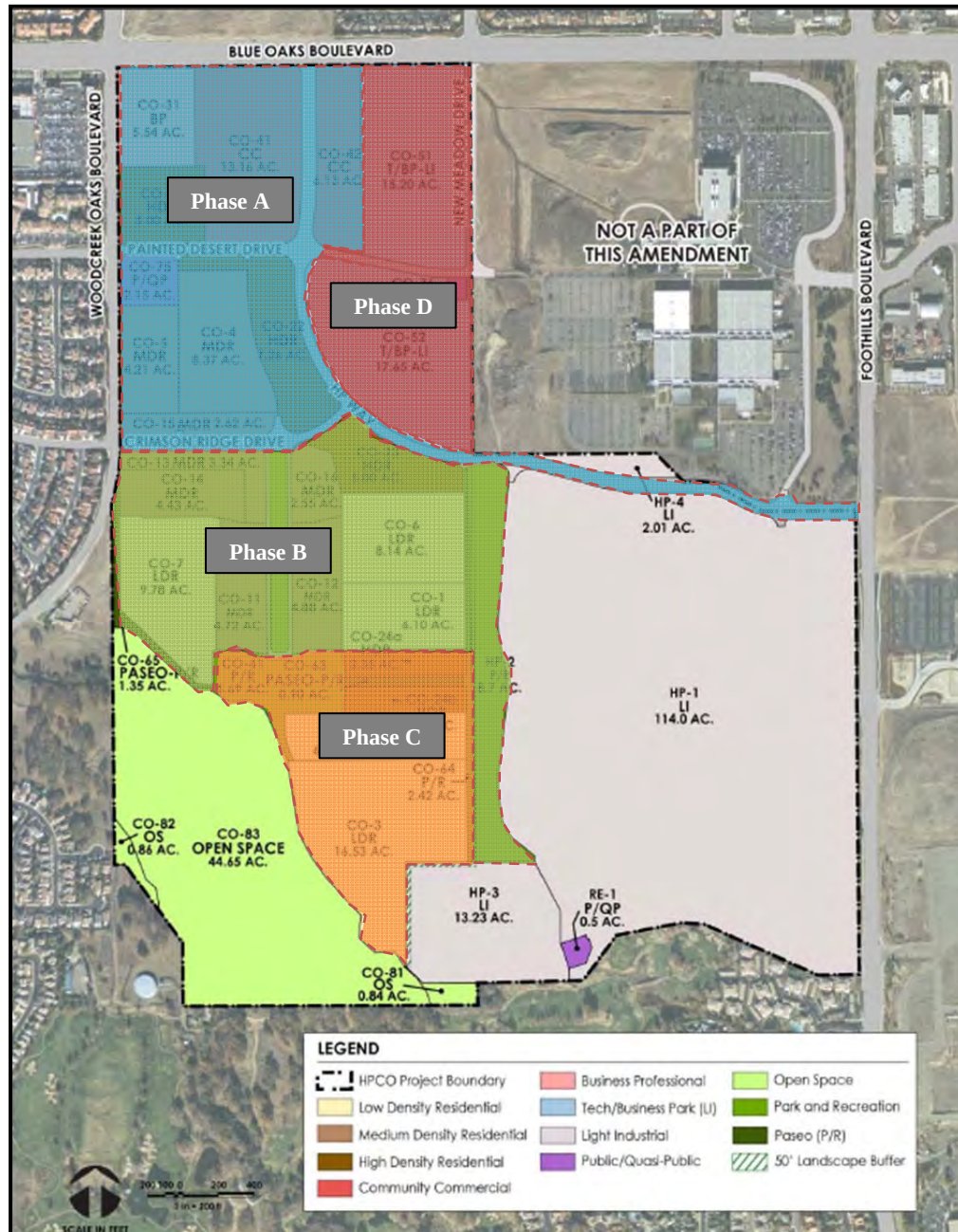
The subject's affordable housing agreement plans for the development of 95 dwelling units, to accommodate the city's 10% affordable housing goal. These units are planned to be a mixture of low-income and very low-income rentals located on high density parcels as well as middle-income units for purchase located on medium density lots.

Conclusion:

Overall, the subject property is deemed functional in terms of its size, topography, shape and overall location. There appear to be no unusual or restrictive physical limitations to the property. The subject property is considered physically suitable for residential and commercial development.

DEVELOPMENT PHASING

The Campus Oaks development plans for four potential phases, A through D, although after phase A the remaining phases may proceed in any sequence or combination. The phasing is intended to ensure that backbone improvements in each phase can support its respective development and the development in each phase can support the costs of the required improvements.



SUBJECT PHOTOGRAPHS



Looking southeast across property from northwest corner



Looking east along property's northern border



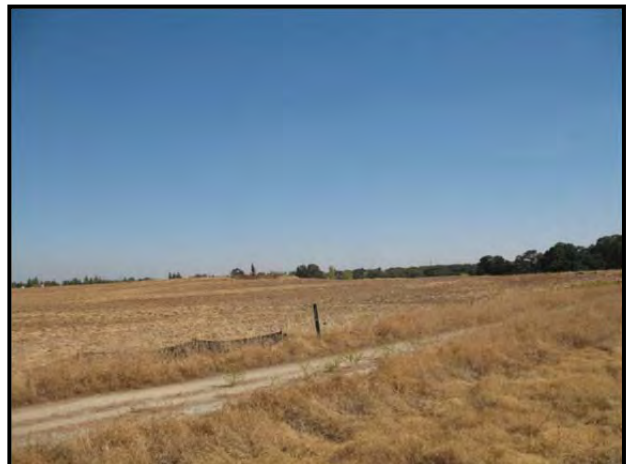
Looking south along property's western border



Looking east across property



Looking northeast across property from southwest corner



Looking across southern portion of property from southwest corner



Looking north along property's eastern border



Looking south from southeast corner



Looking south across property



Looking southwest across property

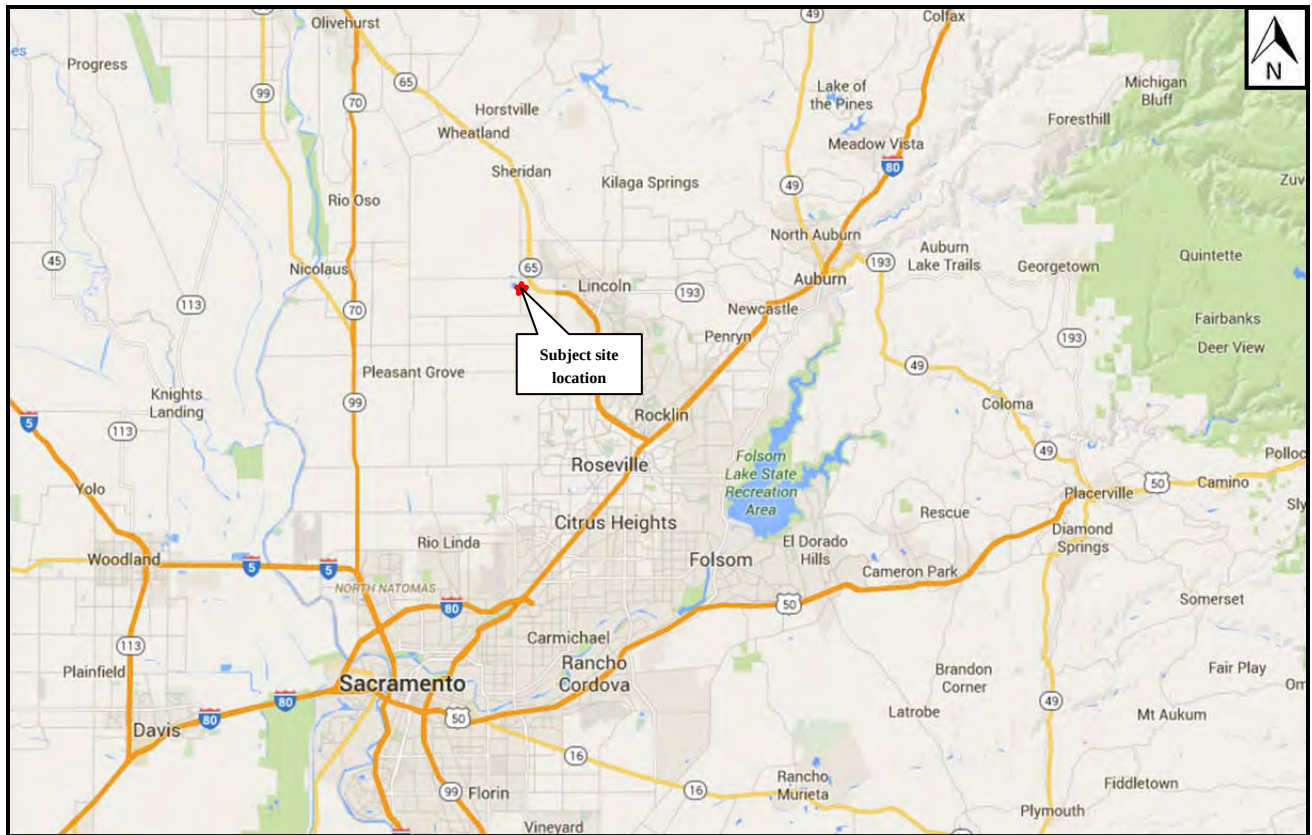


Blue Oaks Boulevard looking west



Blue Oaks Boulevard looking east

SOUTH PLACER COUNTY



Introduction

Placer County is part of the four-county Sacramento Metropolitan Area, along with the counties of Sacramento, Yolo and El Dorado. The county is located in the north-central part of California, approximately 420 miles north of Los Angeles, 250 miles south of Oregon, 100 miles northeast of San Francisco, 80 miles west of Lake Tahoe, and 100 miles southwest of Reno. The southernmost part of Placer County consists of a valley commonly referred to as South Placer; while the remainder of the county is divided into the Gold Country, where parts of Auburn and Colfax are located, and the High Country, which encompasses Tahoe City and Kings Beach along Lake Tahoe. Placer's largest cities are Roseville, Rocklin and Lincoln. Elevations in the county range from 165 feet above sea level in Roseville to 10,000 feet above sea level in the Sierra Nevada Mountains.

Placer County is developed with a mix of urban and rural uses. The larger cities, namely Roseville and Rocklin, are mostly urban, while the smaller communities, such as Loomis and Newcastle, have remained rural. Auburn and Lincoln both exhibit a combination of urban and rural settings. However, in recent years the city of Lincoln has experienced dramatic growth and development, and has become one of the fastest-growing cities in California.

Population

Placer County has experienced population growth in recent years, primarily in the southern part of the county. The primary points of origin for in-migration to the region are the Bay Area, other parts of the Sacramento region, and Southern California. The state's population data indicate a strong pattern of movement by residents from high-cost, high-density Bay Area counties to inland areas in Northern California.

Following is a table depicting the population change in Placer County and its component cities over the past few years.

POPULATION TRENDS							
City	2010	2011	2012	2013	2014	2015	%/Yr
Auburn	13,307	13,378	13,572	13,600	13,817	13,818	0.8%
Colfax	1,946	1,966	1,992	1,993	2,000	1,994	0.5%
Lincoln	42,589	43,142	43,915	44,336	45,259	45,837	1.5%
Loomis	6,427	6,460	6,551	6,571	6,617	6,623	0.6%
Rocklin	56,720	57,765	58,752	59,171	59,746	60,252	1.2%
Roseville	118,180	120,302	123,028	124,993	127,153	128,382	1.7%
Unincorporated	<u>107,964</u>	<u>108,450</u>	<u>110,337</u>	<u>111,069</u>	<u>112,086</u>	<u>112,548</u>	<u>0.8%</u>
Total	347,133	351,463	358,147	361,733	366,678	369,454	1.3%
Source: California Department of Finance							

As indicated in the previous table, Placer County has experienced a strong average rate of annual growth of 1.3% over the past five years. The city of Roseville is the fastest growing part of the region. Auburn, Colfax, Loomis and the unincorporated communities have had relatively little growth.

Over the past decade, Placer County has been the fastest-growing county within the four-county Sacramento MSA (which also includes Sacramento, El Dorado and Yolo Counties). It is projected this trend will continue for the near future.

Transportation

Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials in the southern part of the county include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard. In 2005, a major public improvement project was completed at the Douglas Boulevard/ Sunrise Avenue/ Interstate 80 intersection. The project added new lanes, new on/off ramps and a tunnel that have greatly improved traffic flow in the area.

In addition to roadways within the county limits, south Placer County enjoys proximity to many of the Sacramento region's freeways that provide access to the San Francisco Bay Area to the west, Central and Southern California to the south, Northern California and Oregon to the north, and Nevada to the east. Sacramento International Airport is situated about 10 miles west of the county border. The county is also home to a couple of small private airports. The region has good railroad service, including the transcontinental Union Pacific Railroad and Amtrak. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

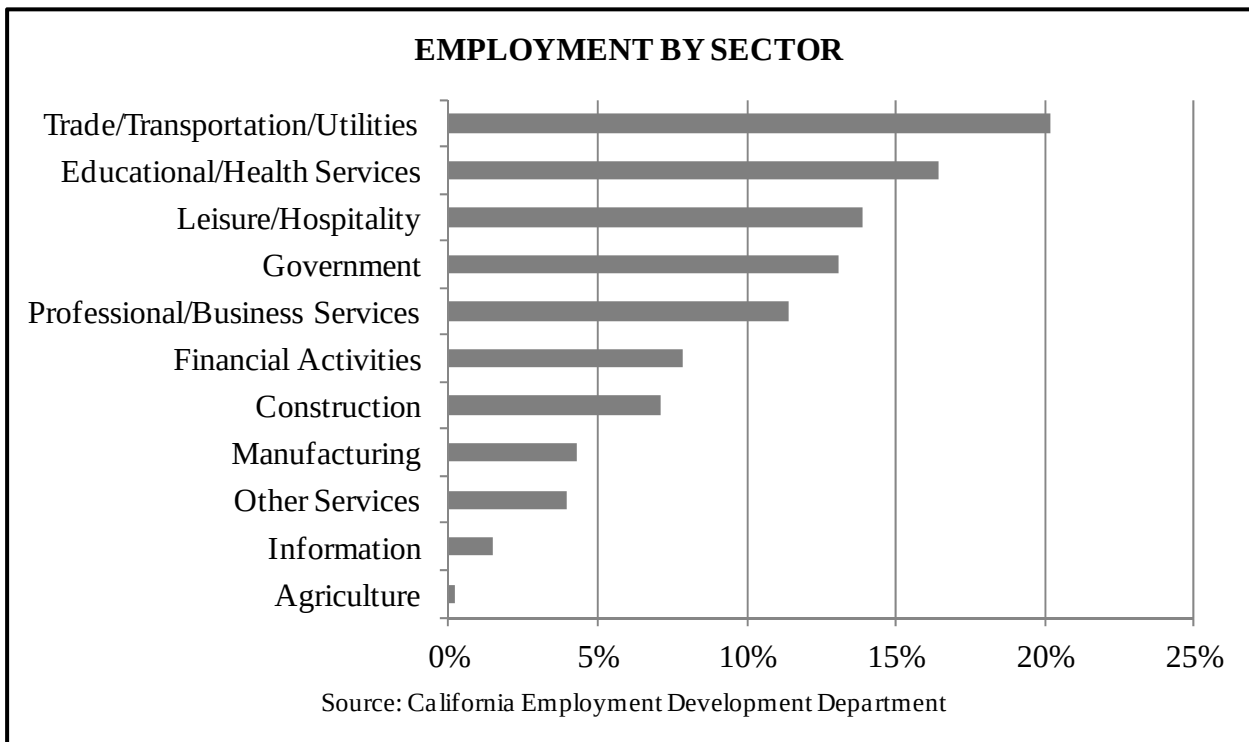
Employment & Economy

The California Employment Development Department has reported the following employment data for Placer County over the past several years.

EMPLOYMENT TRENDS						
	2009	2010	2011	2012	2013	2014
Labor Force	179,800	173,200	173,700	175,300	175,900	176,600
Employment	161,100	153,100	154,900	158,900	162,300	165,500
Job Growth	(4,800)	(8,000)	1,800	4,000	3,400	3,200
Unemployment Rate	10.4%	11.6%	10.8%	9.4%	7.7%	6.3%
Source: California Employment Development Department						

The unemployment rate in Placer County was 4.9% in August 2015 (preliminary), which compares to rates of 6.1% for California and 5.1% for the U.S. Most areas within the state and nation, including Placer County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines during 2011-2015.

Placer County has a diverse economy, with no one sector accounting for a majority of the employment in the region. The following chart indicates the percentage of total employment for each sector within the county.



As can be seen in the chart above, the area’s largest employment sectors are Trade/Transportation/Utilities, which includes retail and wholesale trade (20.2% of total employment); Educational and Health Services (16.4%); Leisure and Hospitality (13.9%); and Government (13.1%).

Although many residents commute to employment centers in Sacramento, Placer County offers thousands of jobs and attracts workers from the local area as well as “reverse commuters” from Sacramento and residents of outlying areas such as Marysville/Yuba City to the north. The largest employers in the county, according to the Sacramento Business Journal Book of Lists 2014, are Sutter Health (3,890 employees in the county), Kaiser Permanente (3,826), Squaw Valley Resort (2,500, seasonal), Thunder Valley Casino Resort (2,391), Placer County (2,300), and Hewlett-Packard Co. (2,230).

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. In the year 2013 (most recent data available from the U.S. Census Bureau), Placer County’s median household income was \$73,643, which was higher than the state of California’s median income of \$60,185.

Recreation & Community Services

Placer County has ample community services and recreational opportunities. The County, cities and various park districts operate numerous public parks, golf courses, aquatic centers, libraries and community centers. Many private golf courses are located in the region, and several ski resorts are located in the mountains. Within the county lies a portion of the Folsom Lake State Recreation Area, a boating, fishing, and swimming retreat.

In terms of higher education, Placer County is home to Sierra College in Rocklin, a two-year community college offering a wide range of day and evening classes serving over 25,000 students. Heald College, a business and technology vocational school, is located in Roseville, as is an extension campus for Sierra College, located at the old Sutter Hospital on Sunrise Avenue. In 2004, William Jessup University, a private Christian college, moved from San Jose to a new facility in Rocklin.

The region offers good health services, including hospitals and medical office facilities. Two hospitals are located in Roseville – the Sutter Roseville Medical Center and Kaiser Permanente, both of which have recent or current expansion projects. The city of Auburn is home to Sutter Auburn Faith Hospital, Sutter Medical Center-Auburn, UC Davis Medical Center, Foundation Medical Clinic and Heritage Medical Center Complex. The city of Lincoln contains medical offices/clinics operated by Sutter, UC Davis, Kaiser and Catholic Healthcare West. In addition to these institutional health care facilities, the county is home to a large and growing number of private physicians, dentists, clinics and other medical specialists.

The city of Roseville is south Placer's hub for fine dining and entertainment. Several upscale restaurants are situated along Eureka Road, Roseville Parkway and Galleria Boulevard. Roseville contains two multi-screen movie theatres on Eureka Road. Another theatre recently opened in Rocklin. Shopping centers are widespread, the largest of which is the Galleria at Roseville, a regional shopping mall that opened in 2000 and was expanded in 2008-2009. The mall is anchored by Nordstrom, Macy's, Sears and JC Penney.

Conclusion

Placer County is a diverse area, with growing cities, small towns and rural areas, and an abundance of open space. The cities of Roseville, Rocklin and Lincoln have experienced strong growth in population and development over the past several years. Placer County is one of the most affluent in the greater Sacramento region in terms of household income levels. The area has a number of positive attributes, including seismic stability, a well-educated work force, good transportation systems, relative affordability and availability of housing compared to the Bay Area, and an excellent level of community services. The near-term outlook is for continued growth.

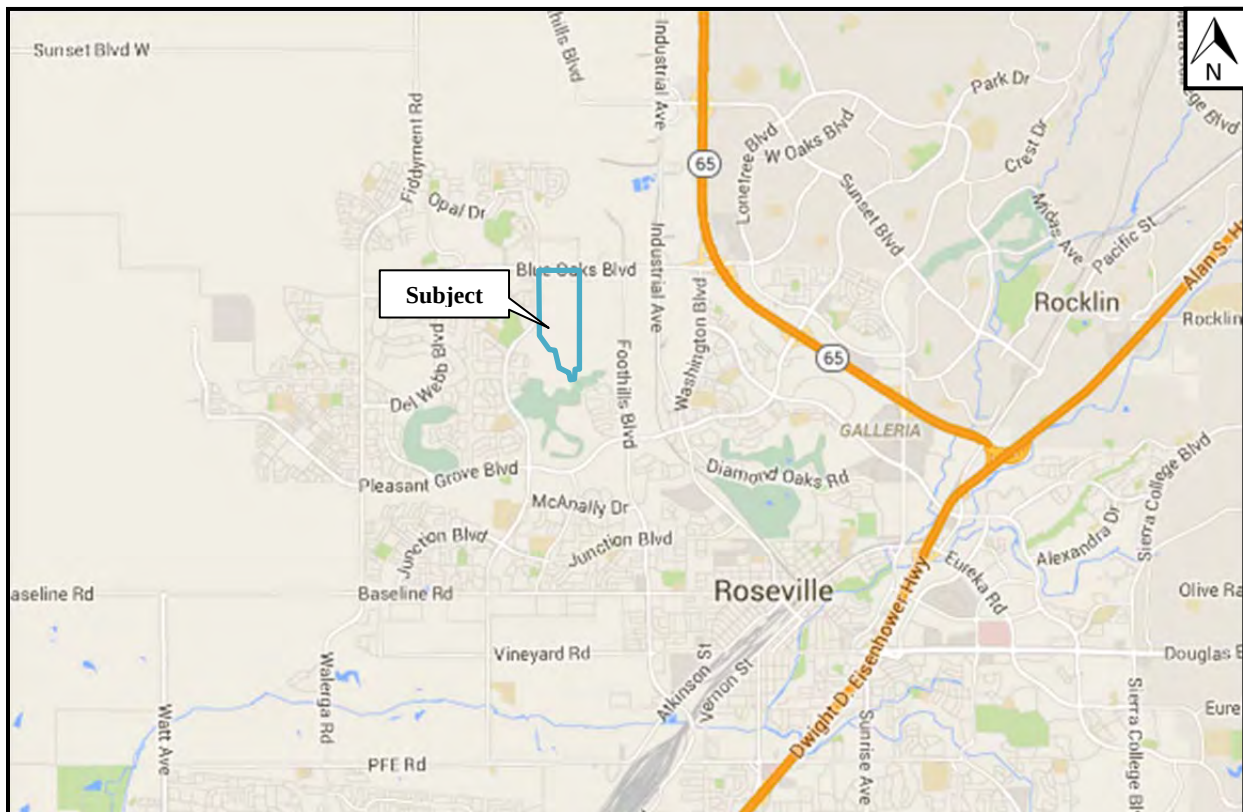
NEIGHBORHOOD

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

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.

NEIGHBORHOOD MAP



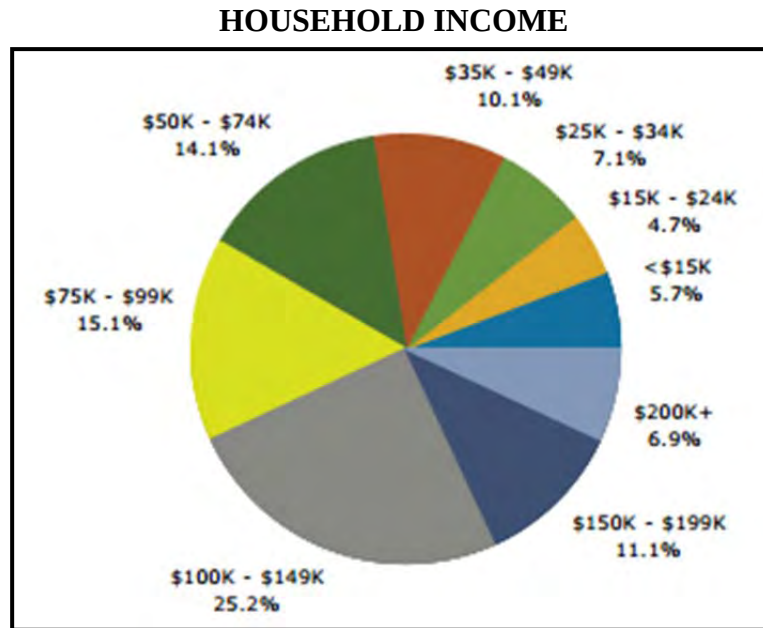
Source: Google Maps

The subject property is located within the city of Roseville, Placer County, California. Specifically, the subject is situated in the west Roseville area. The subject’s neighborhood boundaries can generally be described as Washington Boulevard to the east, Baseline Road to the south, and the city limits of Roseville to the west and north.

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

Demographics

According to reports prepared by To Do Business Online (STDB), as of 2015, the subject's neighborhood contains 60,139 people and 22,377 households, which equates to an average household size of 2.68. The median age is 37.5 years. The three primary age groups are 35 to 44 years (15.1% of total), 45 to 54 (14.0% of total) and 25 to 34 years (12.2% of total). STDB indicates the 2015 median household income for the neighborhood was \$86,880. Approximately 43.2% of households earn at least \$100,000 per year.



Source: Site To Do Business Online

In the *Residential Market Overview*, the latest sale data indicates that a new 2,500 SF home in the subject's area would have a sale price of approximately \$450,000 (interior lot, standard lot sizing). To examine the ability to pay among prospective buyers for a representative price point of \$450,000, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 90% (down payment of 10%), mortgage interest rate of 4.5%, 360 monthly payments, and a 30% ratio for the mortgage payment as a percent of monthly gross monthly. The following table shows an estimate of the annual household income that would be required to afford a home priced at \$450,000.

Income Requirement

Home Price	\$450,000
Loan % of Price (Loan to Value)	90%
Loan Amount	\$405,000
Interest Rate	4.5%
Mortgage Payment	\$2,052
Mortgage Payment % of Income	30%
Monthly Income	\$6,840
Annual Income	\$82,083

We have obtained income data from STDB for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. It is noted this geographic area is wider than the immediate neighborhood, which focuses on the subject's specific location.

In the following table, we show the income brackets within a 10-mile radius, along with estimates of the percentage of households able to afford a \$450,000 home within each income bracket.

Ability to Pay

Household Income	Percent of Households	Percent Able to Pay	Households Able to Pay
< \$15,000	8.8%	0%	0.0%
\$15,000 - \$24,999	3.5%	0.0%	0.0%
\$25,000 - \$34,999	3.7%	0.0%	0.0%
\$35,000 - \$49,999	6.8%	0.0%	0.0%
\$50,000 - \$74,999	14.8%	0.0%	0.0%
\$75,000 - \$99,999	15.5%	28.3%	4.4%
\$100,000 - \$149,999	20.4%	100.0%	20.4%
\$150,000 - \$199,999	12.7%	100.0%	12.7%
\$200,000 +	<u>13.8%</u>	100.0%	<u>13.8%</u>
	100.0%		51.3%

Source: STDB (household income)

Thus, the demographic data indicates that approximately 51.3% of households within a 10-mile radius of the subject property meet the affordability requirements for conventional financing at current price levels. Note that by the nature of drawing neighborhood map boundaries for demographic purposes, the demographic data reflects a minor amount of statistical error.

Transportation

The subject has primary access from Blue Oaks Boulevard, which is a primary east-west connector that extends through the neighborhood and leads to State Highway 65. Other primary connectors in

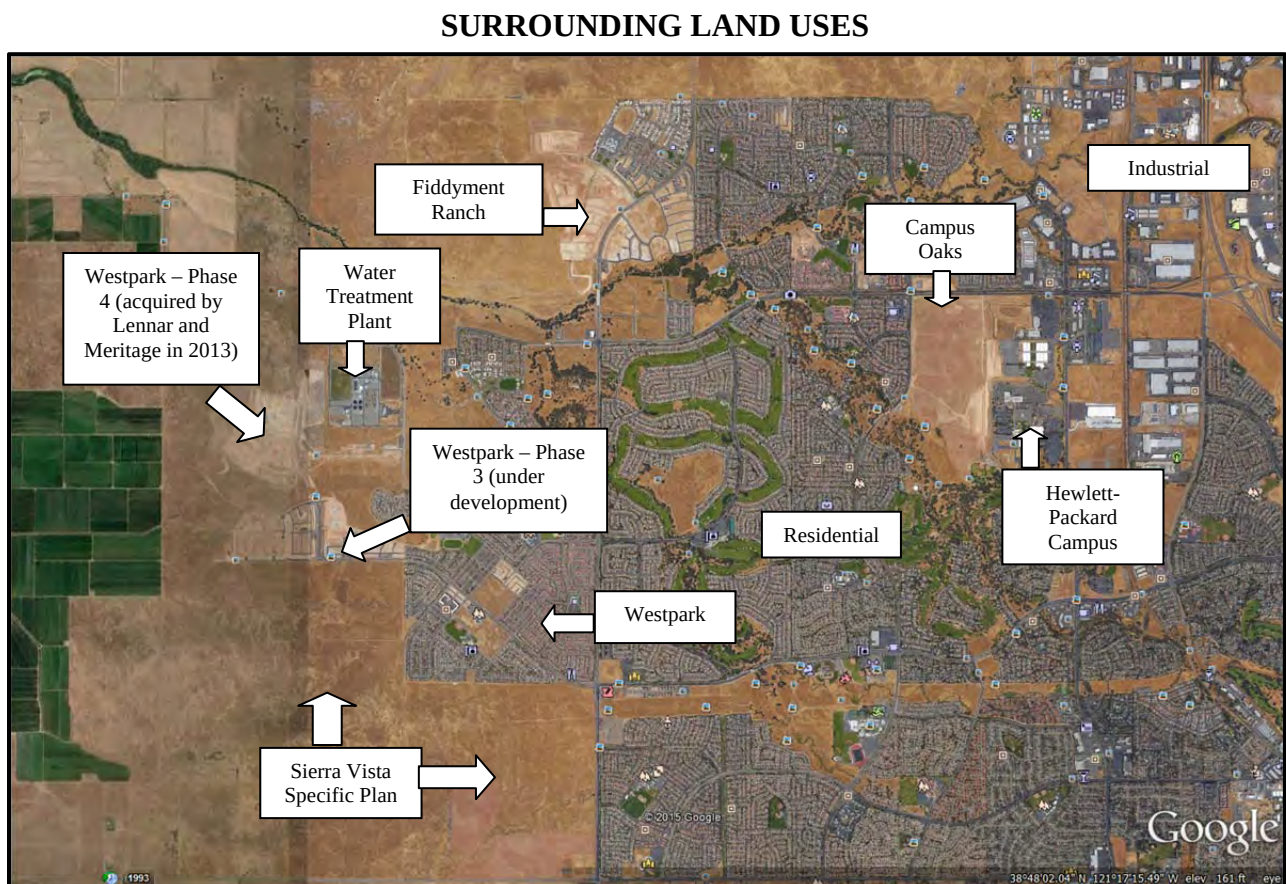
the neighborhood are Fiddymment Road, Woodcreek Oaks Boulevard, Foothills Boulevard, and Pleasant Grove Boulevard (which extends east-west, and also leads to State Highway 65). State Highway 65 is a north-south route that provides access to Lincoln, Wheatland and Yuba City to the north and Interstate 80 to the south. Interstate 80 is a primary east-west corridor for the Sacramento Metropolitan Area.

Traveling east, Interstate 80 provides access to the outlying portions of Placer County and continues toward Lake Tahoe and Reno, Nevada. To the west, Interstate 80 connects the subject neighborhood to Sacramento's Central Business District before continuing on towards Davis and San Francisco.

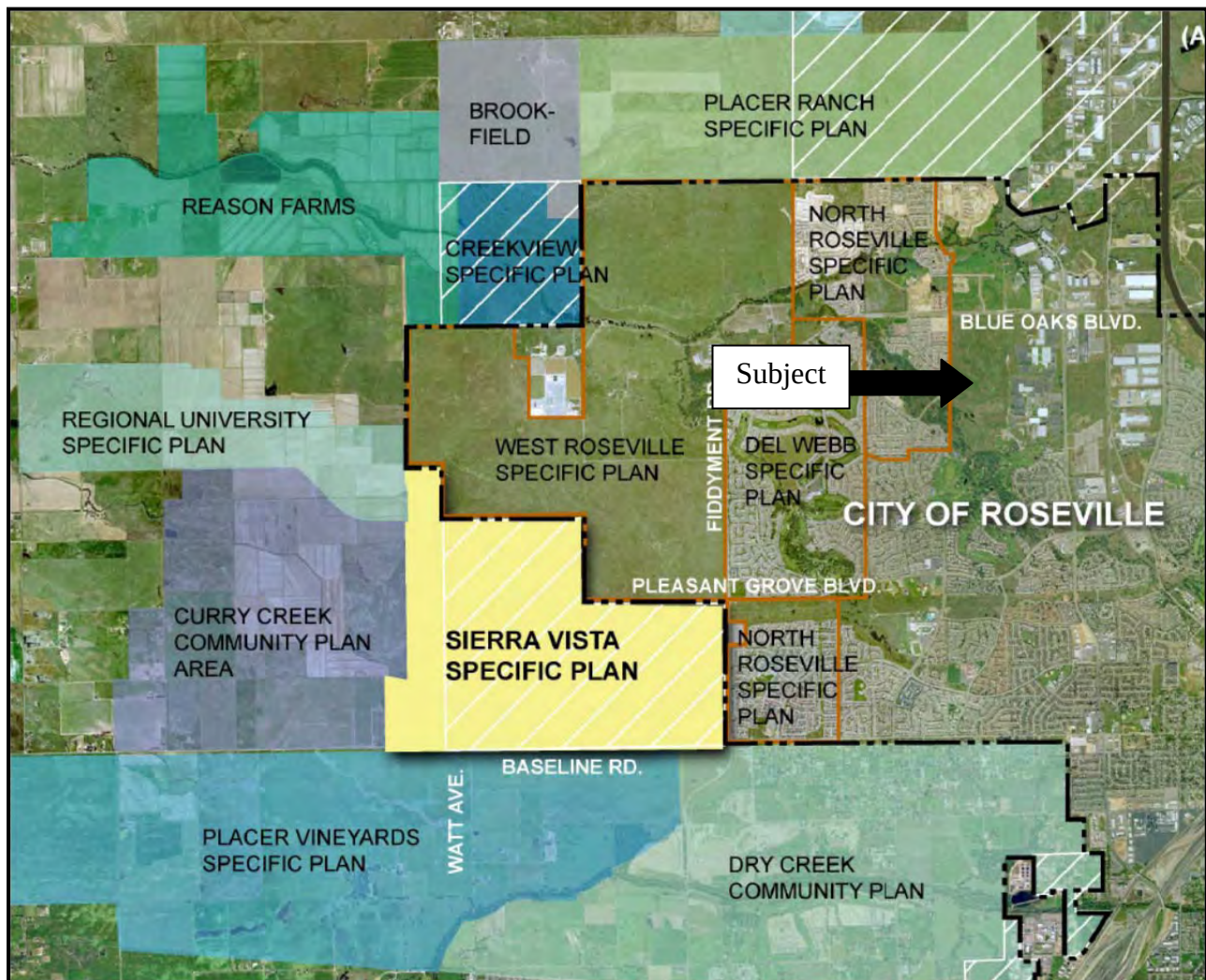
Roseville Transit provides public transportation for the area, which features fixed bus routes, commuter services and ride sharing minivans. Free transfers are also provided for the Placer County Transit and Sacramento Regional Transit.

Surrounding Land Uses

A map of land uses in the vicinity of the subject is provided below:



Major Projects in the Area – A map and discussion of the projects proximate to the subject property is provided below.



Sierra Vista Specific Plan – The Sierra Vista Specific Plan contains 2,076± acres planned for 1,115 residential units, 259± commercial acres and 535 acres of open space and public/quasi public uses. The Westbrook project represents the first component of the Sierra Vista Specific Plan to be developed. Backbone infrastructure is currently under construction for Westbrook.

West Roseville Specific Plan – This plan area contains approximately 3,100 acres. Two major master planned projects within this Specific Plan are under development: Westpark and Fiddymont Ranch. Both of these projects are under development with active projects by merchant builders. Active new home projects in these competing plan areas are discussed in the next section of this report.

In total, the Westpark master planned community will eventually contain 3,566 single-family residential lots (including age-restricted and affordable housing units), three multifamily residential components, commercial and industrial sites, as well as three schools (elementary, middle and high school), a church and numerous neighborhood parks and open space.

The Fiddymment Ranch master planned community was developed by Signature Properties. The development encompasses 1,678± acres of land and at completion will include 3,165 single-family residences, 1,005 multifamily units, 31.0 acres of retail development, an office site containing 8.7 acres of land area, two schools, a fire station and several parks and open space areas. The project will be developed in phases. Various merchant builders have purchased lots within the community, including K. Hovanian Homes, JMC Homes, Taylor Morrison, and Lennar Corporation. As will be shown in the *Residential Market Overview*, Fiddymment Ranch contains approximately 2,473 remaining lots, which were controlled by the master developer. Ownership of these lots was transferred to Wells Fargo Bank via foreclosure. Wells Fargo Bank initially marketed and sold some lots in small groups (rather than in bulk). Currently the bank's remaining lots are being marketed in bulk as a single purchase.

Placer Vineyards Specific Plan – This 5,230-acre plan area is located immediately south of the Sierra Vista Specific Plan and is under the jurisdiction of the County of Placer, which approved the Specific Plan in 2007. No development has yet occurred in this area. The prior period of residential decline during the past decade led to a fractured development group comprised of numerous ownerships. This fact, coupled with a lack of infrastructure and a County location (as opposed to a more favorable Roseville location) have limited near term demand in this area. Market participants expect the first phases of this project may come online in 5 to 10 years.

Regional University Specific Plan – This plan area is located immediately west of the subject and is under the jurisdiction of the County of Placer, which approved the project in 2007. The project will be accessed by an extension of Pleasant Grove Boulevard. A university from England (University of Warwick) agreed in February 2015 to build a 6,000-student campus in this plan area. A timeline has yet to be set for completion.

Curry Creek Community Plan – West of the Sierra Vista Specific Plan and south of the Regional University Specific Plan, this plan area is under the jurisdiction of the County of Placer. The project contains 4,189 acres and has been identified as a future growth area. This plan area has not yet been planned for suburban development and there are no plans to develop this property in the near term.

Community Uses

There are several community uses in the neighborhood, such as schools, churches, medical facilities, parks, and recreational and cultural facilities. The most prominent recreational facility in the neighborhood is Mahany Park, a regional park at the southwest quadrant of Woodcreek Oaks Boulevard and Pleasant Grove Boulevard. This facility offers a softball complex and the neighboring Roseville Aquatics Complex and Roseville Sports Center. There are several golf courses in the neighborhood, including the public Woodcreek Oaks Golf Club and Diamond Oaks Municipal Golf Course, as well as the private Sierra View Country Club and 27 holes in the Sun City Roseville development.

Woodcreek High School is located on the west line of Woodcreek Oaks Boulevard, south of Pleasant Grove Boulevard. The Placer County Fairgrounds is located at the intersection of Junction Boulevard and Washington Boulevard.

There are two main hospitals in Roseville, both of which are located in east Roseville, just south of Interstate 80 – Kaiser Permanente, located at the northeast corner of Rocky Ridge Drive and Douglas Boulevard, and Sutter Roseville Medical Center on Roseville Parkway. Kaiser completed a 750,000-square foot expansion at its Roseville site in early 2009. This expansion added a new women's and children's health center, expanded emergency department, parking garages and other medical buildings.

Conclusion

In conclusion, the subject is located at an infill site surrounded by residential and light industrial properties in a neighborhood offering a balanced mix of land uses. The area has good access to neighborhood thoroughfares and freeway access. Households in the area have above-average income levels, and the community appeal is good. The characteristics of the neighborhood relative to other parts of the Sacramento region are desirable.

RESIDENTIAL MARKET

Market Definition

The subject property is located in the western part of the city of Roseville in Placer County. The surrounding area contains a significant amount of newer home construction and the neighborhood is characterized as a growing suburban area. Based on existing surrounding homes and new projects under development, the subject characteristics best support a project designed for a combination of entry-level and move-up home buyers. In this analysis of the residential market, we will analyze market trends within the regional area encompassing the South Placer County cities of Roseville, Rocklin and Lincoln, with a focus on west Roseville.

Single-Family Building Permits

Single-family building permits issued for Roseville, Rocklin and Lincoln are shown below.

SINGLE-FAMILY BUILDING PERMITS

Year	City of Roseville	City of Rocklin	City of Lincoln	Total	Percent Change
2001	1,456	1,071	1,448	3,975	-
2002	2,300	906	1,415	4,621	16.3%
2003	1,467	467	1,817	3,751	-18.8%
2004	1,025	461	2,099	3,585	-4.4%
2005	826	272	2,689	3,787	5.6%
2006	776	231	938	1,945	-48.6%
2007	1,050	251	379	1,680	-13.6%
2008	676	178	165	1,019	-39.3%
2009	602	180	122	904	-11.3%
2010	635	121	90	846	-6.4%
2011	411	82	92	585	-30.9%
2012	663	74	216	953	62.9%
2013	535	119	248	902	-5.4%
2014	645	297	286	1,228	36.1%
14 Year Totals:	13,067	4,710	12,004	29,781	
Average	933	336	857	2,127	
2015 Jan-July	589	217	159	965	34.7% (projected)

Source: SOCDS Building Permits Database. 2015 figures are preliminary.

The number of single-family permits for the regional area declined in years 2006 through 2011, and then increased significantly in 2012. A slight dip was seen in 2013, followed by a 36% increase in 2014. A continued increase is expected for the year 2015, based on year-to-date data for the first seven months of the year.

Historical New Home Pricing and Sales

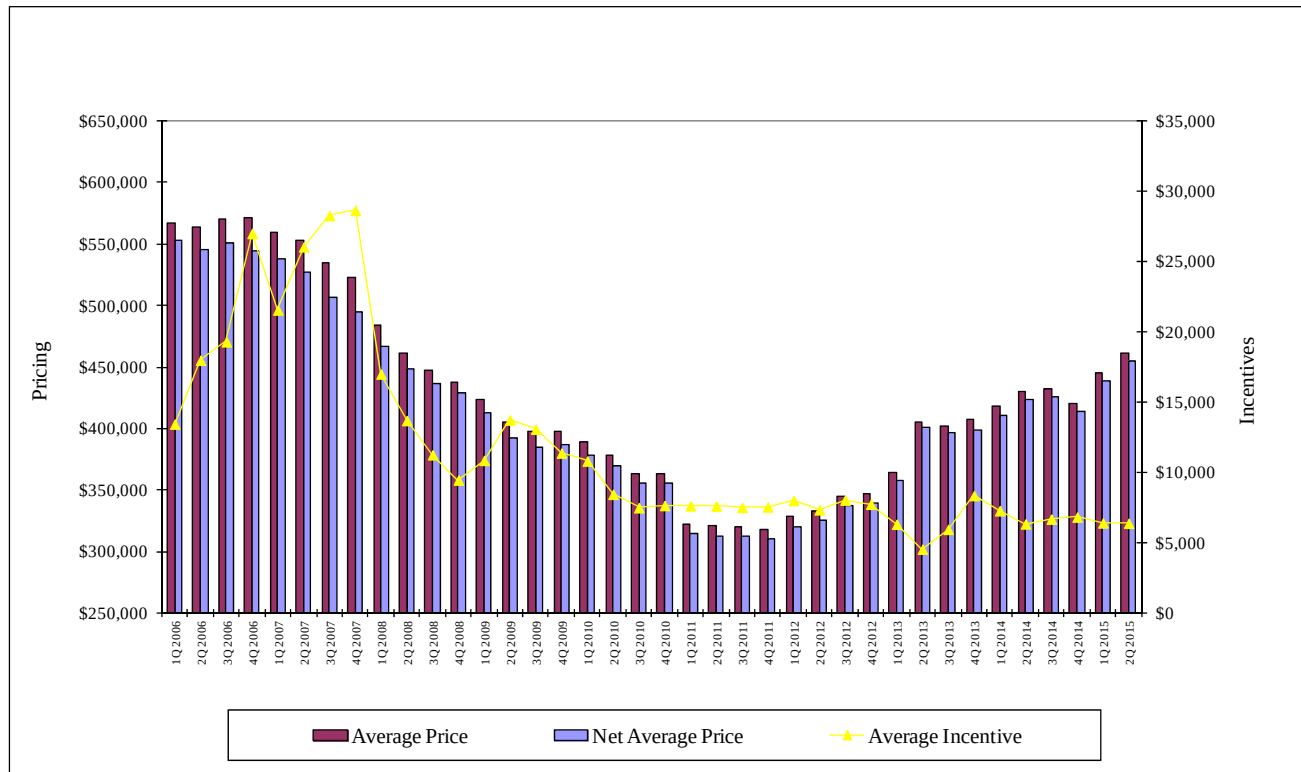
A table and chart depicting the average pricing for active single-family residential projects in the Roseville-Rocklin-Lincoln area since the First Quarter 2006 are provided on the following page. This data, like much of the data presented in this section of the report, was collected and reported by The Gregory Group, a firm that tracks new home prices and absorption statistics for areas of California.

**ROSEVILLE, ROCKLIN & LINCOLN
NEW HOME PRICING AND INCENTIVES**

<u>Quarter</u>	<u>Average Price</u>	<u>Net Average Price</u>	<u>Average Incentive</u>	<u>% Change Net Average Price</u>	<u>% Change Net Average Price - 12 Month Moving Average</u>		<u>Number of Projects</u>
					<u>Average</u>	<u>Home Size</u>	
1Q 2006	\$567,046	\$553,594	\$13,452	-3.9%		2,722	70
2Q 2006	\$563,326	\$545,337	\$17,989	-1.5%		2,720	70
3Q 2006	\$570,710	\$551,414	\$19,296	1.1%		2,781	71
4Q 2006	\$571,184	\$544,170	\$27,014	-1.3%	-1.4%	2,787	76
1Q 2007	\$559,600	\$538,032	\$21,568	-1.1%	-0.7%	2,749	80
2Q 2007	\$552,959	\$526,897	\$26,062	-2.1%	-0.8%	2,747	71
3Q 2007	\$534,652	\$506,373	\$28,279	-3.9%	-2.1%	2,714	69
4Q 2007	\$523,214	\$494,566	\$28,648	-2.3%	-2.4%	2,699	69
1Q 2008	\$484,229	\$467,216	\$17,013	-5.5%	-3.5%	2,707	66
2Q 2008	\$461,695	\$448,000	\$13,695	-4.1%	-4.0%	2,685	61
3Q 2008	\$447,731	\$436,468	\$11,263	-2.6%	-3.6%	2,673	55
4Q 2008	\$437,906	\$428,442	\$9,464	-1.8%	-3.5%	2,653	53
1Q 2009	\$423,458	\$412,598	\$10,860	-3.7%	-3.1%	2,667	47
2Q 2009	\$405,777	\$392,037	\$13,740	-5.0%	-3.3%	2,606	44
3Q 2009	\$397,768	\$384,680	\$13,088	-1.9%	-3.1%	2,603	42
4Q 2009	\$397,769	\$386,380	\$11,389	0.4%	-2.5%	2,566	40
1Q 2010	\$388,643	\$377,824	\$10,819	-2.2%	-2.2%	2,523	41
2Q 2010	\$378,617	\$370,168	\$8,449	-2.0%	-1.4%	2,436	40
3Q 2010	\$363,239	\$355,741	\$7,498	-3.9%	-1.9%	2,368	39
4Q 2010	\$363,410	\$355,756	\$7,654	0.0%	-2.0%	2,377	39
1Q 2011	\$322,065	\$314,438	\$7,627	-11.6%	-4.4%	2,291	37
2Q 2011	\$320,557	\$312,944	\$7,613	-0.5%	-4.0%	2,273	35
3Q 2011	\$319,851	\$312,332	\$7,519	-0.2%	-3.1%	2,298	36
4Q 2011	\$317,791	\$310,244	\$7,547	-0.7%	-3.2%	2,293	36
1Q 2012	\$328,501	\$320,496	\$8,005	3.3%	0.5%	2,338	32
2Q 2012	\$332,799	\$325,457	\$7,342	1.5%	1.0%	2,330	31
3Q 2012	\$344,841	\$336,804	\$8,037	3.5%	1.9%	2,314	29
4Q 2012	\$346,863	\$339,114	\$7,749	0.7%	2.3%	2,289	28
1Q 2013	\$364,167	\$357,847	\$6,320	5.5%	2.8%	2,269	26
2Q 2013	\$405,214	\$400,670	\$4,544	12.0%	5.4%	2,292	26
3Q 2013	\$402,512	\$396,557	\$5,955	-1.0%	4.3%	2,275	26
4Q 2013	\$407,325	\$398,964	\$8,361	0.6%	4.3%	2,359	25
1Q 2014	\$417,710	\$410,425	\$7,285	2.9%	3.6%	2,408	28
2Q 2014	\$429,794	\$423,450	\$6,344	3.2%	1.4%	2,493	35
3Q 2014	\$432,120	\$425,434	\$6,686	0.5%	1.8%	2,523	37
4Q 2014	\$420,865	\$414,028	\$6,837	-2.7%	1.0%	2,449	39
1Q 2015	\$444,741	\$438,322	\$6,419	5.9%	1.7%	2,551	43
2Q 2015	\$461,185	\$454,797	\$6,388	3.8%	1.9%	2,632	44

Source: The Gregory Group

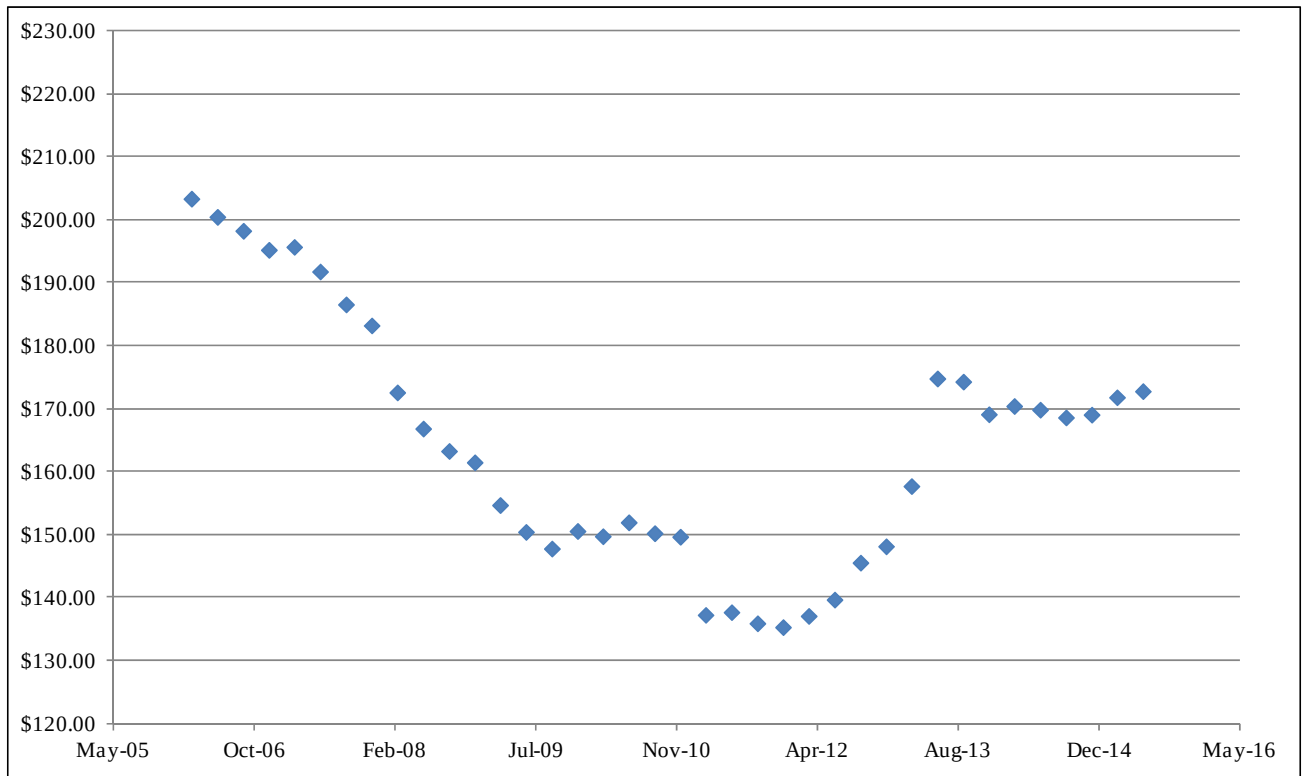
ROSEVILLE, ROCKLIN & LINCOLN NEW HOME PRICING AND INCENTIVES



Source: The Gregory Group

Net prices have been generally increasing since the First Quarter of 2012, and have increased in most quarters since. The average price dipped in the Fourth Quarter of 2014 but showed a strong increase in the first two Quarters of 2015. In the following table we show the average net base price divided by the average home size. As shown, this indicator shows prices increased throughout 2012 and the first quarter of 2013, but have been fairly flat over the past two years.

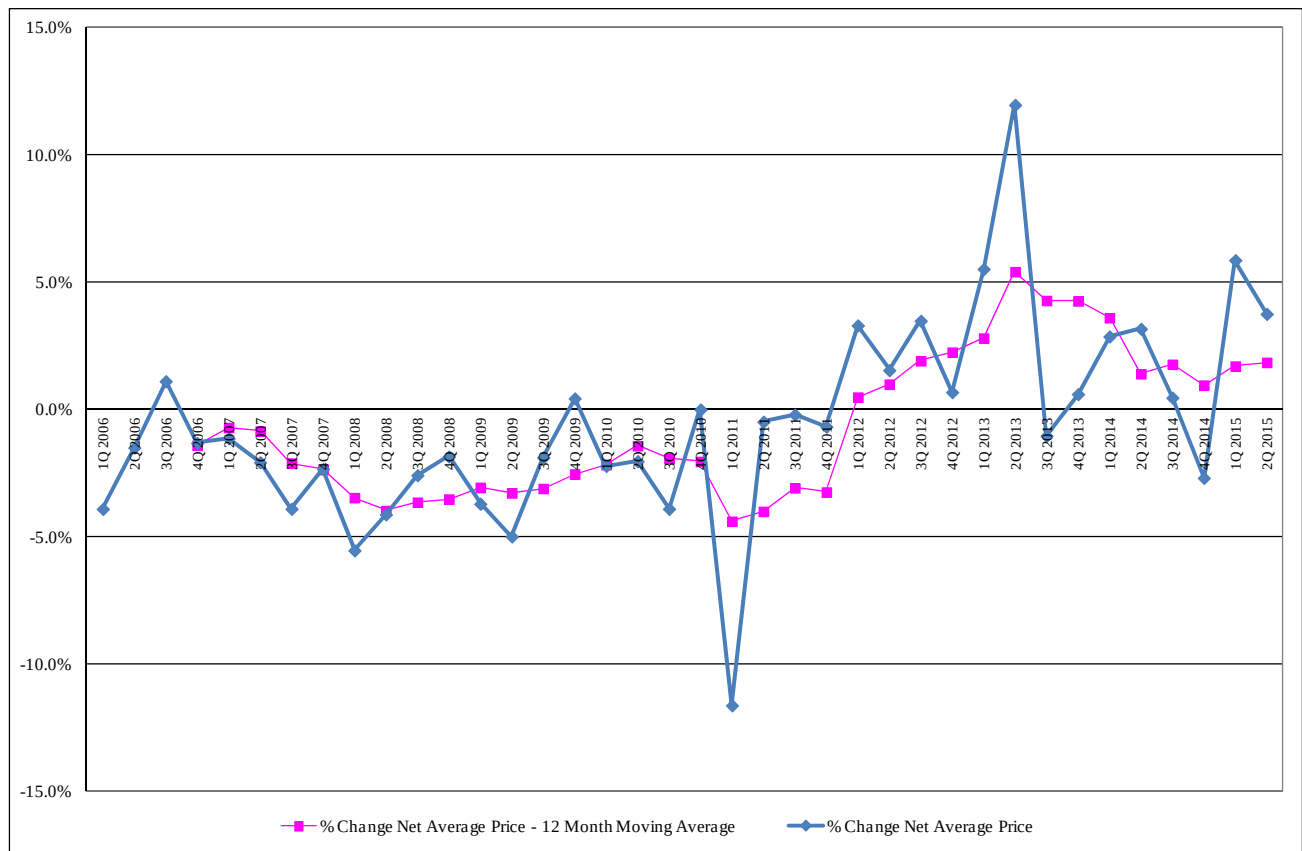
ROSEVILLE, ROCKLIN & LINCOLN
AVG. NET BASE PRICE / AVG. HOME SIZE



Source: The Gregory Group

The chart below shows the percentage change in the net base price since the First Quarter of 2006.

ROSEVILLE, ROCKLIN & LINCOLN PERCENTAGE CHANGE – NET BASE PRICE



Source: The Gregory Group

Another indicator 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 been trending upward in recent months. Over the last 12 months, projects in Roseville, Rocklin and Lincoln averaged 2.7 sales per month, which was up slightly from the average for the prior 12-month period (2.3 units per month), despite the significant increase in the number of active, competing projects.

ROSEVILLE, ROCKLIN & LINCOLN PRO-RATA SALES (SALES PER PROJECT)



Source: The Gregory Group

Active Projects, Current New Home Pricing and Absorption

There are 19 active projects in the west Roseville area, which includes the master-planned communities of Westpark, Fiddymont Ranch, Crocker Ranch and Diamond Creek. The projects are summarized in the table on the following page, based on data from the Second Quarter of 2015.

ACTIVE PROJECTS SUMMARY

Project	Master Plan	Builder	Avg. Base Price	Age. Home Size (SF)	Lot Size (SF)
Aria	Westpark	KB Home	\$447,625	3,091	4,950
Carrington	Westpark	Lennar Homes	\$473,740	2,559	5,775
Chateau	Diamond Creek	Lennar Homes	\$340,490	2,081	1,900
Eskaton Village	Diamond Creek	Silverado Homes	\$352,000	1,446	4,000
Legato	Westpark	KB Home	\$477,571	3,357	7,150
Marisol	Fiddymment Farm	Lennar Homes	\$502,990	2,903	6,300
Merrion Square	Westpark	Lennar Homes	\$354,323	1,555	2,508
Molly's Walk	Diamond Creek	Black Pine Communities	\$358,990	1,815	2,700
Paseo Del Norte	(None)	K Hovnanian Homes	\$354,212	2,285	2,475
Primrose	Westpark	Pulte Homes	\$445,190	2,859	4,500
Sierra Commons	Westpark	Meritage Homes	\$462,950	2,753	6,050
Sierra Crossings	Westpark	Meritage Homes	\$447,950	2,366	6,000
Somerville	Fiddymment Farm	Lennar Homes	\$434,657	2,647	4,725
Stone Mill II	Fiddymment Farm	K Hovnanian Homes	\$466,490	3,460	8,500
Taylor Crossing	Westpark	Lennar Homes	\$314,990	1,422	2,100
The Reserve	Fiddymment Farm	JMC Homes	\$561,990	3,316	6,300
The Retreat	Fiddymment Farm	JMC Homes	\$462,157	2,213	7,700
The Village	Crocker Ranch	JMC Homes	\$416,240	1,377	4,275
The Woods	Fiddymment Farm	JMC Homes	\$582,490	3,467	12,000
Overall Minimum			\$314,990	1,377	\$228.75 /SF
Overall Maximum			\$582,490	3,467	\$168.01 /SF
Overall Average			\$434,581	2,472	\$175.79 /SF

Source: The Gregory Group

Absorption

Absorption rates at the competing projects over the last four quarters are summarized in the following table.

ACTIVE PROJECTS – RECENT ABSORPTION

Project	Builder	Avg. Home Price (2Q 2015)	Avg. Home Size (2Q 2015)	Open Date	2Q 2015	1Q 2015	4Q 2014	3Q 2014	12-Month Total	Avg. Per Quarter	Avg. Per Month
Aria	KB Home	\$447,625	3,091	Apr-14	8	14	6	6	34	8.5	2.8
Carrington	Lennar Homes	\$473,740	2,559	May-15	4	--	--	--	4	4.0	1.3
Chateau	Lennar Homes	\$340,490	2,081	May-13	5	3	0	10	18	4.5	1.5
Eskaton Village	Silverado Homes	\$352,000	1,446	Jan-06	10	20	12	8	50	12.5	4.2
Legato	KB Home	\$477,571	3,357	Apr-14	6	8	5	4	23	5.8	1.9
Marisol	Lennar Homes	\$502,990	2,903	Nov-13	17	7	9	9	42	10.5	3.5
Merrion Square	Lennar Homes	\$354,323	1,555	Aug-14	12	2	6	0	N/A	5.0	1.7
Molly's Walk	Black Pine Communities	\$358,990	1,815	Jan-13	0	5	3	3	11	2.8	0.9
Paseo Del Norte	K Hovnanian Homes	\$354,212	2,285	Mar-14	12	18	6	10	46	11.5	3.8
Primrose	Pulte Homes	\$445,190	2,859	Sep-14	14	35	22	2	73	18.3	6.1
Sierra Commons	Meritage Homes	\$462,950	2,753	Apr-14	5	3	1	6	15	3.8	1.3
Sierra Crossings	Meritage Homes	\$447,950	2,366	Sep-14	7	4	10	2	N/A	5.8	1.9
Somerville	Lennar Homes	\$434,657	2,647	May-14	16	4	4	8	32	8.0	2.7
Stone Mill II	K Hovnanian Homes	\$466,490	3,460	Jan-12	6	-1	13	13	31	7.8	2.6
Taylor Crossing	Lennar Homes	\$314,990	1,422	Apr-13	27	16	-2	7	48	12.0	4.0
The Reserve	JMC Homes	\$561,990	3,316	Jun-14	14	8	2	4	28	7.0	2.3
The Retreat	JMC Homes	\$462,157	2,213	Oct-14	18	4	4	--	N/A	8.7	2.9
The Village	JMC Homes	\$416,240	1,377	May-12	18	15	7	12	52	13.0	4.3
The Woods	JMC Homes	\$582,490	3,467	Sep-11	17	2	--	--	N/A	9.5	3.2
Total					216	167	108	104			
No. of Projects					20	18	17	16			
Quarterly Sales per Project					10.8	9.3	6.4	6.5			
Monthly Sales per Project					3.6	3.1	2.1	2.2			
Average Monthly Sales per Project											2.7

Source: The Gregory Group

As shown in the preceding table, over the last four quarters the monthly absorption rate per project has ranged from .9 to 6.1 sales, with an average rate of 2.7 sales per project per month. The trend has been upward, with a discernable increase seen in the most recent quarter. We were additionally provided with an absorption study created by The Gregory Group for use in our analysis which contains more recent data and shows a continued appreciation of values.

Resale Pricing

We have analyzed recent trends in the resale market in addition to the preceding analysis of the new home market. Based on data from the local MLS, the following table shows resale prices for detached homes located in the subject property's west Roseville zip code (95747), built in 2005 or later, during July 2015.

RESALES – July 2015

Address	Sale Date	Living Area (SF)	Sale Price	Last List Price	Sale Price/SF	Sale % of List	Days on Market	Lot Size
1056 Impressionist Loop Roseville, CA 95747	7/20/2015	1,319	\$279,000	\$285,000	\$212	97.9%	74	3,200
1608 Impressionist Loop Roseville, CA 95747-5173	7/2/2015	1,319	\$280,000	\$280,000	\$212	100.0%	7	1,869
1129 Marseille Ln Roseville, CA 95747-5164	7/30/2015	1,174	\$282,000	\$290,000	\$240	97.2%	43	3,218
1677 Blue Beaver Way Roseville, CA 95747	7/9/2015	1,067	\$285,000	\$292,500	\$267	97.4%	15	3,637
1594 Bushy Tail St Roseville, CA 95747-4660	7/31/2015	1,067	\$285,000	\$274,900	\$267	103.7%	7	3,062
2193 Ellesmere Roseville, CA 95747	7/27/2015	1,266	\$290,000	\$298,000	\$229	97.3%	70	4,535
3161 Village Center Drive Roseville, CA 95747	7/2/2015	1,453	\$305,000	\$305,000	\$210	100.0%	9	3,920
1651 Bushy Tail St Roseville, CA 95747-4669	7/29/2015	1,688	\$322,500	\$325,000	\$191	99.2%	18	3,093
3049 Monument Dr Roseville, CA 95747-9002	7/20/2015	1,820	\$324,900	\$324,900	\$179	100.0%	12	2,609
1571 Bushy Tail St Roseville, CA 95747-4660	7/10/2015	1,399	\$325,000	\$320,000	\$232	101.6%	9	3,062
709 Montblanc Pl Roseville, CA 95747-6621	7/24/2015	1,844	\$335,000	\$341,621	\$182	98.1%	8	2,496
1780 Adrienne Dr Roseville, CA 95747-5046	7/15/2015	1,447	\$341,425	\$349,900	\$236	97.6%	6	4,500
3129 Village Center Dr Roseville, CA 95747-9013	7/14/2015	1,872	\$345,000	\$349,990	\$184	98.6%	37	3,780
1594 Loon Lake St Roseville, CA 95747-4620	7/29/2015	1,884	\$348,950	\$348,950	\$185	100.0%	55	3,119
2187 Village Green Dr Roseville, CA 95747-8947	7/13/2015	2,055	\$350,000	\$350,000	\$170	100.0%	24	2,574
1578 Grey Bunny Dr Roseville, CA 95747-4624	7/15/2015	1,884	\$355,000	\$354,900	\$188	100.0%	72	3,062
3104 Ardley Dr Roseville, CA 95747-9016	7/9/2015	2,201	\$358,375	\$359,900	\$163	99.6%	54	3,955
1690 Loon Lake St Roseville, CA 95747-4621	7/24/2015	1,884	\$360,000	\$362,000	\$191	99.4%	4	3,093
3160 Overton Way Roseville, CA 95747-9041	7/30/2015	1,684	\$362,000	\$375,000	\$215	96.5%	18	6,120
3438 Kennerleigh Pkwy Roseville, CA 95747-8094	7/24/2015	1,474	\$364,500	\$369,900	\$247	98.5%	96	5,009
425 Leighton Ct Roseville, CA 95747-8837	7/23/2015	2,224	\$378,000	\$379,050	\$170	99.7%	53	6,277
1552 Snapdragon Ln Roseville, CA 95747-7518	7/14/2015	2,289	\$385,000	\$389,000	\$168	99.0%	13	N/Av
100 Haywood Ct Roseville, CA 95747-9037	7/31/2015	2,068	\$386,750	\$394,500	\$187	98.0%	15	7,166
417 High Country Ct Roseville, CA 95747-8092	7/17/2015	1,735	\$390,000	\$395,000	\$225	98.7%	27	9,579
2161 Trimstone Way Roseville, CA 95747	7/13/2015	2,157	\$390,000	\$390,000	\$181	100.0%	11	5,804
500 Harford Ct Roseville, CA 95747-9509	7/15/2015	1,645	\$395,000	\$400,000	\$240	98.8%	19	4,508
817 Mallard Creek Ct Roseville, CA 95747-4653	7/29/2015	1,981	\$400,000	\$399,900	\$202	100.0%	21	5,584
3193 Ardley Roseville, CA 95747-9017	7/10/2015	2,908	\$401,000	\$409,500	\$138	97.9%	17	3,938
2120 Penstone Loop Roseville, CA 95747-8811	7/2/2015	1,795	\$403,000	\$415,000	\$225	97.1%	92	5,593
2113 Leigham Dr Roseville, CA 95747-9517	7/13/2015	1,795	\$414,000	\$418,000	\$231	99.0%	40	4,517
2620 Summerland Way Roseville, CA 95747-8084	7/9/2015	2,232	\$417,000	\$417,000	\$187	100.0%	112	8,930
208 Lanton Ct Roseville, CA 95747-9053	7/1/2015	2,609	\$419,000	\$418,999	\$161	100.0%	0	6,120
2388 Staxton Cir Roseville, CA 95747-8842	7/1/2015	2,575	\$420,000	\$424,900	\$163	98.8%	10	6,739
2290 Dunsley Circle Roseville, CA 95747-8845	7/31/2015	2,575	\$421,000	\$424,900	\$163	99.1%	60	6,746
2258 Ivy Bridge Dr Roseville, CA 95747	7/24/2015	2,469	\$425,000	\$430,000	\$172	98.8%	65	6,538
1669 Quails Nest St Roseville, CA 95747	7/24/2015	2,075	\$427,000	\$427,000	\$206	100.0%	13	5,994
1196 Rothwell Ln Roseville, CA 95747-9025	7/17/2015	2,427	\$435,000	\$439,000	\$179	99.1%	26	7,924
1725 Adrienne Dr Roseville, CA 95747-5046	7/28/2015	2,606	\$439,000	\$455,000	\$168	96.5%	21	5,123
3366 Kennerleigh Pkwy Roseville, CA 95747-8093	7/17/2015	1,992	\$444,900	\$444,900	\$223	100.0%	21	5,637
2064 Appersett Loop Roseville, CA 95747-9551	7/6/2015	1,992	\$449,000	\$449,000	\$225	100.0%	22	6,077
1985 Culverhill Way Roseville, CA 95747-8805	7/10/2015	2,616	\$449,000	\$449,000	\$172	100.0%	9	7,653
117 Vignolia Ct Roseville, CA 95747-3503	7/21/2015	2,338	\$459,000	\$469,900	\$196	97.7%	73	5,253
2216 Hartland Cir Roseville, CA 95747-8803	7/7/2015	3,009	\$469,000	\$459,000	\$156	102.2%	4	10,907
333 Kirkton Ct Roseville, CA 95747	7/30/2015	2,567	\$480,000	\$474,900	\$187	101.1%	6	12,123
4019 Porch Swing Dr Roseville, CA 95747	7/17/2015	2,498	\$489,000	\$489,000	\$196	100.0%	12	6,534
416 Sorbento Ct Roseville, CA 95747	7/10/2015	3,151	\$528,000	\$539,900	\$168	97.8%	11	7,344
4064 Wheelright Way Roseville, CA 95747-9535	7/31/2015	3,755	\$574,000	\$574,000	\$153	100.0%	3	6,608
116 Talega Ct Roseville, CA 95747-5075	7/7/2015	3,540	\$589,000	\$589,000	\$166	100.0%	28	11,158
3813 Westchester Dr Roseville, CA 95747-6355	7/31/2015	4,175	\$1,025,000	\$1,100,000	\$246	93.2%	6	20,735
Total Sales	49	2,114 (avg.)	\$404,088 (avg.)	\$408,629 (avg.)	\$197 (avg.)	99.1% (avg.)	30 (avg.)	5,771 (avg.)

Source: MetroList MLS

The table on the next page shows historical information for re-sales of homes in the subject's zip code since the Second Quarter 2010 (built in 2005 and newer).

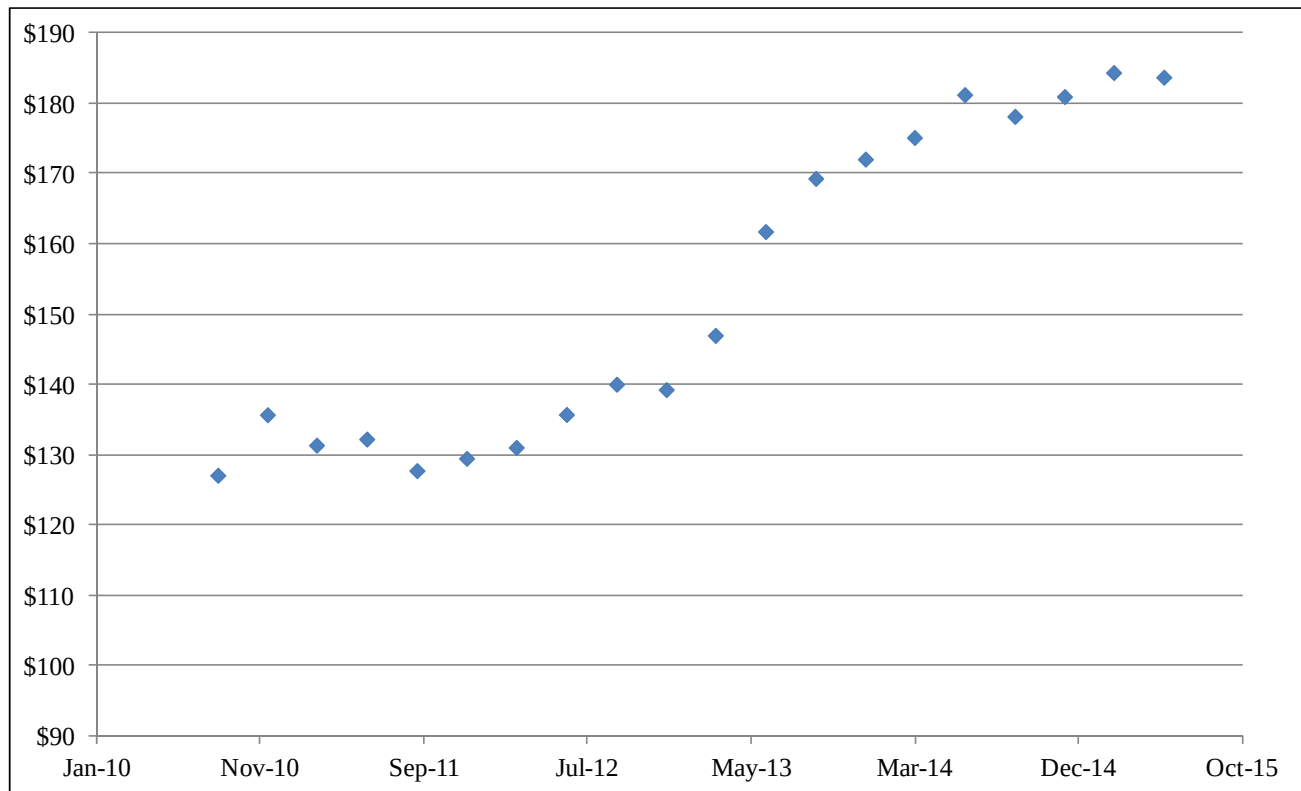
RESALE HISTORY

Quarter Ending	Total Sales	Avg. Home Size (SF)	Avg. Price	Avg. Price/ Avg. SF	Avg. Days on Market
Sep-10	59	2,810	\$357,146	\$127	85
Dec-10	46	2,796	\$379,450	\$136	59
Mar-11	50	2,531	\$332,521	\$131	90
Jun-11	65	2,376	\$314,220	\$132	80
Sep-11	67	2,479	\$316,722	\$128	90
Dec-11	65	2,414	\$312,620	\$130	91
Mar-12	69	2,188	\$286,763	\$131	79
Jun-12	75	2,581	\$350,352	\$136	84
Sep-12	85	2,548	\$356,842	\$140	57
Dec-12	83	2,490	\$346,828	\$139	54
Mar-13	66	2,451	\$360,288	\$147	38
Jun-13	95	2,350	\$380,176	\$162	27
Sep-13	87	2,316	\$392,162	\$169	27
Dec-13	95	2,266	\$389,912	\$172	42
Mar-14	71	2,202	\$385,667	\$175	36
Jun-14	122	2,223	\$402,900	\$181	32
Sep-14	103	2,404	\$428,280	\$178	42
Dec-14	96	2,289	\$414,250	\$181	41
Mar-15	77	2,311	\$426,123	\$184	50
Jun-15	133	2,378	\$436,890	\$184	34

Source: MetroList MLS

Over the past five years (since Second Quarter 2010), MLS data show average resale prices have fluctuated between \$127 and \$184 per square foot. The average price per square foot remained low through 2012 and has trended upward over the past three years. The graph on the next page plots average price per square foot over time, and reflects the information in the table above. As shown, the general trend has been upward, indicating an improving re-sale market.

RESALES - AVERAGE PRICE / AVERAGE SF



Source: MetroList MLS

Market Participant Interviews

We frequently interview market participants about supply and demand conditions for land in the Sacramento region. Within the last few months we have interviewed multiple land brokers and builder land acquisition agents. The consensus is near-term land (predominantly improved and unimproved residential lots) pricing increased significantly from 2012, but since 2013 land prices for near-term development properties 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 their offer to \$65,000 per finished lot. This price was still higher than the price paid in 2012 for a similar property (\$45,000 per finished lot). The pullback in land prices was the result of a combination of factors, including slowing home sales, the doubling of mortgage insurance, seasonality, as well as the fact that builders had increased pricing. However, it should also be noted that in recent months land brokers have reported that a “re-set” in the market has occurred, whereby land prices have stabilized and a more “normal” rate of growth and appreciation is expected in the near and intermediate terms.

During the last real estate expansionary period homes were built with increasing square footage as appreciation in home prices created a large segment of move-up buyers. The substantial downturn accompanied an expectation that a recovery would include a demand shift from larger homes to

smaller homes creating obsolescence in existing homes with large floor plans. Recent expansion in the market however has not been accompanied with this demand shift as builders note a continuation of demand for new homes with large floor plans. Homes on smaller than a typical 5,000 square foot lot are in demand by young professionals and “empty nesters”, seeking lower price points but desiring square footage amounts similar to larger lots. The demand is being recognized by homebuilders who are typically constructing two-story homes to maximize square footage though often the master bedroom is located on the first floor, as preferred by buyers considering a home’s utility in their future retirement.

Conclusion

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

- Throughout the regional area, new and resale prices have trended upward over the past 3-4 years, with increases tempering as of late.
- In the subject’s resale market, the average price per square foot remained low through 2012 and then showed noticeable increases over the past three years.
- For new homes in the Roseville-Rocklin-Lincoln area, average prices have been increasing since early 2012. However, the average price per square foot has been relatively flat for about two years.
- Absorption rates in the Roseville-Rocklin-Lincoln area increased significantly in the year 2012 and have been fairly steady for the past couple of years.
- Among the active projects in west Roseville, the average absorption rate was 2.7 sales per project per month over the past year, and 3.6 in the most recent quarter, which is indicative of an expanding market.
- Builders are acquiring unimproved lots at desirable locations for near-term site development and construction due to a limited supply of finished lots.
- Lot acquisitions by builders have increased recently.

The inventory of available finished lots in the region at the most desirable 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. In 2014, land brokers reported a drastic slowdown in land transactions, as merchant builders reduced land acquisitions on fears of a residential market pullback. There has generally been a “re-set” in the market since, and transactions are once again occurring in the land market. Given market activity in recent months, home and lot prices are anticipated to be steady to increasing into the foreseeable future.

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, and the second analysis is the highest and best use as improved (which is based on a hypothetical condition that the noted backbone improvements have been completed). Definitions of these terms are provided in the *Glossary of Terms* in the Appendix to this report.

Highest and Best Use as Vacant

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

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. The subject property is zoned and approved for low, medium, and high density residential development (948 units) as well as 24.83 acres of land, divided between three parcels, that is slated for office and retail uses. Overall, the legally permissible uses are to develop the subject property in accordance with the existing entitlements and land use designations, which have undergone extensive planning and review. A rezone to any other land use is highly unlikely.

Physical Possibility

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

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

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

Financial Feasibility

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

It should be noted that the multifamily parcel (CO-21) is planned for affordable housing. Specifically, Parcel CO-21 is planned for 125 total units with 38 “very low-income rental” units. Given apartment construction costs, combined with the restrictions on the rent that can be charged, it is our opinion development of Parcel CO-21 with affordable requirements is not financially feasible without the input of grant money, low to no interest rate loans and the like. Further, it is not uncommon in the subject’s market area for affordable multifamily developers to require a financial incentive from the land owners to take title to the property in order to proceed with development. This would indicate a market value below \$0. Therefore, the highest and best use of Parcel CO-21 is to hold for future affordable multifamily development. There is the potential for developers in the future to secure financial incentives from municipalities, non-profit organizations and/or Federal and State agencies which could provide for construction feasibility.

Regarding development of the retail sites, it is our opinion that construction is feasible at this time. According to market surveys prepared by CB Richard Ellis, the overall retail vacancy rate in the Roseville area was approximately 7.8% during the Second Quarter 2015. The submarket’s vacancy rate was lower than the regional vacancy rate of 10.1%. Net absorption for the Second Quarter 2015 in the submarket was positive 6,328 square feet, with total positive absorption of 172,576 square feet year to date. The subject’s Roseville submarket is the largest retail submarket within the Sacramento Region with a total of 6.6 million square feet, out of 47.4 million square feet for the region.

The general consensus is that the retail market has begun to stabilize and improve. Vacancy rates have been declining and rental rates have shown signs of stabilization and even modest improvement. Most forms of retail development (especially speculative construction) may still be infeasible relative to the market rent that could be achieved versus feasibility rent; however, certain

build-to-suit projects are financially feasible. Given the specifics of the subject parcels, and the current lack of developed retail projects in the area, near term construction is concluded to be feasible for both of the subject's retail designated sites.

For the subject's office site, it is our opinion that construction is not financially feasible at this time. Prices paid for improved office properties and rents achieved are still negatively impacted by a number of factors (including inventory of available space and slow employment growth). The general consensus is that many improved properties are transferring below replacement cost, indicating infeasibility of new construction. Thus, many developers that hold title to unimproved office properties are holding for development until the market further stabilizes. There is limited demand to substantiate new office use construction in the subject's immediate area. As construction of the subject's single-family homes are being completed and residents start moving in, the feasibility of the office use site should eventually improve. Overall, the timing of future office use land development depends on the absorption of existing vacant space within the Roseville office sector. A discernible portion of the current vacant space was completed during the expansion period of the prior decade and has never been occupied.

Maximum Productivity

Based on the factors previously discussed, the maximally productive use of the subject (as vacant) is for near term retail development and single-family residential development. The highest and best use as vacant for the income-restricted multifamily (CO-21), as well as the office use land component is for an interim hold until demand warrants construction.

Conclusion of the Highest and Best Use – As Though Vacant

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. As noted, the maximally productive use of the subject (as vacant) is for near term retail development, single-family residential development, as well as multifamily residential development on the high density residential sites with no income restrictions. The highest and best use as vacant for the income-restricted multifamily, as well as the office use land component is for an interim hold until demand warrants construction. The probable buyer of the subject, in bulk, is a land developer.

Highest and Best Use – As Improved

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements, based upon a hypothetical

condition that the noted backbone infrastructure improvements have been completed. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the property. The potential alternative uses consist of demolition, expansion, conversion or renovation.

Currently, it is considered reasonable to continue development of residential lots, as dictated by demand. As new backbone infrastructure, the improvements provide contributory value and are necessary to complete development of the property. Conversion is not currently possible given the planned land uses. Renovation is not warranted, as the improvements are new. Further completion of site improvements will be necessary to provide infrastructure for development of homes, retail uses, and commercial / employment use land as demand warrants. The highest and best use of the subject, as improved, is for continuation of its development of single family residential lots and commercial / employment use land as dictated by demand.

Probable User/Buyer

In conjunction with the definition of market value, this appraisal assumes a hypothetical sale of the subject property to a probable buyer/user, as of the date of value. The subject is considered to have good appeal to either land developers or production homebuilders.

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. Two additional approaches will also be utilized in this appraisal; the extraction method and the discounted cash flow analysis - are also applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

A set of procedures through which a value indication is derived for the fee simple 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. The definition of the sales comparison approach is offered as

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

⁶ The Dictionary of Real Estate Appraisal, 47.

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. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

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

Direct Capitalization: A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only 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

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.

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

Extraction

The definition of the extraction is offered as follows:

A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land.¹¹

Discounted Cash Flow (DCF) Analysis

A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

¹⁰ The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 99.

¹¹ The Dictionary of Real Estate Appraisal, 73.

BENCHMARK LOT VALUATION

We have identified three benchmark lot categories for the purpose of estimating the value of the subject LDR (low density residential) and MDR (medium density residential) lots (1. Larger Lots - LDR, 2. Smaller Lots - MDR and 3. Affordable Lots - MDR). The following table presents all of the subject lots, from smallest to largest typical lot size and our benchmark lot conclusions.

Large Parcel Designation	Land Use	No. of Lots	Typical Lot Size (SF)
CO-1	LDR	36	5,000
CO-2	LDR	36	5,250
CO-3	LDR	64	6,600
CO-6	LDR	48	5,000
CO-7	LDR	58	5,000
CO-4	MDR	84	2,400
CO-5	MDR	46	1,800 & 3,300
CO-11	MDR	34	3,800
CO-12	MDR	34	3,800
CO-13	MDR	24	3,800
CO-14	MDR	50	2,400 & 3,300
CO-15	MDR	19	3,800
CO-16	MDR	19	3,800

 = specific benchmark lots

In this section of the report, we will utilize the sales comparison approach and the extraction technique to estimate the market value of the LDR and MDR Lots. The estimate of value assumes the lots would sell on a bulk, or wholesale, basis. That is, a group of lots would transfer in one transaction to a single buyer. More than 50% of the subject's LDR lots have a typical lot size of 5,000 square feet. We have selected the Larger Parcel CO-7 as a benchmark lot for the LDR lot category, which consists of 58 lots. Similarly we have selected a combined bulk lot pair of CO-11 and CO-12, containing 34 lots of 3,800 square feet. A combined MDR benchmark is utilized as it is more representative of a typical lot count and size for a bulk lot transaction.

It is noted, this analysis is conducted on a finished lot basis. Later in this report, we apply a lot size adjustment factor to account for differing lot sizes, and deduct remaining site development costs (where applicable), to determine unimproved values for each larger parcel.

Sales Comparison Approach (LDR and MDR lots)

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14th Edition (Chicago: Appraisal Institute, 2013), "The principle of substitution holds

that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

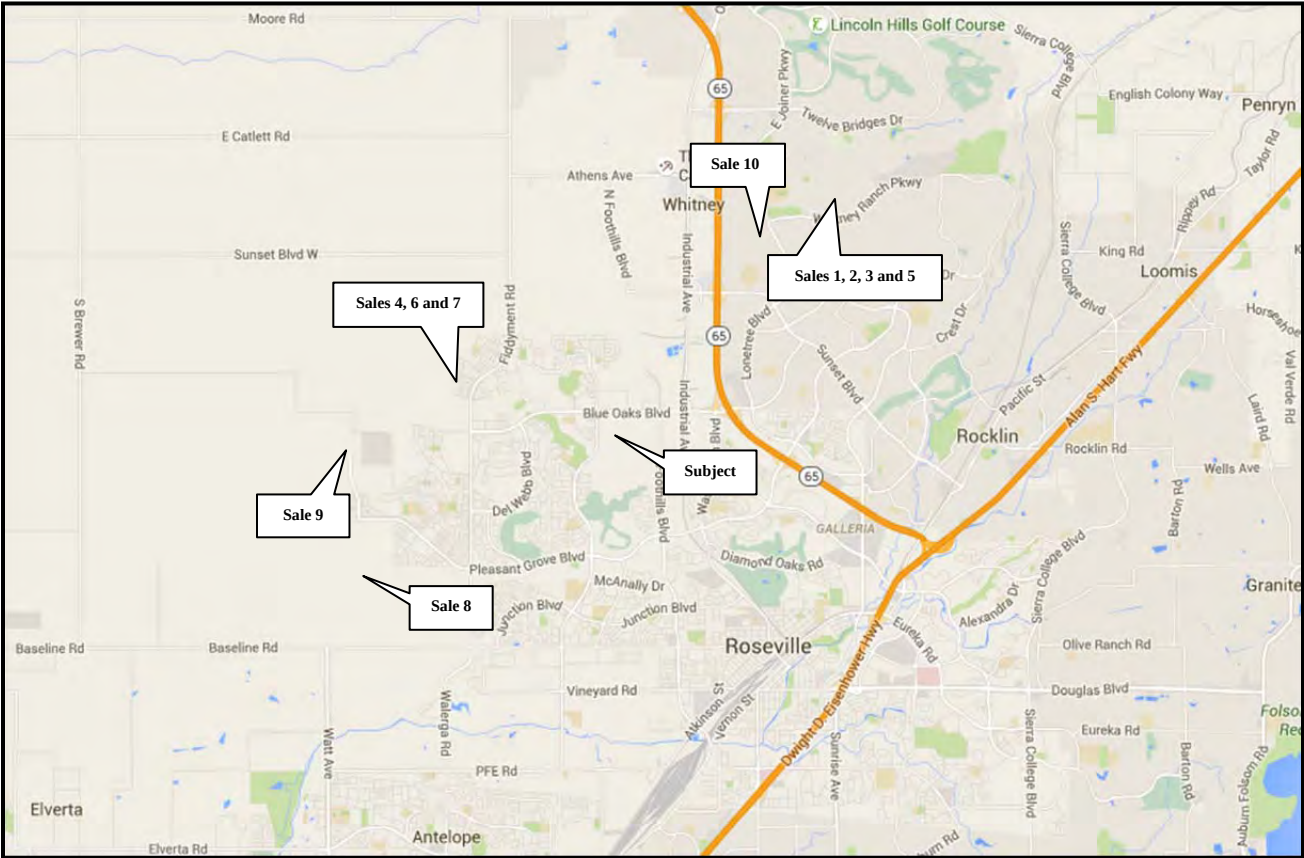
The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions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

On the following page, we have arrayed comparable sales that have occurred in south Placer County (Roseville, Rocklin). The summary table is accompanied by a map and followed by details of each comparable. The basis of analysis is price per lot. The comparable data includes finished and unimproved transactions (with adjustments for remaining site costs and profit applied to the unimproved transactions).

COMPARABLES SALES SUMMARY

No.	Location	Sale Date	Sale Price	Price Per Lot	No. of Lots	Typical Lot Size	Lot Condition
1	Whitney Ranch (portion) Rocklin Placer County	Sep-15	\$11,020,000	\$145,000	76	6,050	Finished
2	Whitney Ranch (portion) Rocklin Placer County	Aug-15	\$11,500,000	\$115,000	100	4,500	Finished
3	Whitney Ranch (portion) Rocklin Placer County	Jul-15	\$15,015,000	\$165,000	91	6,600	Finished
4	Fiddymment Ranch - Villages 9 and 19 (por.) Roseville Placer County	Jul-15	\$5,550,000	\$92,500	60	5,775	Unimproved
5	Whitney Ranch (portion) Rocklin Placer County	Jun-15	\$8,400,000	\$140,000	60	5,500	Finished
6	Fiddymment Ranch - Villages 9 and 19 (por.) Roseville Placer County	May-15	\$24,793,000	\$59,172	419	5,775	Unimproved
7	Fiddymment Ranch - Villages 9 and 19 (por.) Roseville Placer County	May-15	\$13,230,000	\$70,000	189	5,775	Unimproved
8	Westbrook - Village 5A and 5B Roseville Placer County	May-15	\$12,391,200	\$78,925	157	5,650 - 6,850	Unimproved
9	Westpark (MDR Site W-24) Roseville Placer County	Mar-15	\$2,250,000	\$18,443	122	3,780	Unimproved
10	Evergreen Lots Rocklin Placer County	Jan-15	\$11,880,000	\$54,000	220	3,150 (avg.)	Unimproved

COMPARABLE SALES MAP



Source: Google Maps

BULK LOT COMPARABLE 1

Property Identification

Project Name	Whitney Ranch (portion of)
Location	N/O Whitney Ranch Parkway, east of Wildcat Boulevard
APN	017-174-026 through -029
City	Rocklin
County	Placer

Sale Data

Grantor	Sunset Ranchos Investors, LLC
Grantee	Standard Pacific, Corp.
Sale Date	September 10, 2015
Deed Book Page	0079813
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$11,020,000
Annual Special Taxes per Lot	\$1,800 to \$1,900

Land Data

Zoning	Single-family
Topography	Generally level to slightly rolling
Utilities	All available
Number of Lots	76
Land Area (Acres)	23.2
Density (Units per Acre)	Approximately 3.0
Development Status at Sale	Finished lots
Typical Lot Size (SF)	6,050 SF

Indicators (per Lot)

Sale Price	\$145,000
Site Development Costs	\$0
Permits and Fees	\$42,398 (average)

Remarks

This comparable represents the sale of 76 single-family residential lots in Whitney Ranch Phase 2A and 2B (Position 3). The lots were delivered in finished condition. These lots had recorded final maps however new APNs were not yet available.

BULK LOT COMPARABLE 2

Property Identification

Project Name	Whitney Ranch (portion of)
Location	N/O Whitney Ranch Parkway, east of Wildcat Boulevard
APN	017-174-035, -036 & -037
City	Rocklin
County	Placer

Sale Data

Grantor	Sunset Ranchos Investors, LLC
Grantee	JMC
Sale Date	August 27, 2015
Deed Book Page	0075511
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$11,500,000
Annual Special Taxes per Lot	\$1,800 to \$1,900

Land Data

Zoning	Single-family
Topography	Generally level to slightly rolling
Utilities	All available
Number of Lots	100
Land Area (Acres)	20.5
Density (Units per Acre)	Approximately 4.5
Development Status at Sale	Finished lots
Typical Lot Size (SF)	4,500 SF

Indicators (per Lot)

Sale Price	\$115,000
Site Development Costs	\$0
Permits and Fees	\$42,398 (average)

Remarks

This comparable represents the sale of 100 single-family residential lots in Whitney Ranch Phase 2A and 2B (Position 1). The lots were delivered in finished condition. These lots had recorded final maps however new APNs were not yet available.

BULK LOT COMPARABLE 3

Property Identification

Project Name	Whitney Ranch (portion of)
Location	N/O Whitney Ranch Parkway, east of Wildcat Boulevard
APN	017-174-038
City	Rocklin
County	Placer

Sale Data

Grantor	Sunset Ranchos Investors, LLC
Grantee	JMC
Closing Date	July 30, 2015
Deed Book Page	0066326
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$15,015,000
Annual Special Assessments per Lot	\$1,800 to \$1,900

Land Data

Zoning	Single-family
Topography	Generally level to slightly rolling
Utilities	All available
Number of Lots	91
Land Area (Acres)	28.5
Density (Units per Acre)	Approximately 3.0
Development Status at Sale	Finished lots
Typical Lot Size (SF)	6,600 SF

Indicators (per Lot)

Sale Price	\$165,000
Site Development Costs	\$0
Permits and Fees	\$42,398 (average)

Remarks

This comparable represents the sale of 91 single-family residential lots in Whitney Ranch Phase 2A and 2B (Position 4). These lots are in a gated neighborhood with large lot sizes. The lots were delivered in finished condition. These lots had recorded final maps however new APNs were not yet available.

BULK LOT COMPARABLE 4

Property Identification

Project Name	Fiddymment Ranch – Villages 9 & 19 (portion)
Location	East side of Fiddymment Road, north of Blue Oaks Boulevard
APN	492-010-051 through 056 (portion of)
City	Roseville
County	Placer County

Sale Data

Grantor	GBD Fiddymment Lands, LP (doing business as Granite Bay Ventures)
Grantee	JMC
Closing Date	July 29, 2015
Deed Book Page	0065814
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$5,550,000
Annual Special Assessments per Lot	\$1,689

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	60
Land Area (Acres)	42.3 (estimated)
Density (Units per Acre)	5.4 (estimated)
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	5,775 SF, 5,250 SF and 6,300 SF

Indicators (per Lot)

Sale Price	\$92,500
Site Development Costs	\$40,000
Permits and Fees	\$58,000 (includes final map fees)

Remarks

This recent sale represents a portion of Villages 9 and 19 within the Fiddymment Ranch project. The buyer acquired 60 lots; the seller remains contractually obligated to deliver improved lots to the buyer at a not to exceed total cost of \$132,500 per lot. We were not able to speak with parties directly involved in this transaction; the information was verified through our conversations with other local market participants who were aware of the transaction. These lots had recorded final maps however new APNs were not yet available.

COMPARABLE 5

Property Identification

Project Name	Whitney Ranch (portion)
Location	N/O Whitney Ranch Parkway, east of Wildcat Boulevard
APN	017-174-023 (portion)
City	Rocklin
County	Placer

Sale Data

Grantor	Sunset Ranchos Investors LLC
Grantee	Taylor Morrison of California LLC
Contract Date	Early 2015
Closing Date	06/12/2015
Deed Book Page	0049675
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$8,400,000
Annual Special Assessments per Lot	\$1,800 to \$1,900

Land Data

Zoning	Single-family
Topography	Generally level to slightly rolling
Utilities	All available
Number of Lots	60
Land Area (Acres)	113.30
Density (Units per Acre)	Approximately 4.5
Development Status at Sale	Finished Lots
Typical Lot Size	5,500 SF

Indicators (per Lot)

Sale Price	\$140,000
Site Development Costs	\$0
Permits and Fees	\$42,398 (average)

Remarks

This is the sale of 60 lots in Whitney Ranch at \$140,000 to Taylor Morrison, a nationally recognized homebuilder. These lots had recorded final maps however new APNs were not yet available.

COMPARABLE 6

Property Identification

Project Name	Fiddymment Ranch – Villages 9 and 19 (por.)
Location	East side of Fiddymment Road, north of Blue Oaks Boulevard
APN	492-010-051 through -056
City	Roseville
County	Placer County

Sale Data

Grantor	ATC Realty One, LLC
Grantee	GBD Fiddymment Lands LP (doing business as Granite Bay Ventures)
Contract Date	Late August 2014
Closing Date	May 6, 2015
Deed Book Page	37171
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$24,793,000
Annual Special Assessments per Lot	\$1,600

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	419
Land Area (Acres)	77 (estimated)
Density (Units per Acre)	5.4 (estimated)
Development Status at Sale	Unimproved Lots
Typical Lot Size	5,775 SF

Indicators (per Lot)

Sale Price	\$59,172
Site Development Costs	\$40,000
Permits and Fees	\$58,000 (includes final map fees)

Remarks

This is a portion of Villages 9 and 19 within Fiddymment Ranch, a master planned community developed by Signature Properties. The development encompasses 1,678± acres of land and, at completion, will include 3,165 single-family residences, 1,005 multifamily units, 31 acres of retail development, an office site containing 8.7 acres of land area, two schools, a fire station and several parks and open space areas. After the contraction in the housing market, ownership of the developer's last remaining lots (2,473) transferred to Wells Fargo Bank via foreclosure. Wells Fargo Bank completed two bulk sales from this total in 2013. The seller in this transaction was a receiver for the bank. Reportedly, the buyer made a non-refundable deposit of \$2.5 million in October 2014 on this purchase, and in order to be able to close on the purchase, the buyer concurrently sold 189 lots to a national builder (see Comparable 5). Negotiations began in July 2014, and the contract was executed in August 2014.

COMPARABLE 7

Property Identification

Project Name	Fiddymment Ranch – Villages 9 & 19 (portion)
Location	East side of Fiddymment Road, north of Blue Oaks Boulevard
APN	492-010-051 through 056 (ptn)
City	Roseville
County	Placer County

Sale Data

Grantor	GBD Fiddymment Lands LP (doing business as Granite Bay Ventures)
Grantee	Taylor Morrison of California, LLC
Contract Date	Early 2015
Closing Date	May 6, 2015
Deed Book Page	37185
Property Rights Conveyed	Fee Simple
Conditions of Sale	Seller motivation
Financing Terms	Cash Equivalent
Sale Price	\$13,230,000
Annual Special Assessments per Lot	\$1,600

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	189
Land Area (Acres)	77 (estimated)
Density (Units per Acre)	5.4 (estimated)
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	5,775 SF, 5,250 SF and 6,300 SF

Indicators (per Lot)

Sale Price	\$70,000
Site Development Costs	\$40,000
Permits and Fees	\$58,000 (includes final map fees)

Remarks

This recent sale represents a portion of Villages 9 and 19 within the Fiddymment Ranch project. The seller acquired 419 lots in a concurrent transaction (see Comparable 6), and sold 189 lots to this buyer. Reportedly, the seller remains contractually obligated to deliver improved lots to the buyer at a not to exceed total cost of \$110,000 per lot. It is noted the seller may have been under some duress, as they were in danger of losing a \$2.5 million deposit on the purchase of Comparable 6. As such, an upward adjustment is applied for conditions of sale. We were not able to speak with parties directly involved in this transaction; the information was verified through our conversations with other local market participants who were aware of the transaction.

COMPARABLE 8

Property Identification

Project Name	Westbrook – Village 5A and 5B
Location	South side of Pleasant Grove Boulevard, east of Westbrook Boulevard (proposed extension)
APN	496-010-005, -006
City	Roseville
County	Placer County

Sale Data

Grantor	WP Development Company, LLC
Grantee	Woodside 05N, LP (doing business as Woodside Homes of Northern California)
Contract Date	August 2014
Closing Date	May 2015
Deed Book Page	36273
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$12,391,200
Annual Special Assessments per Lot	\$1,585 (anticipated)

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	157
Land Area (Acres)	30.5
Density (Units per Acre)	5.1
Development Status at Sale	Unimproved Lots
Typical Lot Size	5,650 to 6,850 SF (range of typical)

Indicators (per Lot)

Sale Price	\$78,925
Site Development Costs	\$38,000
Permits and Fees	\$57,646

Remarks

This comparable represents Villages 5A and 5B in the Westbrook master planned community in west Roseville. The seller has the right, but not the obligation, to assign some or all of various fee credits (associated with the construction of sections of Pleasant Grove Boulevard and Westbrook Boulevard) to the buyer after close of escrow. However, the assigned credits shall not exceed the aggregate amount of the fees applicable to the property. The seller is to complete various improvements, including 1) mass grading, 2) all backbone infrastructure to support Villages 5A and 5B, 3) frontage improvements for these villages.

COMPARABLE 9

Property Identification

Project Name	Westpark (MDR Site W-24)
Location	West of Fiddymment Road, South of Blue Oaks Boulevard
APN	017-150-057
City	Roseville
County	Placer County

Sale Data

Grantor	Centex (Pulte)
Grantee	Lennar
Contract Date	Early 2015
Closing Date	March 2015
Deed Book Page	N/Av
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,250,000
Annual Special Assessments per Lot	\$968

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	122 (potential lots)
Land Area (Acres)	13.4
Density (Units per Acre)	9.1
Development Status at Sale	Unimproved
Typical Lot Size (SF)	3,780

Indicators (per Lot)

Sale Price	\$18,443
Site Development Costs	\$35,000
Permits and Fees	\$52,000

Remarks

This comparable represents the sale of 13.4 acres with maps submitted for a 122-lot subdivision in west Roseville. The property is zoned RS/DS – small lot residential. Anticipated lot development costs are \$35,000 per lot. The property was listed for sale at an asking price of \$4,000,000 and transacted at \$2,250,000. The broker for this transaction reports the seller was motivated to eliminate this asset from their books and this motivation impacted the purchase price. This property sold without entitlements in place. Since the acquisition Lennar has completed engineering and all other work necessary to submit for tentative map approval for a detached single family development.

COMPARABLE 10

Property Identification

Project Name	Evergreen Lots
Location	South side of Whitney Ranch Parkway, between Wildcat Boulevard and Highway 65
APN	017-081-058, -059 (portion)
City	Rocklin
County	Placer County

Sale Data

Grantor	Evergreen of Rocklin Land Joint Venture
Grantee	Woodside
Contract Date	Late 2014
Closing Date	January 2015
Deed Book Page	N/Av
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$11,880,000
Annual Special Assessments per Lot	\$0

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	220
Land Area (Acres)	15
Density (Units per Acre)	14.7
Development Status at Sale	Unimproved Lots
Typical Lot Size	3,150 SF (avg.)

Indicators (per Lot)

Sale Price	\$54,000
Site Development Costs	\$50,000
Permits and Fees	\$64,000

Remarks

These lots are relatively small at 40x70 feet (2,800 SF) and 45x75 feet (3,375 SF). While development costs are expected to be higher than other local projects, due to rocky soil, Woodside expected to be into the finished lots at a basis of about \$95,000 to \$100,000 per lot. It is noted this transaction was verified with multiple sources with minor discrepancies between each source; the information reflected above is considered to be reliable.

Adjustments and Conclusion

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. For certain adjustments such as site development cost, permits and fees and Special Taxes, adjustments are made using actual or estimated (present value) dollar amounts. Other adjustments to categories may be applied as either superior or inferior. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants.

At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (i.e. site development costs (if any), permits and fees, bond encumbrance and atypical carrying costs such as Homeowner's Association fees)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical features

A detailed analysis involving the adjustment factors is presented below.

Loaded Lot Analysis

Since each comparable has the same highest and best use as the subject property—near term single-family residential development—we apply adjustments for remaining site development costs (if any) and permits and fees on a dollar-for-dollar basis. That is, the comparables are analyzed on a loaded-lot-basis, where any remaining site development costs and permits and fees due at building permit are added to the lot price to yield a price that reflects the total consideration. After all other adjustments are applied (market conditions, physical characteristics, etc.), we deduct the subject's remaining permits and fees to determine the subject's finished lot value.

We consider the Special Taxes of the comparables and their remaining bond terms to estimate a remaining principal bond balance. While bond interest rates may vary somewhat, for approximation purposes, we utilize a 6% discount rate. The estimated bond encumbrances are added to the loaded lot prices on a dollar-for-dollar basis.

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. The comparable sales were cash to the seller transactions and do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

Comparables 4 and 7 involved a level of seller motivation, as the seller would lose a significant deposit if they did not close the deal, which required sale proceeds to finance the overall acquisition (Comparable 6). Comparable 9 involved seller motivation as the seller had decided to liquidate the holding. As such, these comparables sales are adjusted upward. No other adjustments are warranted.

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.

All of the comparables transferred in 2015, during a period of stability in residential land prices, and no adjustments are warranted.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location/Community Appeal

The subject property is located in West Roseville, which is considered an average to good location relative to other submarkets in south Placer County. As an infill development the subject represents a more attractive location, closer to existing transportation and services, than most new development in West Roseville. As observed by the number of transactions within the past 24 months, south Placer County is a highly desirable submarket for single-family residential lots. Comparable 10 is located in Rocklin, which is associated with generally higher home prices and land values relative to West Roseville, and is adjusted downward. Conversely, Comparables 4 and 6 through 9 are located in West Roseville, but at sites considered inferior to the subject and are adjusted upward. Although Rocklin has an overall more favorable appeal than West Roseville, when focused on the subject site vs. sales within Whitney Ranch (Rocklin) the favorability is considered similar. Therefore no adjustment is applied for Comparables 1, 2, 3, and 5.

Number of Lots

The LDR benchmark lot category analyzed in this section of the report contains 58 lots and the MDR benchmark lot category contains 68 lots. Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot. Generally, variances in per lot prices, all else being equal, are not observed in transactions between 50 and 100 lots. Adjustments are applied for comparables 2 and 6 through 10. No other adjustments are required.

Lot Size (Typical)

Adjustments for differences in lot size between the comparables and subject are estimated by applying lot size adjustment factors to differences in lot size. Those comparables with larger lot sizes relative to the subject's benchmark lot sizes of 5,000 square feet (LDR) and 3,800 square feet (MDR) are adjusted downward, while those with smaller lot sizes are adjusted upward.

Topography/Utility

Differences in contour, drainage, soil conditions, as well as project design, can affect the utility and, therefore, the market value of the properties. The subject property and comparables exhibit similar site utility. No adjustments are warranted for this characteristic.

Lot Premiums

The subject and comparables are anticipated to achieve a similar level of lot premiums (cul-de-sac, corner, inverted corner). None of the comparables benefit from view or significant open space premiums. Adjustments for this factor do not apply.

Zoning and Entitlements

For this section of our analysis the subject lots are being valued as if finished, with entitlements in place. Most of the comparables have either approved tentative subdivision maps or recorded final maps and do not require adjustment. Comparable 9 had tentative maps submitted after the sale and so is adjusted upward.

Deductions for Remaining Permits and Development – Finished Lot Indicator

As stated, the comparables are analyzed on a loaded lot basis. After applying all adjustments, we deduct the subject's permits and fees due at building permit (\$50,000 per lot for LDR and \$45,000 per lot for MDR) and remaining development costs (\$38,000 for LDR and \$26,800 for MDR) to yield an estimated lot value reflective of unimproved lots.

Adjustment Grid

The following grids reflect the adjustments discussed above.

LARGER LOTS (LDR) ADJUSTMENT GRID

Site Characteristics		Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 6	Comp. 7	Comp. 8	Comp. 9	Comp. 10
Lot Price		\$145,000	\$115,000	\$165,000	\$92,500	\$140,000	\$59,172	\$70,000	\$78,925	\$18,443	\$54,000
Remaining Site Development Costs		\$0	\$0	\$0	\$40,000	\$0	\$40,000	\$40,000	\$38,000	\$35,000	\$50,000
Permits and Fees		\$42,398	\$42,398	\$42,398	\$58,000	\$42,398	\$58,000	\$58,000	\$57,646	\$52,000	\$64,000
Loaded Lot Price		\$187,398	\$157,398	\$207,398	\$190,500	\$182,398	\$157,172	\$168,000	\$174,571	\$105,443	\$168,000
Special Taxes		\$1,850	\$1,850	\$1,850	\$1,689	\$1,850	\$1,600	\$1,600	\$1,585	\$968	\$0
Years to Bond Expiration		24	24	24	21	20	21	21	30	21	0
Bond Encumbrance (Present Value at 6%)		\$23,218	\$23,218	\$23,218	\$19,870	\$21,219	\$18,823	\$18,823	\$21,817	\$11,388	\$0
Adjusted Price		\$210,616	\$180,616	\$230,616	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Elements of Comparison											
Property Rights Conveyed Adjustment	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Price		\$210,616	\$180,616	\$230,616	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Financing Terms Adjustment	Cash Equiv.	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price		\$210,616	\$180,616	\$230,616	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Sale Conditions Adjustment	Market	Market	Market	Market	Seller Mot.	Market	Market	Seller Mot.	Market	Seller Mot.	Market
Adjusted Price		\$210,616	\$180,616	\$230,616	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Market Conditions Adjustment	Sep-15 (Appraisal)	Sep-15	Aug-15	Jul-15	Jul-15	Jun-15	May-15	May-15	May-15	Mar-15	Jan-15
Adjusted Price		\$210,616	\$180,616	\$230,616	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Physical Characteristics											
Location/Community Appeal Adjustment	W. Roseville Avg/Good	Rocklin	Rocklin	Rocklin	W. Roseville	Rocklin	W. Roseville	W. Roseville	W. Roseville	W. Roseville	Rocklin
Number of Lots Adjustment	58	76	100	91	60	60	419	189	157	122	220
Lot Size (Typical) Adjustment	5,000	6,050	4,500	6,600	5,775	5,500	5,775	5,775	6,250	3,780	3,150
Topography/Utility Adjustment	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Lot Premiums/Discounts Adjustment	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Zoning/Entitlements Adjustment	Approved	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Inferior	Similar
Net Adjustment:		↓	↑	↓	↑	↓	↑↑	↑	↑	↑↑	↑↑
Adjusted Loaded Lot Value:		≤\$210,616	>\$180,616	<\$230,616	≥\$210,370	<\$203,617	>>\$175,994	>\$186,823	>\$196,388	>>\$116,831	>>\$168,000
Concluded Loaded Lot Value	\$210,000										
Less: Permits and Fees	~~(\$50,000)~~										
Less: Remaining Development Cost	~~(\$38,000)~~										
Estimated Unimproved Lot Indicator	\$122,000										

SMALLER LOTS (MDR) ADJUSTMENT GRID

Site Characteristics		Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 6	Comp. 7	Comp. 8	Comp. 9	Comp. 10
Lot Price		\$145,000	\$115,000	\$165,000	\$92,500	\$140,000	\$59,172	\$70,000	\$78,925	\$18,443	\$54,000
Remaining Site Development Costs		\$0	\$0	\$0	\$40,000	\$0	\$40,000	\$40,000	\$38,000	\$35,000	\$50,000
Permits and Fees		\$42,398	\$42,398	\$42,398	\$58,000	\$42,398	\$58,000	\$58,000	\$57,646	\$52,000	\$64,000
Loaded Lot Price		\$187,398	\$157,398	\$207,398	\$190,500	\$182,398	\$157,172	\$168,000	\$174,571	\$105,443	\$168,000
Special Taxes		\$1,850	\$1,850	\$1,850	\$1,689	\$1,850	\$1,600	\$1,600	\$1,585	\$968	\$0
Years to Bond Expiration		20	20	20	21	20	21	21	30	21	0
Bond Encumbrance (Present Value at 6%)		\$21,219	\$21,219	\$21,219	\$19,870	\$21,219	\$18,823	\$18,823	\$21,817	\$11,388	\$0
Adjusted Price		\$208,617	\$178,617	\$228,617	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Elements of Comparison											
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Price		\$208,617	\$178,617	\$228,617	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Financing Terms Adjustment	Cash Equiv.	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price		\$208,617	\$178,617	\$228,617	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Sale Conditions Adjustment	Market	Market	Market	Market	Seller Mot.	Market	Market	Seller Mot.	Market	Seller Mot.	Market
Adjusted Price		\$208,617	\$178,617	\$228,617	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Market Conditions Adjustment	Sep-15 (Appraisal)	Sep-15	Aug-15	Jul-15	Jul-15	Jun-15	May-15	May-15	May-15	Mar-15	Jan-15
Adjusted Price		\$208,617	\$178,617	\$228,617	\$210,370	\$203,617	\$175,994	\$186,823	\$196,388	\$116,831	\$168,000
Physical Characteristics											
Location/Community Appeal	W. Roseville Avg/Good	Rocklin	Rocklin	Rocklin	W. Roseville	Rocklin	W. Roseville	W. Roseville	W. Roseville	W. Roseville	Rocklin
Adjustment					↑		↑	↑	↑	↑	↓
Number of Lots	68	76	100	91	60	60	419	189	157	122	220
Adjustment			↑				↑↑	↑	↑	↑	↑
Lot Size (Typical)	3,800	6,050	4,500	6,600	5,775	5,500	5,775	5,775	6,250	3,780	3,150
Adjustment		↓↓↓	↓	↓↓↓	↓↓↓	↓↓↓	↓↓↓	↓↓↓	↓↓↓		↑
Topography/Utility Adjustment	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Lot Premiums/Discounts Adjustment	Average	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Zoning/Entitlements Adjustment	Approved	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Inferior	Similar
Net Adjustment:		↓↓	↓	↓↓	↓↓	↓↓	↓	↓	↓	↑↑	↑
Adjusted Loaded Lot Value:		<<\$208,617	<\$178,617	<<\$228,617	<<\$210,370	<<\$203,617	<\$175,994	<\$186,823	<\$196,388	>>\$116,831	>\$168,000
Concluded Loaded Lot Value Less: Permits and Fees Less: Remaining Development Cost Estimated Unimproved Lot Indicator											
\$170,000 ~~(\$45,000)~~ ~~(\$26,750)~~ \$98,250											

Conclusion of Value (per lot) – Sales Comparison Approach (LDR and MDR Lots)

The market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest in the benchmark lot categories of the subject property. Prior to adjusting for differences between the comparables and the subject property, the data set reflects an unadjusted range of \$116,831 to \$230,616 per lot (after accounting for site development costs, permits and fees and special tax obligations).

Utilizing the elements of comparison described on the preceding pages, we have arrayed a qualitative ranking of the comparables in the table below, based on the loaded lot price.

Property	Loaded Lot Price Per Lot	Overall Similarity
Comparable 3	\$230,616	Superior
Comparable 1	\$210,616	Superior/Equal (LDR) - Superior (MDR)
Comparable 4	\$210,370	Inferior/Equal (LDR) - Superior (MDR)
SUBJECT - LDR	\$210,000	-
Comparable 5	\$203,617	Superior (Guarded Reliance)
Comparable 8	\$196,388	Inferior (LDR) - Superior (MDR)
Comparable 7	\$186,823	Inferior (LDR) - Superior (MDR)
Comparable 2	\$180,616	Inferior (LDR) - Superior (MDR)
Comparable 6	\$175,994	Inferior (LDR) - Superior (MDR)
SUBJECT - MDR	\$170,000	-
Comparable 10	\$168,000	Inferior
Comparable 9	\$116,831	Sig. Inferior

As adjusted, Comparable 5 yields an indicator which is counter to the balance of the data set. As such we are compelled to place guarded reliance on that comparable. Based upon our analysis and the specifics of the subject property, a market value of \$210,000 per loaded lot is concluded for the LDR benchmark lot category (Larger Parcel CO-7, 58 lots with typical lot size of 5,000 square feet) and \$170,000 per loaded lot for the MDR benchmark lot category (CO-11 and CO-12 combined, 68 lots with typical lot size of 3,800 square feet). As shown in the adjustment grids, after deducting \$50,000 or \$45,000 for permits and fees as well as \$38,000 (LDR) or \$26,750 (MDR), respectively, for remaining development cost, the unimproved lot indicators are **\$122,000 (LDR)** and **\$98,250 (MDR)**.

Extraction Analysis (LDR and MDR lots)

As support for the estimate of finished lot value concluded in the sales comparison approach for the larger lot category, we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The analysis considers current trends for constructing residences with large floor plans on the lots. The elements of the extraction technique are discussed below.

Revenue

The LDR benchmark lot category was determined to be lots within the Larger Parcel CO-7, with a typical lot size of 5,000 square feet. In identifying a typical home size and corresponding price for these homes we performed an analysis of competing new home project's within the subject's market area, (*Residential Market* section of this report). We were also provided a market analysis, by the Gregory Group, for use in this analysis. Based on these analyses we estimate a typical average-sized home on the subject would contain approximately 2,700 square feet and would have a corresponding price of \$560,000, inclusive of bonds (total consideration). These estimates will be utilized in the extraction analysis.

With regard to the MDR lot category, we will utilize the lots within Larger Parcels CO-11 and CO-12, which have a typical lot size of 3,800 square feet. Similar to the above, based on our analysis and analysis provided we estimate a 2,600 square foot house on a 3,800 square foot lot would achieve a price point of \$485,000, inclusive of bonds (total consideration).

The Campus Oaks project includes 19 MDR lots on Larger Parcel CO-05 with an affordable "middle income" purchase requirement of 100% of median income. These lots are planned for a typical lot size of 1,800 square feet. A market analysis, by The Gregory Group, has been provided for use in this analysis. Based on the current market and in consideration of the market research and analysis provided by The Gregory Group, we estimate a typical average-sized home on these lots would contain approximately 1,900 square feet. The City of Roseville affordable purchase requirements stipulate a housing cost ratio of 30% to 40%. For our analysis we have used 35%. Based on affordable housing requirements the calculated price point for the affordable MDR home would be \$300,000, inclusive of bonds (total consideration).

Expense Projections

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle.

Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Various direct cost comparables from projects throughout the Sacramento region are profiled in the table below.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Roseville	2015	1,741	\$81.86
		2,242	\$80.44
		2,302	\$75.41
		2,443	\$72.97
Lincoln	2015	2,280	\$84.62
		2,513	\$77.32
		2,891	\$75.04
Rocklin	2014	2,265	\$66.29
		3,341	\$55.72
		4,000	\$54.13
Lincoln	2013	1,915	\$63.14
		2,075	\$61.08
		2,797	\$56.69
		2,866	\$54.20
		3,927	\$52.79
Roseville	2012	1,331	\$62.07
		1,526	\$57.01
		1,624	\$55.59
		1,996	\$50.23

Based on the cost comparables, and considering the assumed average quality product line for the benchmark lots, a direct cost estimate of \$77 per square foot is applied to the 2,700 square foot home and \$78 per square foot is applied to the 2,600 square foot home with an estimate of \$82 per square foot applied to the 1,900 square foot home given the principle of economies of scale.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% is considered reasonable for the subject.

Permits and Fees

As noted, permits and fees due at building permit are projected to total \$50,000 per lot and \$45,000 per lot on average for the LDR and MDR lots, respectively, within the development.

Remaining Development Cost

As noted, the subject property represents unfinished parcels with remaining site development costs estimated at \$38,000 (LDR) or \$26,750 (MDR) per lot, which will be used in our analysis.

Accrued Depreciation

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

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%. With a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable

product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements and completed spinal infrastructure (for the purpose of this analysis).
- Desirable location (South Placer County, West Roseville)
- Good transportation linkages
- Recent price increases and steady yearly absorption

There are generally few “negative” attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.).

A survey of profit expectations is presented below:

Data Source	Profit Expectations
Lance Goulette - Mission Peak Co. (2015)	10% net profit is the target for any residential development, which typically is geared towards move-up homebuyers with a Bay Area concentration
Josh Roden - Meritage (2013)	8% to 10% net profit, regardless of product type, market area or lot condition
Jeb Elmore - Lewis Operating Corp (2013)	8% to 10%, with better located projects with less uncertainty regarding pricing and absorption at the lower end of the range and higher risk projects nearer the high end of the range.
Dustin Barker - Lennar (2011)	10% to 15%
Greg Ackerman - Pulte (2010)	9% profit, 18+% gross margin (5% for marketing/sales, 4% for G&A)
Steve Schnable - JMC Homes (2008)	15% line item profit expectation with two to three home sales per month at current home prices
Tulare Windmill Ventures, LLC (2007)	15% typical profit factor for single-family subdivisions
Mike Grant - Premier Homes (2007)	12% static profit
John Bacigalupi - Beazer Homes (2007)	Static profit expectation was 20% during the period of expansion (2000-2005), but it is now 10% to 15% given the recent moderation/stabilization in the residential market
David Jacobsen - Ridgecrest Homes (2007)	10% for typical single-family projects, up to a maximum of 35%
Mike Winn - Reynen & Bardis (2005)	12% to 25% profit pre-tax; typical development timeline of 5 to 8 years
Doug Eikenbary - William Lyon Homes (2005)	8% to 10% target profit for both single-family subdivisions and master-planned communities; typical development timeline of 1 to 2 years

Based on the preceding discussion and developer surveys, we have concluded an estimate of 12.0% (LDR) and 8.0% (MDR) for developer’s incentive. The higher profit (developer’s incentive) for the

larger homes is primarily attributable to the inverse relationship between price and sales pace. In other words, as price increases for houses the rate of absorption typically decreases. Developer's incentive is not included for the affordable home as the Master Developer is required to include affordable homes in the project.

Conclusion

Our estimate of lot value for the subject lots via the extraction analysis is presented on the following pages:

EXTRACTION ANALYSIS (LDR) – 2,700 SF HOME ON A 5,000 SF LOT

Revenue		
Average Floor Plan Size	2,700 SF	
Typical Home Price		\$560,000
		(Total Consideration)
Expense Projections		
G & A Cost @	3.0% of Retail Value	\$16,800
Marketing/Sales @	6.0% of Retail Value	\$33,600
Average Direct Costs @	\$77.00 /SF	\$207,900
Indirect Cost @	15.0% of Direct Cost	\$31,185
Permits and Fees Due at BP	\$50,000 Per Lot	\$50,000
Remaining Development Cost	\$38,000 Per Lot	\$38,000
Developer's Incentive	12% of home price	\$67,200
		<u>\$444,685</u>
	Residual Lot Value:	\$115,315
	Rd.	\$115,000

EXTRACTION ANALYSIS (MDR) – 2,600 SF HOME ON A 3,800 SF LOT

Revenue		
Average Floor Plan Size	2,600 SF	
Typical Home Price		\$485,000
		(Total Consideration)
Expense Projections		
G & A Cost @	3.0% of Retail Value	\$14,550
Marketing/Sales @	6.0% of Retail Value	\$29,100
Average Direct Costs @	\$78.00 /SF	\$202,800
Indirect Cost @	15.0% of Direct Cost	\$30,420
Permits and Fees Due at BP	\$45,000 Per Lot	\$45,000
Remaining Development Cost	\$26,750 Per Lot	\$26,750
Developer's Incentive	8% of home price	\$38,800
		<u>\$387,420</u>
	Residual Lot Value:	\$97,580
	Rd.	\$98,000

EXTRACTION ANALYSIS (MDR - affordable) – 1,900 SF HOME ON A 1,800 SF LOT

Revenue		
Average Floor Plan Size	1,900	SF
Typical Home Price		\$300,000
		(Total Consideration)
Expense Projections		
G & A Cost @	3.0% of Retail Value	\$9,000
Marketing/Sales @	6.0% of Retail Value	\$18,000
Average Direct Costs @	\$82.00 /SF	\$155,800
Indirect Cost @	15.0% of Direct Cost	\$23,370
Permits and Fees Due at BP	\$45,000 Per Lot	\$45,000
Remaining Development Cost	\$22,500 Per Lot	\$22,500
Developer's Incentive	0% of home price	\$0
		<u>\$273,670</u>
	Residual Lot Value:	\$26,330
	Rd.	\$26,000

Final Conclusion of Benchmark Finished Lot Values

For the LDR benchmark lot (5,000 square feet), the sales comparison approach indicated \$122,000 per lot, while the extraction technique was within 6% at \$115,000 per lot. In our opinion the extraction analysis is primarily a supportive indicator for the results of the sales comparison approach. We will rely on the indication of the sales comparison approach and conclude **\$122,000 per lot** (unimproved) for the LDR lot category.

With regard to the MDR benchmark lot (3,800 square feet), the sales comparison approach indicated \$98,250 per finished lot, while the extraction technique was within 1%, at \$98,000 per lot. Similar to the LDR lot analysis we consider the extraction analysis as a supportive indicator and will rely on the indication of the sales comparison approach and conclude **\$98,250 per lot** (unimproved) for the MDR lot category.

For the affordable MDR lot category, our sole method of valuation was the extraction method, which yielded a value conclusion of **\$26,000 per lot**.

Residential Lot Revenue

In this section of the report we will present the total residential lot revenue, for the lots (LDR and MDR). To value the residential lot holdings we will use the pertinent benchmark lot value and make adjustments for differences in lot size accordingly.

Benchmark Lot Values

We have arrived at benchmark lot values based on lot size as well as the affordability requirement for nineteen lots located in CO-5. The specific benchmark lot sizes are 5,000 square feet (LDR) and 3,800 square feet (MDR) and are used in the valuation of the relative LDR and MDR subject components. As previously estimated, the benchmark lot value for the LDR lots is \$112,000 per lot, while the MDR benchmark is \$98,250 per lot and the MDR affordable lot is \$26,000 per lot.

Lot Size Adjustment

In consideration of paired sales analysis and sales agent interviews regarding premiums achieved for home sales when isolating lot size, a lot size adjustment factor of \$5.00 per square foot of difference in lot area is applied to the benchmark lot values. In the following table, adjustments for differences in lot size are made to the above-concluded benchmark typical lots for each lot size category.

Large Parcel Designation	Land Use	Typical Lot Size (SF)	Benchmark Lot Value	Lot Size Adjustment	Unimproved Lot Value
CO-1	LDR	5,000	-	\$0	\$122,000
CO-2	LDR	5,250	-	\$1,250	\$123,250
CO-3	LDR	6,600	-	\$8,000	\$130,000
CO-6	LDR	5,000	-	\$0	\$122,000
CO-7	LDR	5,000	\$122,000	-	\$122,000
CO-4	MDR	2,400	-	(\$7,000)	\$91,250
CO-5	MDR	3,300	-	(\$2,500)	\$95,750
CO-5 (affordable)	MDR	1,800	-	\$0	\$26,000
CO-11	MDR	3,800	\$98,250	-	\$98,250
CO-12	MDR	3,800	\$98,250	-	\$98,250
CO-13	MDR	3,800	-	\$0	\$98,250
CO-14	MDR	3,300	-	(\$2,500)	\$95,750
CO-14	MDR	2,400	-	(\$7,000)	\$91,250
CO-15	MDR	3,800	-	\$0	\$98,250
CO-16	MDR	3,800	-	\$0	\$98,250

Benchmark lots

Remaining Development Costs

This portion of the analysis determines the finished lot value for each of the subject's LDR and MDR lots. Remaining development costs are accounted for later in this report.

HIGH DENSITY RESIDENTIAL LOT VALUATION

As there is limited available data for recent transactions for lots similar to the subject's high density residential lots, the land residual analysis is employed to determine the market value for the subject's HDR lots. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components—revenue, expenses, absorption and discount—each of which are described in this section.

The subject includes four parcels zoned for HDR lots with typical lot sizes of 1,050 or 1,300 square feet. Parcel CO-22 includes 119 lots with a typical lot size of 1,050 square feet. 24 of these lots have affordability requirements for low-income households. Parcel CO-23 includes 72 lots with a typical lot size of 1,050 square feet and also has low-income affordability requirements for 14 lots. Parcels CO-24a and CO-24b are each planned for 40 lots with a typical lot size of 1,300 square feet. In the following analysis Parcel CO-22 is utilized in determining the value for the subject's 1,050 square foot lot. As both Parcel CO-22 and CO-23 have similar affordability requirements for a similar proportion of lots the lot value determined for Parcel CO-22 is applicable to both parcels and will also be used for the individual lot value for Parcel CO-23. As Parcels CO-24a and CO-24b each consist of 40 lots, the analysis will be performed on Parcel CO-24a with the results applied to both of them.

Revenue

The projected sales price for the average unit within each project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses.

The typical lot sizes included in this analysis are 1,050 and 1,300 square feet. A market analysis, by The Gregory Group, has been provided for use in this analysis. Based on the current market and in consideration of our market research and analysis provided by The Gregory Group, we estimate a typical average-sized home on the subject's 1,050 square foot lot would contain approximately 1,950 square feet and would have a corresponding price of \$380,000, inclusive of bonds (total consideration). Based on affordability requirements it is anticipated that a typical home on the subject's affordability restricted 1,050 square foot lot would contain approximately 1,400 square feet and have a corresponding price of \$200,000, inclusive of bonds (total consideration), which is

similar to the maximum calculated price based on affordability requirements. The City of Roseville affordable purchase requirements stipulate a housing cost ratio of 30% to 40%. For our analysis we have used 35%. For the subject's 1,300 square foot lot, an average home size of 1,650 square feet is estimated with a corresponding price of \$365,000, inclusive of bonds (total consideration). These estimates will be utilized in the land residual analysis.

Closing Projections

The typical time required for the construction of units has been approximately three to six months from start to closing. It is assumed that initial closings will occur within three to six months of the date of sale. The premise is that the builder constructs efficiently as homes are sold. These assumptions are reflected in the projected construction schedule shown in the land residual models at the end of this section. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the following period, as most construction will be substantially completed prior to initiation of sales.

Changes in Market Conditions (Price Increases or Decreases)

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. However, under current market conditions, there is likelihood of some home price appreciation during the sell-off period. We estimate a level appreciation factor of 5% per year (1.25% quarterly) for the subject's sell-off. There is a two-period lag between when home contracts are signed and construction is completed and homes are closed. Therefore, closing revenue is connected to the corresponding appreciation factor of the period of sale (contract).

Absorption

An absorption analysis, created by The Gregory Group, has been provided for use in this analysis. As noted in the *Residential Market* section of this report, average monthly absorption for new home projects within the subject's market area range from .9 to 6.1 sales per month. The subject property represents an infill site within a desirable market area for new home development and as such absorption is anticipated to be at the upper end of the range. The absorption rates within the analysis by The Gregory Group appear reasonable based on current market conditions and anticipated continued strengthening. We estimate an absorption rate of approximately 5.0 units per month for the HDR projects, which is reflected in the land residual analysis as 15 units in Period 1. With sales beginning in Period 1, the 119 lot project sells out in Period 7, with Periods 8 and 9 needed to complete construction and close escrow. Due to the fact that the affordability restricted lots target a

different buyer pool than the majority of the lots in Parcel CO-22, absorption is not impacted by concurrent marketing of these lots. With sales beginning in Period 1, the 40 lot project sells out in Period 3, with Periods 4 and 5 needed to complete construction and close escrow.

Expense Projections

A deduction will be made for expenses attributable to the project over the holding period. They are estimated as follows:

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.0% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses for Parcel CO-22 and 4.0% for Parcel CO-24a based on expenses associated with a smaller number of total lots. This expense category is spread evenly over the entire sellout period for each development.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 6.0%, or 4.0% for marketing and 2.0% for sales, is used in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subject's properties are located within an area with a 1.0888% tax rate. This amount is applied to the estimated market values and divided by the total number of lots to yield an estimate of ad valorem taxes/lot/year for each project. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Direct levies are nominal and do not require consideration. Special Taxes associated with the subject's District bonds are considered in this analysis but due to the fact that the interest is capitalized for 18 months no deduction is applied initially for these Special Taxes. The applicable maximum Special Tax associated with the District of \$1,103 (weighted average) is applied for Parcel CO-22 after 18 months. Additional projected Special Taxes are based upon the Projected Overall Tax Burden for Single-Family Residential Parcels, provided for use in this appraisal. The total tax expense is gradually reduced over the absorption period, as the land components are sold off.

Remaining Site Development Costs

Remaining site development costs (in-tracts) estimated for the subject's HDR lots are \$14,900 per lot for the 1,050 square foot lots and \$18,500 per lot for the 1,300 square foot lots.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include typical school fees and any impact fees. Permits and fees are \$30,000 per lot.

Direct and Indirect Construction Costs

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

Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Following are direct cost comparables applicable to the subject property.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Roseville	2015	1,741	\$81.86
		2,242	\$80.44
		2,302	\$75.41
		2,443	\$72.97
Lincoln	2015	2,280	\$84.62
		2,513	\$77.32
		2,891	\$75.04
Rocklin	2014	2,265	\$66.29
		3,341	\$55.72
		4,000	\$54.13
Lincoln	2013	1,915	\$63.14
		2,075	\$61.08
		2,797	\$56.69
		2,866	\$54.20
		3,927	\$52.79
Roseville	2012	1,331	\$62.07
		1,526	\$57.01
		1,624	\$55.59
		1,996	\$50.23

We recognize from interviews that construction costs are on the rise with shortages currently noted in the construction labor market. Based on the cost comparables, an estimate of \$81.00/SF is considered reasonable for a 1,950 square foot typical floor plan on the 1,050 square foot lot and \$85/SF for a 1,400 square foot floor plan. Similarly \$84.00/SF for a 1,650 square foot floor plan on the 1,300 square foot lot is considered reasonable. Due to economies of scale involved in constructing floor plans of differing sizes there is typically an inverse relationship between floor plan size and construction cost per square foot.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% is considered reasonable for the subject.

The direct and indirect expenses will be distributed over various periods based on the percentage of homes under construction in any given period.

Model Complex

Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model for executive homes.

Based on the quality of the subject's proposed improvements and the targeted buyer segment, a model upgrade cost of \$120,000 is considered reasonable for both projects. Of these amounts approximately 40% will be recaptured with the sale of the models reflecting a model recapture of \$48,000.

Summary

The charts on the following pages summarize the revenue and expenses discussed on the preceding pages.

PARCEL CO-22

REVENUE AND EXPENSES SUMMARY

Revenue				Revenue (Affordable)			
Home Size (SF)	1,950			Home Size (SF)	1,400		
Sale Price	\$380,000			Sale Price	\$200,000		
Number of Units	<u>95</u>			Number of Units	<u>24</u>		
Home Revenue (Before Appreciation):	\$36,100,000			Home Revenue (Before Appreciation):	\$4,800,000		
Home Revenue (After Appreciation):	\$37,333,758			Home Revenue (After Appreciation):	\$4,822,500		
Home Revenue (Per Lot - from cash flow):	\$392,987			Home Revenue (Per Lot - from cash flow):	\$200,938		
Lot Premiums		\$0					
Model Recapture		<u>\$48,000</u>					
Lot Premium and Model Recapture Revenue:		\$48,000	\$403 (per lot)				
Total Revenue (After Appreciation):				\$42,204,258	\$444,255 (per lot)		
Expenses							
<u>Non-Appreciated Expenses</u>		<u>Total Over Sell-Off Period</u>					
General and Administrative	3.0% of total revenue	\$1,266,128					
Marketing and Sales	6.0% of total revenue	\$2,532,256					
Ad Valorem Taxes	\$608 /lot/year	\$95,008	(from cash flow)				
Special Taxes - HP Campus oaks CFD No. 1 (Facilities)	\$1,103 /lot/year	\$16,906	(from cash flow)				
Special Taxes (Additional Projected)	\$328 /lot/year	\$50,922	(from cash flow)				
Model Costs		\$120,000					
Remaining Site Development Costs		\$1,773,100	\$14,900 (per lot)				
Permits and Fees		<u>\$3,570,000</u>	\$30,000 (per lot)				
Subtotal:		\$9,424,320					
<u>Appreciated Expenses</u>							
Direct Constructon Costs (Before Appeciation)		\$17,861,250	\$150,095 (average per lot)				
Indirect Constructon Costs (Before Appreciation)	15% of Direct Costs	\$2,679,188	\$22,514 (average per lot)				
Direct Constructon Costs (After Appreciation)		\$18,663,654	\$196,460 (average per lot) (from cash flow)				
Indirect Constructon Costs (After Appreciation)		<u>\$2,799,548</u>	\$29,469 (average per lot) (from cash flow)				
Subtotal:		\$21,463,202					
Total Expenses:		\$30,887,522					

PARCEL CO-24A

REVENUE AND EXPENSES SUMMARY					
Revenue					
Home Size (SF)	1,650				
Sale Price	\$365,000				
Number of Units	<u>40</u>				
Home Revenue (Before Appreciation):	\$14,600,000				
Home Revenue (After Appreciation):	\$14,760,258				
Home Revenue (Per Lot - from cash flow):	\$369,006				
Lot Premiums	\$0				
Model Recapture	<u>\$48,000</u>				
Lot Premium and Model Recapture Revenue:	\$48,000	\$1,200	(per lot)		
Total Revenue (After Appreciation):	\$14,808,258	\$370,206	(per lot)		
Expenses					
<u>Non-Appreciated Expenses</u>		<u>Total Over Sell-Off Period</u>			
General and Administrative	4.0% of total revenue	\$592,330			
Marketing and Sales	6.0% of total revenue	\$888,495			
Ad Valorem Taxes	\$855 /lot/year	\$33,162		(from cash flow)	
Special Taxes - HP Campus oaks CFD No. 1 (Facilities)	\$1,528 /lot/year	\$0		(from cash flow)	
Special Taxes (Additional Projected)	\$328 /lot/year	\$12,710		(from cash flow)	
Model Costs		\$120,000			
Remaining Site Development Costs		\$740,000	\$18,500	(per lot)	
Permits and Fees		<u>\$1,200,000</u>	\$30,000	(per lot)	
Subtotal:		\$3,586,698			
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)		\$5,544,000	\$138,600	(per lot)	
Indirect Construction Costs (Before Appreciation)	15% of Direct Costs	\$831,600	\$20,790	(per lot)	
Direct Construction Costs (After Appreciation)		\$5,675,207	\$141,880	(per lot)	(from cash flow)
Indirect Construction Costs (After Appreciation)		<u>\$851,281</u>	\$21,282	(per lot)	(from cash flow)
Subtotal:		\$6,526,488			
Total Expenses:		\$10,113,186			

Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey¹², discount rates for land development projects ranged from 10.0% to 20.0%, with an average of 15.9% during the Second Quarter 2015, which is down 85 basis points from the Fourth Quarter 2014 (16.75%); the land survey is completed semi-annually. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. Without entitlements in place, the PwC survey indicates certain investors increase the discount rate between 100 and 800 basis points, with an average of 400 basis points. It's worth noting this range is significantly lower than previous surveys, which reflected a range between 400 and 1,500 basis points, and an average increase of 1,040 basis points, indicative of the strengthening land development market.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below:

Of the four main property types covered in our Survey, three of them are expected to positively move along the real estate cycle, shifting mainly into either expansion or recovery, which will provide development opportunities. The one exception is the national multifamily sector, where many metros are expected to move into contraction by year-end 2015... Over the next 12 months, all investor participants expect one foresee development land values to increase. Appreciation ranges up to 15.0% and averages 5.2% - up quite a bit from six months ago (3.6%) and double from a year ago (2.6%). No surveyed investors expect property value declines in the national development land market over the next 12 months. (Second Quarter 2015)

Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Expected appreciation ranges up to 15.0% and average 5.0%. (Fourth Quarter 2014)

As both the U.S. economy and the commercial real estate (CRE) industry's fundamentals show continued signs of improvement, interest in CRE development has picked up across each main property sector – office, retail, industrial, apartments, and lodging. As a result, certain investors

¹² PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2015, Volume 28, Number 2.

in the national development land market are looking to acquire new parcels, finish entitling owned tracts, and/or convert parcels into readied sites... For the first time in quite a while, our surveyed investors are unanimous in their expectations that values for development land will increase over the next 12 months... Appreciation ranges up to 10.0% and averages 3.6% – up quite a bit from six months ago when the average was 2.6%. (Second Quarter 2014)

Survey results suggest that investors anticipate commercial real estate (CRE) fundamentals to continue to improve, opening up diverse development land opportunities across all property types... The outlook for development improved for the second straight year. In addition, and perhaps more importantly, the average outlook for development is considered “fair” – an improvement from two years ago when the average outlook was “modestly poor...” The improvement in the development outlook does not mean that the CRE industry will be flooded with new supply in the near future and that vast opportunities exist for development land investors. “Some markets still have a significant inventory of land with entitlements and some with partial infrastructure that will move forward with development first, so we still need to be patient,” says an investor, who suggests looking for opportunities in metros where sustainable job growth exists. Another strategizes to “find the right land location and then wait for buyers to show up.” (Fourth Quarter 2013)

Improvements to the U.S. housing market and domestic economy have sparked increased interest in commercial real estate (CRE) development as many investors note that a growing number of developers are talking about and planning new projects. “The market is certainly improving in specific areas and specific submarkets,” says an investor. Nevertheless, patience is a key word among many development land investors since the recovery in the CRE industry is occurring very slowly in many areas. “It’s all about timing, and you need to be in the right market at the right time,” shares another. (Second Quarter 2013)

Information from a developing in-house database of project yield rates is presented in the table on the next page:

Data Source	Yield/ IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Second Quarter 2015 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.90%, inclusive of profit and assuming entitlements in place, for land development (national average)
Josh Roden - Meritage (2013)	20% to 25% for entitled lots
Jeb Elmore - Lewis Operating Corp (2013)	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
Greg Ackerman - Pulte (2010)	18% minimum, 20% target
Chris Downey - Hon Development	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Gary Gorian - Dale Poe Development	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
David Pitts - Newhall Land and Farming	20% to 30% IRR for land development deals on an unleveraged basis
Mark Palkowitsh - MSP California, LLC	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Rick Nieman - GFC	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled
Lin Stinson - Providence Realty Group	Low 20% range yield rate required to attract capital to longer-term land holdings
Dan Boyd - ESE Land Company	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Tulare Windmill Ventures, LLC	10% discount rate excluding profit for single-family subdivisions
David Jacobsen - Ridgecrest Homes	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Mike Grant - Premier Homes	15% to 20% IRR
Lyle McCullogh - California Pacific Homes	No less than 20% IRR for land development, either entitled or unentitled
Roy Robertson - Ekotec	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Gordon MacKenzie - Brookfield Development	No less than 30% when typical entitlement risk exists

It is noted the preceding survey related to production home developments at the land stage. Even so, the respondents reflect the expectations of market participants in the residential sector.

There are several attributes associated with the subject property that we consider in our selection of a discount rate, including (but not necessarily limited to):

- Location within the West Roseville area, which is one of the most desirable communities for new home construction and new home purchases in the Sacramento region
- Entitlement status of the subject property as large lot parcels as opposed to tentative or final mapped lots.
- Completion of backbone infrastructure
- Recent momentum in bulk lot purchases by regional and/or national builders in the West Roseville area, although the subject property represents large lot parcels.

The yield rate specific to this analysis represents a discount factor for a buyer to purchase the larger lot parcel, complete further necessary entitlement work, and site development necessary for finished lots and then continue with home construction and sell off. There is additional risk associated with unforeseen factors such as broad economic declines and job losses. Considering these factors and the positive and negative characteristics previously described, an IRR of 25% is considered appropriate for both parcels.

We also consider the subject's profit potential as opposed to its IRR. The profit expectation is compared with a survey of builders presented as follows:

Data Source	Profit Expectations
Lance Goulette - Mission Peak Co. (2015)	10% net profit is the target for any residential development, which typically is geared towards move-up homebuyers with a Bay Area concentration
Josh Roden - Meritage (2013)	8% to 10% net profit, regardless of product type, market area or lot condition
Jeb Elmore - Lewis Operating Corp (2013)	8% to 10%, with better located projects with less uncertainty regarding pricing and absorption at the lower end of the range and higher risk projects nearer the high end of the range.
Dustin Barker - Lennar (2011)	10% to 15%

At a cost of funds of 6.0%, any IRR less than 25% would imply a static profit less than 8.6% for parcel CO-22 and less than 8.1% for parcel CO-24A, which would be insufficient for builder expectations in the subject's area.

Conclusion

The land residual analyses are presented on the following pages.

PARCEL CO-22

LAND RESIDUAL ANALYSIS											
REVENUE AND SALES											
Quarter:	0	1	2	3	4	5	6	7	8	9	Total
Sales - Detached	0	15	15	15	15	15	15	5	0	0	95
Sales - Affordable Detached	0	15	9	0	0	0	0	0	0	0	24
Unsold Inventory	119	89	65	50	35	20	5	0	0	0	0
Close of Escrow (COE)	0	0	0	30	24	15	15	35	15	20	119
Pending/Under-Construction	0	0	0	0	0	0	0	0	0	0	0
Under Construction by %	0	0	0	0	0	0	0	0	0	0	0
Unclosed Inventory	0	30	54	69	54	45	45	35	30	5	20
	75%	119	119	119	89	65	50	35	20	5	100.0%
Contracted Base Revenue (Before Appreciation)		\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$1,900,000	\$0	\$0	\$36,100,000
Quarterly Appreciation Factor (Adj. for lag between contract and COE)		\$3,000,000	\$1,800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Appreciated Contracted Home Revenue	1.0125	1,000,000	1,012,500	1,025,156	1,037,971	1,050,945	1,064,082	1,077,383	1,090,850	1,104,486	\$37,333,738
Appreciated Contracted Home Revenue (Affordable)		\$5,700,000	\$5,771,250	\$5,843,391	\$5,916,433	\$5,990,388	\$6,065,268	\$2,047,028	\$0	\$0	\$4,822,500
Total Appreciated Contracted Home Revenue		\$8,700,000	\$7,593,750	\$5,843,391	\$5,916,433	\$5,990,388	\$6,065,268	\$2,047,028	\$0	\$0	\$42,156,238
Appreciated Closing Home Revenue		\$0	\$0	\$8,700,000	\$7,593,750	\$5,843,391	\$5,916,433	\$5,990,388	\$6,065,268	\$2,047,028	\$48,000
Lot Premium and Model Recapture Revenue		\$0	\$0	\$12,101	\$9,681	\$6,050	\$6,050	\$6,050	\$6,071,319	\$2,017	\$42,204,258
Total Revenue		\$0	\$0	\$8,712,101	\$7,603,431	\$5,846,441	\$5,922,483	\$5,996,439	\$6,071,319	\$2,049,045	\$42,204,258
EXPENSES AND CASH FLOWS											
Fixed or Percentage Expenses											
General and Administrative (Percentage of Revenue)		(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$140,681)	(\$1,266,128)
Marketing and Sales (Percentage of Revenue)		\$0	\$0	(\$522,726)	(\$456,206)	(\$350,966)	(\$355,349)	(\$359,786)	(\$364,279)	(\$368,763)	(\$2,532,256)
Ad Valorem Real Estate Taxes (Percentage of Total)	\$608	(\$18,101)	(\$18,101)	(\$18,101)	(\$13,389)	(\$10,085)	(\$7,758)	(\$5,430)	(\$3,103)	(\$791)	(\$95,008)
Special Taxes - HP Campus oaks CFD No. 1 (Facilities)	\$1,103	\$0	\$0	\$0	\$0	\$0	\$0	(\$9,846)	(\$5,626)	(\$1,434)	(\$16,906)
Special Taxes (Additional Projected)	\$328	(\$9,758)	(\$9,758)	(\$9,758)	(\$7,298)	(\$5,330)	(\$4,100)	(\$2,870)	(\$1,640)	(\$410)	(\$50,922)
Model Costs (Fixed)		(\$60,000)	(\$60,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$120,000)
Site Development Costs (Fixed)		(\$47,000)	(\$57,600)	(\$223,500)	(\$223,500)	(\$223,500)	(\$223,500)	(\$74,500)	\$0	\$0	(\$1,773,100)
Building Permits (Fixed)		(\$90,000)	(\$720,000)	(\$450,000)	(\$450,000)	(\$450,000)	(\$450,000)	(\$150,000)	\$0	\$0	(\$3,570,000)
Subtotal:		(\$1,275,540)	(\$1,306,140)	(\$1,364,766)	(\$1,291,222)	(\$1,180,562)	(\$1,181,387)	(\$743,114)	(\$515,329)	(\$256,259)	(\$9,424,330)
Appreciated Expenses		(\$1,402,716)	(\$2,524,889)	(\$3,226,247)	(\$2,524,889)	(\$2,104,074)	(\$1,636,502)	(\$1,402,716)	(\$1,402,716)	(\$935,144)	(\$17,861,250)
Direct Construction Costs		1,000,000	1,012,500	1,025,156	1,037,971	1,050,945	1,064,082	1,077,383	1,090,850	1,104,486	\$10,886,238
Quarterly Appreciation Factor	1.0125	(\$1,402,716)	(\$2,524,889)	(\$3,226,247)	(\$2,524,889)	(\$2,104,074)	(\$1,636,502)	(\$1,402,716)	(\$1,402,716)	(\$935,144)	(\$17,861,250)
Appreciated Direct Costs		(\$1,402,716)	(\$2,524,889)	(\$3,226,247)	(\$2,524,889)	(\$2,104,074)	(\$1,636,502)	(\$1,402,716)	(\$1,402,716)	(\$935,144)	(\$17,861,250)
Indirect Construction Costs (Percentage of Direct Costs)		(\$210,402)	(\$383,462)	(\$486,111)	(\$383,462)	(\$331,680)	(\$335,836)	(\$264,671)	(\$229,523)	(\$154,928)	(\$2,790,548)
Subtotal:		(\$1,613,118)	(\$2,908,351)	(\$3,712,358)	(\$3,008,351)	(\$2,435,754)	(\$2,072,338)	(\$1,799,676)	(\$1,799,676)	(\$1,187,782)	(\$21,463,202)
Total Expenses		(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	(\$30,887,522)
NET INCOME		(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	(\$30,887,522)
Present Value Factors		0.94118	0.88581	0.83371	0.78466	0.73851	0.69507	0.65418	0.61570	0.57948	
Internal Rate of Return (IRR)	25.00%	(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	
Discounted Cash Flow		(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	
Net Present Value		(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	\$6,650,000
PROFIT ESTIMATION											
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$3,016,834)	(\$5,433,240)	(\$6,938,605)	(\$5,533,240)	(\$4,538,828)	(\$3,768,840)	(\$3,202,387)	(\$3,202,387)	(\$2,122,926)	\$6,650,000
Total Project Incentive	8.60%	\$0	\$0	(\$749,241)	(\$653,895)	(\$503,052)	(\$509,334)	(\$515,694)	(\$522,133)	(\$516,218)	(\$3,629,566)
NET INCOME (BEFORE DISCOUNTING)		(\$3,016,834)	(\$5,433,240)	(\$7,687,846)	(\$6,187,135)	(\$5,041,880)	(\$4,278,174)	(\$3,718,081)	(\$3,718,081)	(\$2,639,144)	\$3,020,434
Present Value Factors		0.98522	0.97066	0.95632	0.94218	0.92826	0.91454	0.90103	0.88771	0.87459	
Discount Rate (Cost of Borrowed Funds)	6.00%	(\$3,016,834)	(\$5,433,240)	(\$7,687,846)	(\$6,187,135)	(\$5,041,880)	(\$4,278,174)	(\$3,718,081)	(\$3,718,081)	(\$2,639,144)	\$3,020,434
Discounted Cash Flow		(\$3,016,834)	(\$5,433,240)	(\$7,687,846)	(\$6,187,135)	(\$5,041,880)	(\$4,278,174)	(\$3,718,081)	(\$3,718,081)	(\$2,639,144)	\$3,020,434
Net Present Value		(\$3,016,834)	(\$5,433,240)	(\$7,687,846)	(\$6,187,135)	(\$5,041,880)	(\$4,278,174)	(\$3,718,081)	(\$3,718,081)	(\$2,639,144)	\$3,020,434
Rounded:											

PARCEL CO-24A

LAND RESIDUAL ANALYSIS								
REVENUE AND SALES	Quarter:	0	1	2	3	4	5	Total
Sales - Detached		0	15	15	10	0	0	40
Unsold Inventory		40	25	10	0	0	0	
Close of Escrow (COE)		0	0	0	15	15	10	40
Pending/Under Construction		0	15	30	40	25	10	
Under Construction by %			12.5%	25.0%	33.3%	20.8%	8.3%	100.0%
Unclosed Inventory			40	40	40	25	10	
Contracted Base Revenue (Before Appreciation)			\$5,475,000	\$5,475,000	\$3,650,000	\$0	\$0	\$14,600,000
Quarterly Appreciation Factor (Adj. for lag between contract and COE)	1.0125		1.000000	1.012500	1.025156	1.037971	1.050945	
Appreciated Contracted Home Revenue			\$5,475,000	\$5,543,438	\$3,741,820	\$0	\$0	\$14,760,258
Appreciated Closing Home Revenue			\$0	\$0	\$5,475,000	\$5,543,438	\$3,741,820	
Lot Premium and Model Recapture Revenue			\$0	\$0	\$18,000	\$18,000	\$12,000	\$48,000
Total Revenue			\$0	\$0	\$5,493,000	\$5,561,438	\$3,753,820	\$14,808,258
EXPENSES AND CASH FLOWS								
Fixed or Percentage Expenses								
General and Administrative (Percentage of Revenue)			(\$118,466)	(\$118,466)	(\$118,466)	(\$118,466)	(\$118,466)	(\$592,330)
Marketing and Sales (Percentage of Revenue)			\$0	\$0	(\$329,580)	(\$333,686)	(\$225,229)	(\$888,495)
Ad Valorem Real Estate Taxes (Percentage of Total)	\$855		(\$8,547)	(\$8,547)	(\$8,547)	(\$5,342)	(\$2,179)	(\$33,162)
Special Taxes - HP Campus oaks CFD No. 1 (Facilities)	\$1,528		\$0	\$0	\$0	\$0	\$0	\$0
Special Taxes (Additional Projected)	\$328		(\$3,280)	(\$3,280)	(\$3,280)	(\$2,050)	(\$820)	(\$12,710)
Model Costs (Fixed)			(\$60,000)	(\$60,000)	\$0	\$0	\$0	(\$120,000)
Site Development Costs (Fixed)			(\$277,500)	(\$277,500)	(\$185,000)	\$0	\$0	(\$740,000)
Building Permits (Fixed)			<u>(\$450,000)</u>	<u>(\$450,000)</u>	<u>(\$300,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,200,000)</u>
Subtotal:			(\$917,793)	(\$917,793)	(\$944,873)	(\$459,544)	(\$346,695)	(\$3,586,698)
Appreciated Expenses								
Direct Construction Costs			(\$693,000)	(\$1,386,000)	(\$1,848,000)	(\$1,155,000)	(\$462,000)	(\$5,544,000)
Quarterly Appreciation Factor	1.0125		<u>1.000000</u>	<u>1.012500</u>	<u>1.025156</u>	<u>1.037971</u>	<u>1.050945</u>	
Appreciated Direct Costs			(\$693,000)	(\$1,403,325)	(\$1,894,489)	(\$1,198,856)	(\$485,537)	(\$5,675,207)
Indirect Construction Costs (Percentage of Direct Costs)			<u>(\$103,950)</u>	<u>(\$210,499)</u>	<u>(\$284,173)</u>	<u>(\$179,828)</u>	<u>(\$72,831)</u>	(\$851,281)
Subtotal:			(\$796,950)	(\$1,613,824)	(\$2,178,662)	(\$1,378,685)	(\$558,367)	(\$6,526,488)
Total Expenses			<u>(\$1,714,743)</u>	<u>(\$2,531,617)</u>	<u>(\$3,123,535)</u>	<u>(\$1,838,229)</u>	<u>(\$905,062)</u>	<u>(\$10,113,186)</u>
NET INCOME			(\$1,714,743)	(\$2,531,617)	\$2,369,465	\$3,723,209	\$2,848,758	\$4,695,072
Present Value Factors								
Internal Rate of Return (IRR)		25.00%	0.94118	0.88581	0.83371	0.78466	0.73851	
Discounted Cash Flow			(\$1,613,876)	(\$2,242,539)	\$1,975,438	\$2,921,471	\$2,103,831	\$3,144,326
Net Present Value								\$3,140,000
Net Present Value Per Lot								\$78,500
PROFIT ESTIMATION								
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$1,714,743)	(\$2,531,617)	\$2,369,465	\$3,723,209	\$2,848,758	\$4,695,072
Total Project Incentive		8.10%	\$0	\$0	(\$444,933)	(\$450,476)	(\$304,059)	(\$1,199,469)
NET INCOME (BEFORE DISCOUNTING)			(\$1,714,743)	(\$2,531,617)	\$1,924,532	\$3,272,732	\$2,544,699	\$3,495,603
Present Value Factors								
Discount Rate (Cost of Borrowed Funds)		6.00%	0.98522	0.97066	0.95632	0.94218	0.92826	
Discounted Cash Flow			(\$1,689,402)	(\$2,457,344)	\$1,840,463	\$3,083,517	\$2,362,143	\$3,139,377
Net Present Value			\$3,139,377					
Rounded:			\$3,140,000					

HDR - Total Revenue

The subject includes four HDR large lot parcels as shown below.

Large Parcel Designation	Typical Lot Size (SF)	No. of Lots
CO-22	1,050	119
CO-23	1,050	72
CO-24a	1,300	40
CO-24b	1,300	<u>40</u>
Total HDR Lots		271

The above analysis has been completed for Parcels CO-22 and CO-24a. As both Parcel CO-22 and CO-23 have the same typical lot size and similar affordability requirements for a similar proportion of lots, the concluded per lot value for Parcel CO-22 is applicable to both parcels and will be used for the individual lot value for Parcel CO-23. As Parcels CO-24a and CO-24b each consist of 40 lots with the same typical lot size, the concluded per lot value for Parcel CO-24a will also be applied to Parcel CO-24b.

The total revenue (aggregate retail value) of the subject's HDR lots is shown below and will serve as the HDR lot revenue component of the Bulk Value analysis.

Large Parcel Designation	Typical Lot Size (SF)	Indicated Lot Value	No. of Lots	Revenue
CO-22	1,050	\$55,882	119	\$6,650,000
CO-23	1,050	\$55,882	72	\$4,023,529
CO-24a	1,300	\$78,500	40	\$3,140,000
CO-24b	1,300	\$78,500	<u>40</u>	<u>\$3,140,000</u>
Total HDR Lots			271	\$16,953,529

COMMERCIAL LAND VALUATION

The subject property includes two parcels designated for commercial use (CO-41 and CO-42). These parcels differ in size, 13.16 and 6.13 acres, respectively, but are generally similar in terms of visibility/accessibility, site utility and other physical features. We will employ the sales comparison approach to estimate the market values of these two parcels. In the application of this approach, the market values of the subject parcels will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

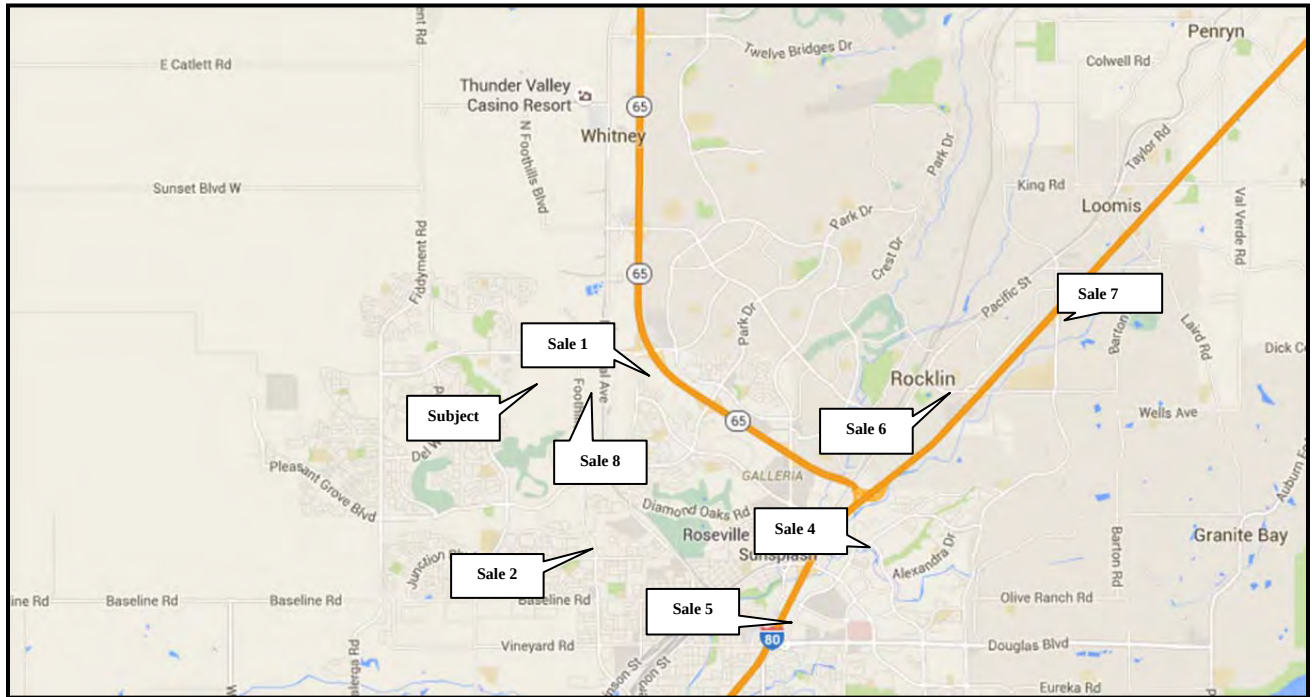
In this analysis, we searched various sources to gather relevant data. We searched for data in our internal database, CoStar Property, Loopnet (for closed sales and active listings), and the Multiple Listing Service (MLS). We confirmed details of the transactions with parties directly involved (e.g. brokers, buyers/sellers) and/or public records.

On the following pages, we will present and analyze several properties for comparison to the subject's two commercial parcels. We will begin by presenting a summary tabulation and location map, followed by detailed sales sheets, a discussion of necessary adjustments, and our conclusions of market value via this approach.

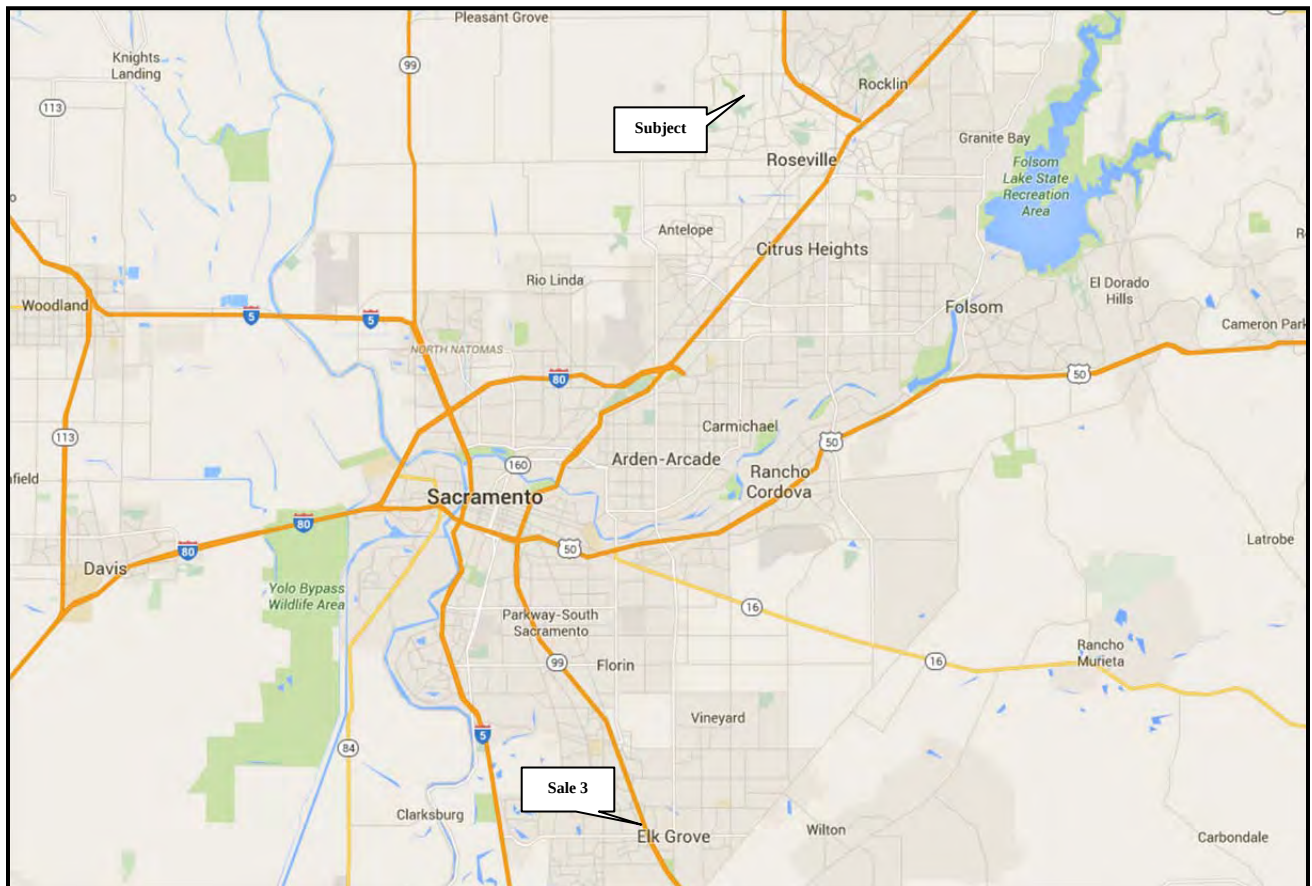
COMMERCIAL LAND SALES SUMMARY

Sale No.	Location	Sale Date	Sale Price	Land Area (Acre/SF)	Sale Price/SF	PV of Bonds/SF	Zoning
1	E/W Washington Blvd., N/O Blue Oaks Blvd. Roseville, Placer County APN: Portion of 363-020-018 and -019	Pending	\$5,269,929	<u>11.52</u> 501,898	\$10.50	\$0.13	PD-SA-NC
2	5010 Foothills Boulevard Roseville, Placer County APN: 476-190-005	May-15	\$750,000	<u>1.20</u> 52,272	\$14.35	\$0.58	CC
3	8210 Civic Center Drive Elk Grove, Sacramento County APN: 132-2120-010	Feb-15	\$3,425,000	<u>9.56</u> 416,434	\$8.22	\$1.72	SC
4	580 N. Sunrise Avenue Roseville, Placer County APN: 015-450-085	Nov-14	\$700,000	<u>1.30</u> 56,628	\$12.36	\$0.24	BP/SA-NE
5	W/O N. Sunrise Ave, E/O Interstate 80 Roseville, Placer County APN: 013-213-031	Apr-14	\$2,859,500	<u>5.90</u> 257,004	\$11.13	\$0.00	C-1
6	4130-4190 Rocklin Road Rocklin, Placer County APN: 010-240-028, -029, -030, -031, 035, 010-181-046	Jan-14	\$4,712,000	<u>10.46</u> 455,638	\$10.34	\$0.00	C-2
7	NWQ Interstate 80 & Sierra College Bl Roseville, Placer County APN: 045-041-033	May-13	\$4,000,000	<u>10.00</u> 435,600	\$9.18	\$1.15	PD-C
8	8035 Foothills Boulevard Roseville, Placer County APN: 017-230-069	Listing	\$1,130,382	<u>3.46</u> 150,718	\$7.50	\$0.00	NC

COMMERCIAL LAND SALES MAPS



Source: Google Maps



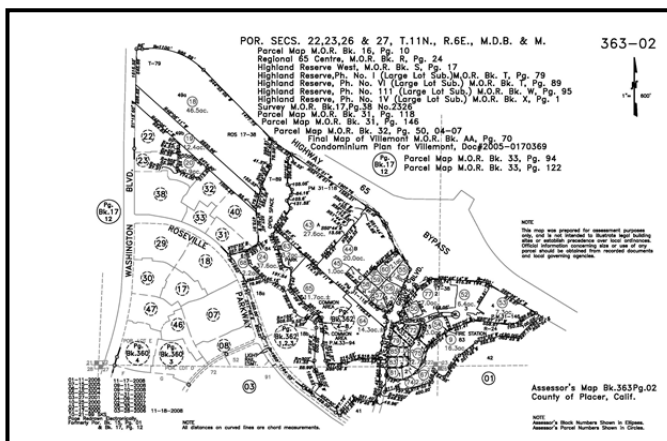
Source: Google Maps

COMMERCIAL LAND SALE 1

Property Identification Commercial Land

E/O Washington Boulevard,
S/O Blue Oaks Boulevard
Roseville, CA 95747
Placer County

APN: Portion of 363-020-018 and -019



Sale Data

Grantor	Bayside Covenant Church
Grantee	TopGolf
Sale Date	Pending
Deed Book Page	N/Av
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$5,269,929
PV of Bonds	\$66,414

Land Data

Land Area (SF)	501,898
Land Area (Acres)	11.52
Zoning	PD-SA-NC, Planned Development, Special Area
Shape	Irregular
Corner Orientation	No
Street Frontage	Washington Boulevard
Topography	Generally level
Off-Site Improvements	None
On-Site Improvements	None

Indicators

Sale Price per SF	\$10.50
PV Bonds per SF	\$0.13

Remarks

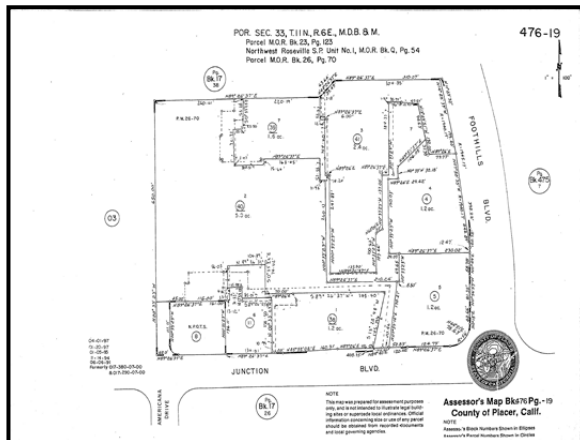
This property represents the pending sale of 11.52 acres located near the corner of Washington Boulevard and Blue Oaks Boulevard. The purchaser plans to develop a Topgolf entertainment center on the property. The buyer's pro rata share of infrastructure improvements for creating access to the site was \$1,200,000.

COMMERCIAL LAND SALE 2

Property Identification Commercial Land

5010 Foothills Boulevard
Roseville, CA 95747
Placer County

APN: 476-190-005



Sale Data

Grantor	Sahota Enterprises, Inc
Grantee	Roseville D LLC
Sale Date	05/21/2015
Deed Book Page	42225
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$750,000
PV of Bonds	\$30,144

Land Data

Land Area (SF)	52,272
Land Area (Acres)	1.20
Zoning	CC, Community Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Foothills Boulevard and Junction Boulevard
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$14.35
PV Bonds per SF	\$0.58

Remarks

This property represents the sale of a 1.2 acre parcel located at the northwest corner of Foothills Boulevard and Junction Boulevard. The parcel is adjacent to a shopping center anchored by a Savemart grocery store and a CVS drug store. The parcel is now being developed with a Dunkin Donuts restaurant.

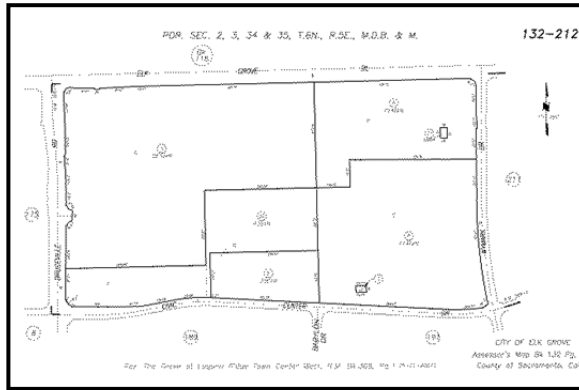
COMMERCIAL LAND SALE 3

Property Identification

Commercial Land

8210 Civic Center Drive
Elk Grove, CA 95757
Sacramento County

APN: 132-2120-010



Sale Data

Grantor	JJV LLC
Grantee	Rep Blue Oaks Inc.
Sale Date	02/05/2015
Deed Book Page	150205-664
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$3,425,000
PV of Bonds	\$717,637

Land Data

Land Area (SF)	416,434
Land Area (Acres)	9.56
Zoning	SC – Shopping Center
Shape	Flag-shaped
Corner Orientation	Yes
Street Frontage	Along Civic Center Drive and Bruceville Road
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$8.22
PV Bonds per SF	\$1.72

Remarks

This property was purchased by an adjacent owner seeking to build a gas station for Costco, who was planning to open a retail store on the other parcel. Nonetheless, the listing broker reported that other offers were made for the site that were similar in price to this purchase; as such, an adjustment for buyer motivation is not warranted.

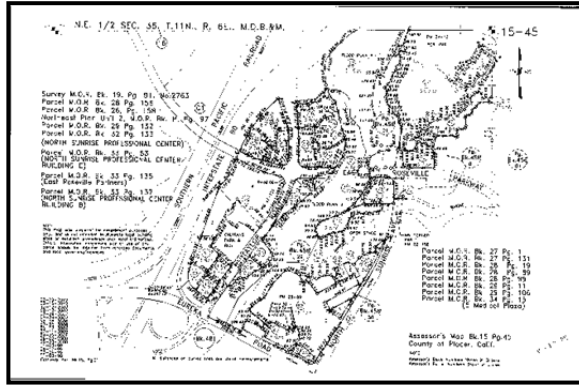
COMMERCIAL LAND SALE 4

Property Identification

Commercial Land

580 N. Sunrise Avenue
Roseville, CA 95661
Placer County

APN: 015-450-085



Sale Data

Grantor	N G Alexander Real Estate LLC
Grantee	Roseville Medical and Dental
Sale Date	11/26/2014
Deed Book Page	085812
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$700,000
PV of Bonds	\$4,525

Land Data

Land Area (SF)	56,628
Land Area (Acres)	1.30
Zoning	BP-SA-NE, Business Professional, NE Roseville Special Planning Area
Shape	Irregular
Corner Orientation	No
Street Frontage	N. Sunrise
Topography	Level to rolling
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$12.36
PV Bonds per SF	\$0.08

Remarks

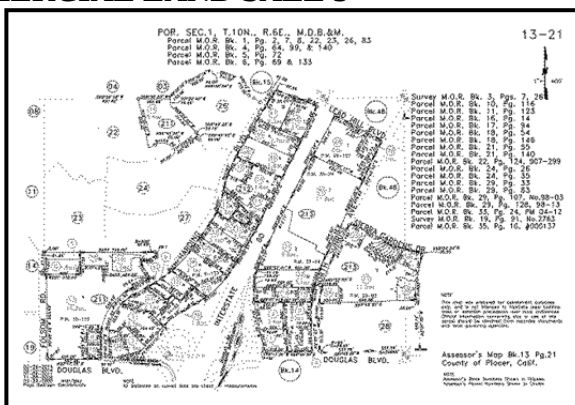
The seller for this property indicated that the buyer was an orthodontic group seeking to construct a new building for their practice. The property has some rolling/sloping areas that require additional site work beyond what a level site would require. The site is located near substantial office and retail development in East Roseville, as well as the Sutter Medical Center.

COMMERCIAL LAND SALE 5

Property Identification

Commercial Land
W/O N. Sunrise Boulevard, E/O
Interstate 80
Roseville, CA 95661
Placer County

APN: 013-213-031



Sale Data

Grantor	I Think I Can, LP
Grantee	Pingree 2000 Real Estate Corporation
Sale Date	04/25/2014
Deed Book Page	026316
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,859,500
PV of Bonds	\$0

Land Data

Land Area (SF)	257,004
Land Area (Acres)	5.90
Zoning	C-1 – Neighborhood Commercial
Shape	Irregular
Corner Orientation	No
Street Frontage	Along N Sunrise Boulevard and Interstate 80
Topography	Generally level
Off-Site Improvements	In place
On-Site Improvements	None

Indicators

Sale Price per SF	\$11.13
PV Bonds per SF	\$0.00

Remarks

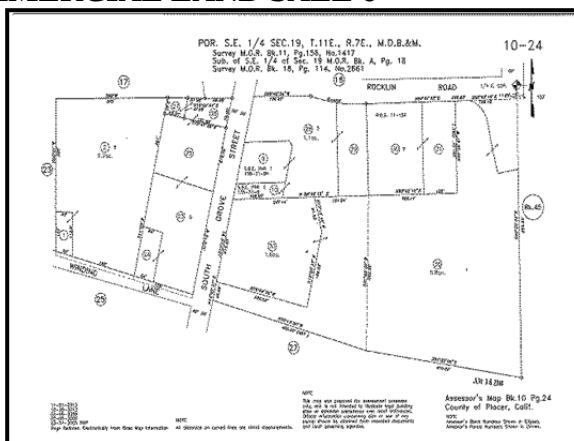
This comparable represents a vacant parcel located along the west line of N Sunrise Avenue, north of Douglas Boulevard. It was purchased for the construction of an Enterprise Rent-A-Car location, which was completed in early 2015.

COMMERCIAL LAND SALE 6

Property Identification Commercial Land

4130-4190 Rocklin Road
Rocklin, CA 95677
Placer County

APN: 010-240-028, -029, -030, -031,
-035, 010-181-046



Sale Data

Grantor	4150 Rocklin Road, LLC
Grantee	Standard Pacific
Sale Date	01/21/2014
Deed Book Page	4005
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,712,000
PV of Bonds	\$0

Land Data

Land Area (SF)	455,638
Land Area (Acres)	10.46
Zoning	C-2 – Retail Business
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Along Rocklin Road and S. Grove Street
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$10.35
PV Bonds per SF	\$0.00

Remarks

This comparable represents the sale of several commercial parcels totaling 10.46 acres of land. The permitted uses include retail, office and mixed use; however, the buyer is a homebuilder with plans to rezone for residential use. Adjacent users include Rocklin DMV, Rocklin Police Department, Merryhill Preschool, Rocklin Community Center, Rocklin Library and Quest Diagnostics.

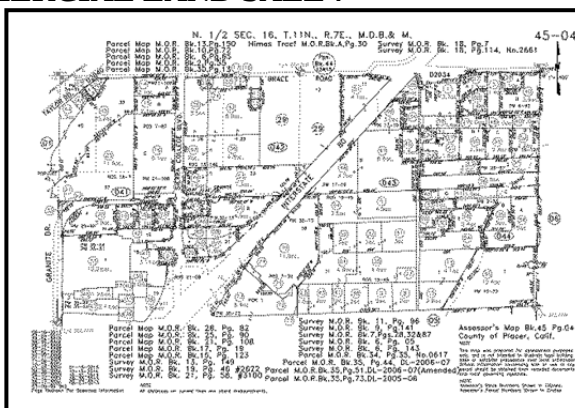
COMMERCIAL LAND SALE 7

Property Identification

Commercial Land

NWQ Interstate 80 and Sierra College
Boulevard
Rocklin, CA
Placer County

APN: 045-041-033



Sale Data

Grantor	Rocklin Pavilions Sales, LLC.
Grantee	Target Corp.
Sale Date	5/16/2013
Deed Book Page	48147
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$4,000,000
PV of Bonds	\$500,000

Land Data

Land Area (SF)	435,600
Land Area (Acres)	10.00
Zoning	PD-C – Planned Development, Commercial
Shape	Irregular
Corner Orientation	No
Street Frontage	Along Granite Drive and Sierra College Boulevard
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$9.18
PV Bonds per SF	\$1.15

Remarks

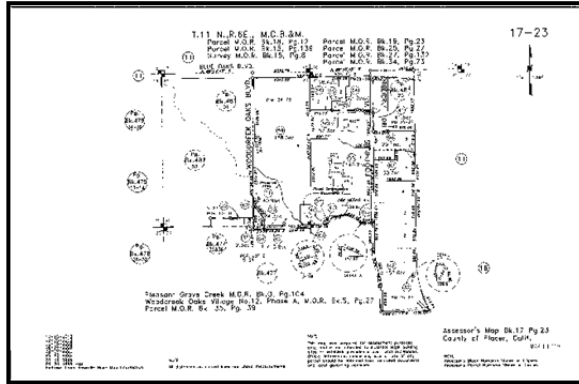
This land was purchased by Target for development of an anchor store in the Rocklin Commons shopping center.

COMMERCIAL LAND SALE 8

Property Identification

8035 Foothills Boulevard
Roseville, CA 95747
Placer County

APN: 017-230-069



Sale Data

Grantor	Clearview 8035 Foothills Boulevard LLC
Grantee	Listing
Sale Date	Listing
Deed Book Page	Listing
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,130,382
PV of Bonds	\$0

Land Data

Land Area (SF)	150,718
Land Area (Acres)	3.46
Zoning	NC – Neighborhood Commercial
Shape	Irregular
Corner Orientation	No
Street Frontage	Foothills Boulevard
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$7.50
PV Bonds per SF	\$0.00

Remarks

This represents an active listing of a nearly 3.5 acre Neighborhood Commercial zoned parcel, located across Foothills Boulevard from the Hewlett-Packard campus. This portion of Foothills Boulevard has relatively low traffic and contains mostly light industrial uses and vacant land.

Discussion of Adjustments

The comparable transactions are adjusted to the subject with regard to categories that affect value. If a comparable has an attribute that is 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.

To isolate and quantify the adjustments on the comparable sales data, it is considered appropriate to use percent adjustments. At a minimum, the appraiser considers adjustments for the following items:

- Present value of bonds
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors is presented below.

Present Value of Bonds

Some of the comparables have special assessment obligations relating to bonds. Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the bond indebtedness, we have established present value amounts for the bond encumbrance based on the annual assessments associated with these sales. The present value amounts are based on the annual assessment payment, an interest rate of 6.0% and the remaining term from the date of sale. The present value of bonds is estimated for Sales 1, 2, 3, 6 and 7, which are then added on a dollar-for-dollar basis to the price per square foot.

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. The comparable sales represented cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

Most of the sales represent arm's-length market transactions with no unusual circumstances or motivations and do not require adjustment for conditions of sale. Sale 8 is an active listing and is adjusted downward to reflect typical buyer negotiations in the market.

Expenditures after Sale

This category includes all costs required after the transaction. No adjustments are required for this element of comparison.

Market Conditions

In evaluating market conditions, changes between the comparable sale dates and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no adjustment is required. Market conditions have generally stabilized and improved for commercial land in the last 18-24 months. Most brokers have reported a modest level of appreciation in land values over the past couple of years. Sale 7 transferred in 2013 and is adjusted slightly upward for the improvement in market conditions since the date of transaction.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

Location

The subject is located at an infill site in West Roseville, in a neighborhood developed mostly with residential uses. Factors considered in evaluating location include, but are not limited to, demographics, growth rates, surrounding uses and property values. The sales are considered to have similar locational characteristics overall and do not warrant adjustment for location.

Visibility / Accessibility

The visibility and accessibility of a property can have a direct impact on property value. For example, if a property is landlocked, this is considered to be an inferior position compared to a property with open accessibility. However, if a property has good visibility or is in proximity to major linkages, this is considered a superior amenity in comparison to a property with limited visibility. The subject property has average visibility/accessibility for a vacant commercial site. Sales 1, 2, 5 and 7 are slightly superior in terms of visibility/accessibility because they are located in areas with high traffic counts and/or highway proximity. Sale 8 is located along a corridor with relatively low traffic and few commercial uses and is adjusted upward.

Land Area

The market generally exhibits an inverse relationship between land area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. For purposes of analysis, comparables with appreciably smaller parcel sizes than the subject are adjusted downward, and the larger comparables are adjusted upward.

Off-site Improvements

The subject property does not currently have all off-site improvements in place; however, as the analysis is based on the hypothetical condition that backbone infrastructure improvements have been completed, off-site improvements are considered to be in a finished state. Most of the comparable sales transferred with off-site improvements in place and do not require adjustments. Comparable 1 will require off-site improvements for access to the site and is adjusted upward.

On-site Improvements

The comparables transferred as raw land or rough graded and do not require adjustments for on-site improvements.

Adjustment Grids

Adjustment grids showing the adjustments required for the comparables are displayed on the following pages, first for the subject's larger commercial parcel and then for the smaller parcel.

ADJUSTMENT GRID – CO-41 (13.16 ACRES)

Elements of Comparison	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8
Price per SF (Unadjusted)		\$10.50	\$14.35	\$8.22	\$12.36	\$11.13	\$10.34	\$9.18	\$7.50
PV of Bonds per SF		\$0.13	\$0.58	\$1.72	\$0.24	\$0.00	\$0.00	\$1.15	\$0.00
Adjustment		<u>\$0.13</u>	<u>\$0.58</u>	<u>\$1.72</u>	<u>\$0.24</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1.15</u>	<u>\$0.00</u>
Adjusted Value		\$10.63	\$14.93	\$9.94	\$12.60	\$11.13	\$10.34	\$10.33	\$7.50
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment									
Financing Terms	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Adjustment									
Conditions of Sale	Market	Market	Market	Market	Market	Market	Market	Market	Listing
Adjustment									↓
Expenditures After Sale	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Market Conditions	Sep-15 (appraisal)	Pending	May-15	Feb-15	Nov-14	Apr-14	Jan-14	May-13	Sep-15
								↑	
Physical Characteristics									
Location	West Roseville	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Visibility / Accessibility	Average	Superior	Superior	Similar	Similar	Superior	Similar	Superior	Inferior
Adjustment		↓	↓			↓		↓	↑↑
Land Area (Acres)	13.16	11.52	1.20	9.56	1.30	5.90	10.46	10.00	3.46
Adjustment		↓	↓↓		↓↓	↓			↓
Off-Site Improvements	Available	Inferior	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		↑							
On-Site Improvements	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Net Adjustment:		↓	↓↓	--	↓↓	↓	--	--	↑
Adjusted Price per SF		< \$10.63	<< \$14.93	≈ \$9.94	<< \$12.60	< \$11.13	≈ \$10.34	≈ \$10.33	> \$7.50
Concluded Value per SF	\$10.00								

Note: "↓" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑" symbol connotes an "Inferior" element of comparison warranting an upward adjustment.

ADJUSTMENT GRID – CO-42 (6.13 ACRES)

Elements of Comparison	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8
Price per SF (Unadjusted)		\$10.50	\$14.35	\$8.22	\$12.36	\$11.13	\$10.34	\$9.18	\$7.50
PV of Bonds per SF		\$0.13	\$0.58	\$1.72	\$0.24	\$0.00	\$0.00	\$1.15	\$0.00
Adjustment		<u>\$0.13</u>	<u>\$0.58</u>	<u>\$1.72</u>	<u>\$0.24</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1.15</u>	<u>\$0.00</u>
Adjusted Value		\$10.63	\$14.93	\$9.94	\$12.60	\$11.13	\$10.34	\$10.33	\$7.50
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment									
Financing Terms	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Adjustment									
Conditions of Sale	Market	Market	Market	Market	Market	Market	Market	Market	Listing
Adjustment									↓
Expenditures After Sale	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Market Conditions	Sep-15 (appraisal)	Pending	May-15	Feb-15	Nov-14	Apr-14	Jan-14	May-13	Sep-15
								↑	
Physical Characteristics									
Location	West Roseville	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Visibility / Accessibility	Average	Superior	Superior	Similar	Similar	Superior	Similar	Superior	Inferior
Adjustment		↓	↓			↓		↓	↑↑
Land Area (Acres)	6.13	11.52	1.20	9.56	1.30	5.90	10.46	10.00	3.46
Adjustment		↑	↓	↑	↓		↑	↑	
Off-Site Improvements	Available	Inferior	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		↑							
On-Site Improvements	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment									
Net Adjustment:		↑	↓	↑	↓	↓	↑	↑	↑
Adjusted Price per SF		> \$10.63	<< \$14.93	> \$9.94	< \$12.60	< \$11.13	> \$10.34	> \$10.33	> \$7.50
Concluded Value per SF		\$12.00							

Note: "↓" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑" symbol connotes an "Inferior" element of comparison warranting an upward adjustment.

Market Value Conclusion – Commercial Land

The adjustment grids on the preceding pages illustrate the qualitative adjustments applied to the market data in order to equate with the subject. After accounting for bonds, the data set reflects an unadjusted range of \$7.50 to \$14.93 per square foot of land area.

Based on the analysis of comparable sales, we have concluded a market value of \$10.00 per square foot of land area for the larger commercial parcel (CO-41) and a market value of \$12.00 per square foot for the smaller commercial parcel (CO-42). Applying these unit indicators to the subject's parcels results in the following estimates of market value via the sales comparison approach:

Parcel	Land Area (Acres)	Land Area (Square Feet)		Conclusion (psf)		Value Conclusion	Rounded
CO-41	13.16	573,250	x	\$10.00	=	\$5,732,496	\$5,730,000
CO-42	<u>6.13</u>	267,023	x	\$12.00	=	\$3,204,274	<u>\$3,200,000</u>
Total	19.29						\$8,930,000

OFFICE LAND VALUATION

The subject property includes one parcel (5.54 acres) designated for office use (CO-31). We will employ the sales comparison approach to estimate the market value of this parcel. In the application of this approach, the market value of the subject parcel will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

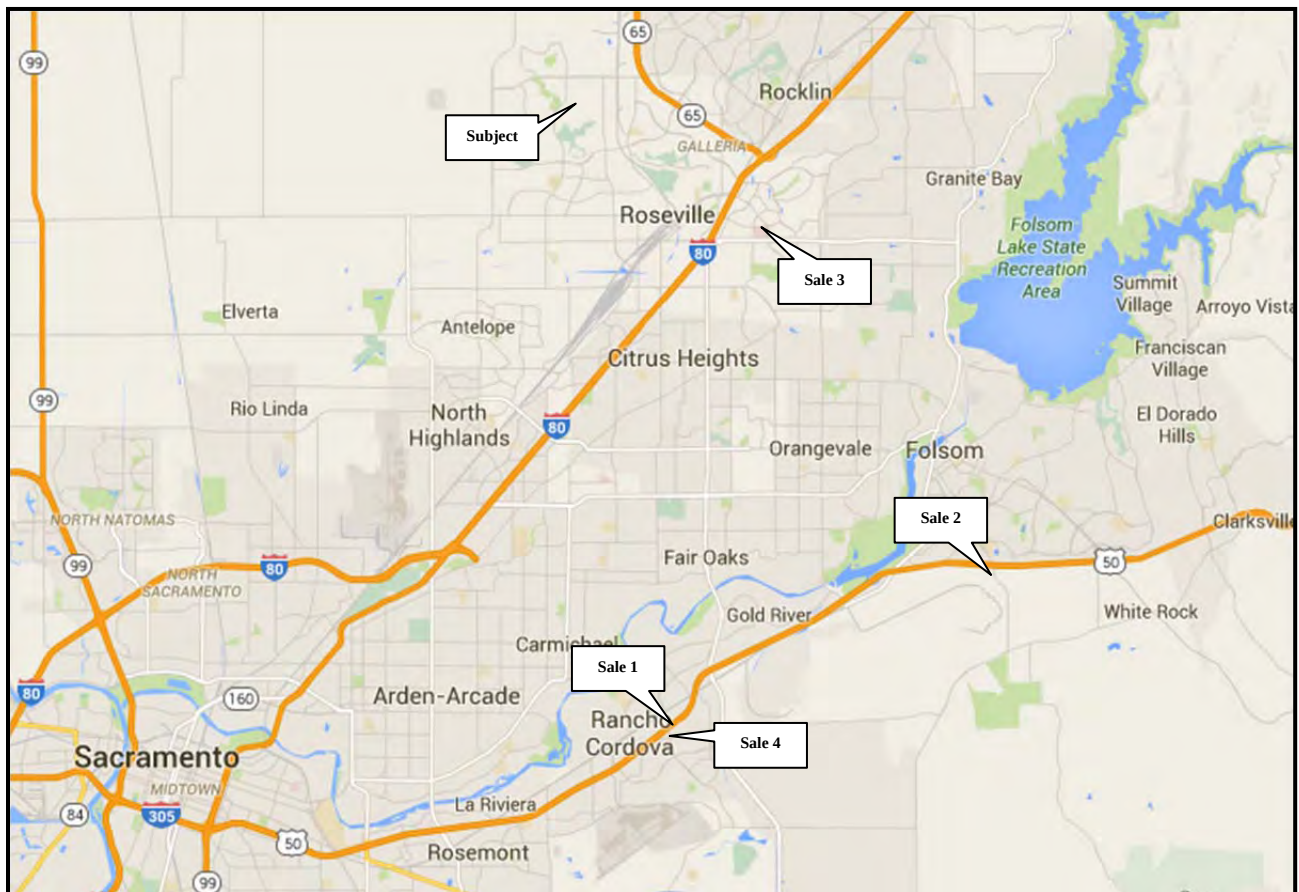
In this analysis, we searched various sources to gather relevant data. We searched for data in our internal database, CoStar Property, Loopnet (for closed sales and active listings), and the Multiple Listing Service (MLS). We confirmed details of the transactions with parties directly involved (e.g. brokers, buyers/sellers) and/or public records.

On the following pages, we will present and analyze several properties for comparison to the subject's office parcel. We will begin by presenting a summary tabulation and location map, followed by detailed sales sheets, a discussion of necessary adjustments, and our conclusions of market value via this approach.

OFFICE LAND SALES SUMMARY

Sale No.	Location	Sale Date	Sale Price	Land Area (Acre/SF)	Sale Price/SF	PV of Bonds/SF	Zoning
1	Zinfandel Drive Rancho Cordova, Sacramento County APN: 072-2360-001	Mar-15	\$3,978,000	14.05 612,018	\$6.50	\$0.00	BP
2	Prairie City Road, south of Willard Folsom, Sacramento County APN: 072-0010-061	Mar-14	\$1,280,000	2.80 121,968	\$10.49	\$0.00	BP
3	1513-1521 Eureka Rd Roseville, Placer County APN: 048-010-067, -070	May-13	\$1,950,000	5.69 247,856	\$7.87	\$0.32	CC/SA-NE
4	10700 White Rock Drive Rancho Cordova, Sacramento County APN: 072-0690-101	Listing	\$1,646,568	4.20 182,952	\$9.00	\$0.00	OPMU

OFFICE LAND SALES MAP



Source: Google Maps

Office Land

Zinfandel Drive
Rancho Cordova, CA 95670
Sacramento County

APN: 072-2360-001

Grantor
 Grantee
 Sale Date
 Deed Book Page
 Property Rights
 Conditions of Sale
 Financing Terms
 Sale Price
 PV of Bonds

Elliott Homes, Inc.
3300 Zinfandel, LLC
03/10/2015
20150310-793
Fee Simple
Buyer Motivation
Cash Equivalent
\$3,978,000

- Land Area (SF)
- Land Area (Acres)
- Zoning
- Shape
- Corner Orientation
- Street Frontage
- Topography
- Off-Site Improvements
- On-Site Improvements

612,018
14.05
BP, Business Professional
Generally rectangular
No
Zinfandel Drive
Generally level
All to site
None

Sale Price per SF
PV Bonds per SF

\$6.50
\$0.00

The buyer acquired this property to satisfy parking requirements for an adjacent office building it was purchasing concurrently. The buyer already had a tenant in place for the office building and would not have been able to purchase the office building without this parcel. Thus, there was buyer motivation involved in the transaction.

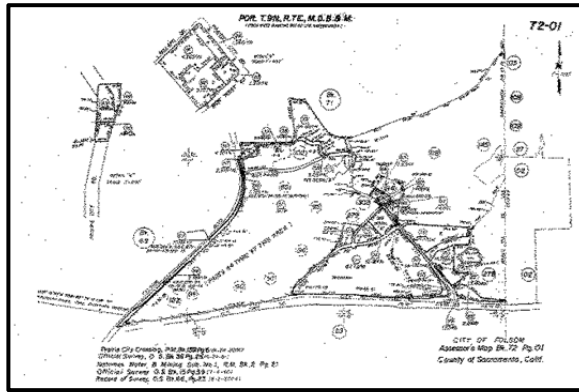
OFFICE LAND SALE 2

Property Identification

Office Land

Prairie City Road, south of Willard
Folsom, CA 95630
Sacramento County

APN: 072-0010-061



Sale Data

Grantor	Robert Gilreath
Grantee	Shamrock Holdings LLC
Sale Date	03/20/2014
Deed Book Page	201403200491
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,280,000
PV of Bonds	

Land Data

Land Area (SF)	121,968
Land Area (Acres)	2.80
Zoning	BP, Business Professional
Shape	Irregular
Corner Orientation	No
Street Frontage	Along Prairie City Road
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

Indicators

Sale Price per SF	\$10.49
PV Bonds per SF	\$0.00

Remarks

This comparable represents the sale of 2.8 acres of office land in Folsom. The property has all off-site improvements in place with the exception of sidewalks.

APN: 048-010-067, -070

The northern parcel has power lines running over it, but this could be used for parking. The listing agent reported that there is significant lava rock that would need removal for development, at an estimated cost of \$1 psf of total land area. The buyer plans to hold for future office development. This is an REO sale that is at market pricing.

247,856
5.69
CC/SA/NE, Community Commercial, NE Roseville
Flag-shaped
No
Eureka, Rocky Ridge
Level to rolling
All to site
Power lines

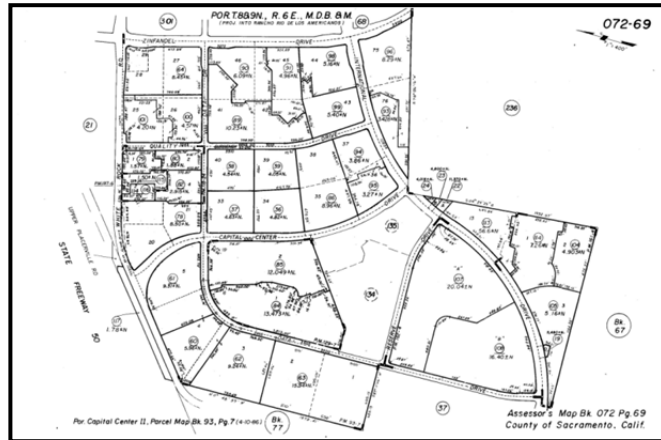
\$7.87
\$0.32

OFFICE LAND SALE 4

Property Identification

10700 White Rock Drive
Rancho Cordova, CA 95670
Sacramento County

APN: 072-0690-101



Sale Data

Grantor	MBJL Holdings LLC
Grantee	Listing
Sale Date	Listing
Deed Book Page	Listing
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,646,568
PV of Bonds	\$0

Land Data

Land Area (SF)	182,952
Land Area (Acres)	4.20
Zoning	OPMU – Office Professional Mixed Use
Shape	Irregular
Corner Orientation	Yes
Street Frontage	White Rock Road, Quality Drive
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

Indicators

Sale Price per SF	\$9.00
PV Bonds per SF	\$0.00

Remarks

This property represents an active listing for office land in Rancho Cordova.

Discussion of Adjustments

A detailed analysis involving each of the adjustment factors is presented below.

Present Value of Bonds

One of the comparables has special assessment obligations relating to bonds. The present value amount is based on the annual assessment payment, an interest rate of 6.0% and the remaining term from the date of sale. The present value of bonds is estimated for Sale 3, which is then added to the price per square foot on a dollar-for-dollar basis.

Property Rights Conveyed

All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

The comparable sales represented cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Sale 1 included an element of buyer motivation and, as such, is adjusted downward. Sale 2 represents an arm's-length market transaction with no unusual circumstances or motivations and does not require adjustment for conditions of sale. Sale 3 was an REO transaction but appears to have sold at market so does not warrant adjustment. Sale 4 is an active listing and is adjusted downward to reflect typical buyer negotiations in the market.

Expenditures after Sale

This category includes all costs required after the transaction. No adjustments are required for this element of comparison.

Market Conditions

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no adjustment is required. Market conditions have generally stabilized and improved for commercial land in the last 18-24 months. While development is still generally not financially feasible unless in certain build-to-suit deals, most brokers have reported a stabilization in land values over the past few years. No adjustments are warranted, as the sales analyzed transferred between May 2013 and March 2015.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

Location

The subject represents an infill location located in the western portion of the city of Roseville. Factors considered in evaluating location include, but are not limited to, demographics, growth rates, surrounding uses and property values. Sales 2 and 3 are located within commercial corridors with better synergy of retail and/or office uses, and are adjusted downward for their superior locations. Sales 1 and 4 have similar locational characteristics and do not warrant adjustment in this category.

Visibility / Accessibility

The subject property has average visibility/accessibility for a vacant office site. The comparable sales are considered to have similar visibility/accessibility to the subject warranting no adjustments in this category.

Land Area

The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. For purposes of analysis, comparables with appreciably larger (Sale 1) parcel sizes than the subject are adjusted upward while smaller parcels (Sale 2) are adjusted downward.

Off-site Improvements

The subject property does not currently have all off-site improvements in place; however, as the analysis is based upon the hypothetical condition that backbone infrastructure improvements have been completed, off-site improvements are considered to be in a finished state. All of the comparable sales transferred with offsite improvements in place and no adjustments are applied except for Sale 2 which is adjusted upward for partial completion of off-site improvements.

Site Utility

Differences in shape, topography, drainage or soil conditions can affect the utility and, therefore, the market value of undeveloped land. Sale 3 has rock at the site which will require removal for development. As such, the site utility of Sale 3 is considered inferior to that of the subject and is adjusted upward.

Adjustment Grids

An adjustment grid showing the adjustments required for the comparables is displayed on the following page.

ADJUSTMENT GRID – CO-31

Elements of Comparison	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Price per SF (Unadjusted)		\$6.50	\$10.49	\$7.87	\$9.00
PV of Bonds per SF		\$0.00	\$0.00	\$0.32	\$0.00
<i>Adjustment</i>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.32</u>	<u>\$0.00</u>
Adjusted Value		\$6.50	\$10.49	\$8.19	\$9.00
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<i>Adjustment</i>					
Financing Terms	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
<i>Adjustment</i>					
Conditions of Sale	Market	Buyer Mot.	Market	REO/Mkt	Listing
<i>Adjustment</i>		↓			↓
Expenditures After Sale	None	Similar	Similar	Similar	Similar
<i>Adjustment</i>					
Market Conditions	Sep-15 (appraisal)	Mar-15	Mar-14	May-13	Sep-15
Physical Characteristics					
Location	West Roseville	Similar	Superior	Superior	Similar
<i>Adjustment</i>			↓	↓	
Visibility / Accessibility	Average	Similar	Similar	Similar	Similar
<i>Adjustment</i>					
Land Area (Acres)	5.54	14.05	2.80	5.69	4.20
<i>Adjustment</i>		↑↑	↓		
Off-Site Improvements	Available	Similar	Partial	Similar	Similar
<i>Adjustment</i>			↑		
Site Utility	Average	Similar	Similar	Inferior	Similar
<i>Adjustment</i>				↑	
Net Adjustment:		↑	↓	--	↓
Adjusted Price per SF		> \$6.50	< \$10.49	≈ \$8.19	< \$9.00
Concluded Value per SF		\$8.00			

Note: "↓" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑" symbol connotes an "Inferior" element of comparison warranting an upward

Market Value Conclusion – Office Land

The adjustment grid on the preceding page illustrates the qualitative adjustments applied to the market data in order to equate with the subject. After accounting for bonds, the data set reflects an unadjusted range of \$6.50 to \$10.49 per square foot of land area.

Based on the analysis of comparable sales, we have concluded a market value of \$8.00 per square foot of land area for the subject's office parcel (CO-31). Applying this unit indicator to the subject parcel results in the following estimate of market value via the sales comparison approach:

Parcel	Land Area (Acres)	Land Area (Square Feet)		Conclusion (psf)		Value Conclusion	Rounded
CO-31	5.54	241,322	x	\$8.00	=	\$1,930,579	\$1,930,000

MULTIFAMILY LAND VALUATION (INCOME RESTRICTED)

The subject property has a multifamily site that is subject to affordable housing restrictions. Parcel CO-21 is approved for 125 rental units, and will include 38 “very low income” units and 87 market rate units.

In the analysis of this large lot parcel, we will utilize the extraction technique. This technique considers the market value assuming completion of construction and stabilized occupancy of a for-rent apartment community, and then reduces that value by the direct costs, indirect costs and developer’s profit for the construction of the project. The result of this analysis represents an estimate of the residual value for the subject property, subject to the hypothetical condition that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.

Valuation at Completion of Construction/Stabilized Occupancy

For income-producing real estate, the future earning power of the property is widely regarded as the single most critical element affecting its value. Hence, the income capitalization approach is often deemed to be the most meaningful indication of value.

We will exclusively apply the direct capitalization method of the income capitalization approach. Direct capitalization converts an estimate of a single year’s net operating income into an indication of value in one direct step. This step is accomplished either by dividing the income estimate by the relevant income rate (an overall capitalization rate), or by multiplying the income estimate by a proper factor (such as a gross, effective gross or net income multiplier). We will handle direct capitalization by using an overall rate, as opposed to a multiplier.

The components of the direct capitalization method are tabulated as follows and discussed below:

- Potential Gross Income
- Vacancy and Collection Loss
- Operating Expenses
- Overall Capitalization Rate

Potential Gross Income

The potential gross income of the subject property consists of market and restricted rent. According to an apartment market research report (2nd Quarter 2015) prepared by Colliers International, the current average rent achieved in the Roseville/Rocklin submarket is \$1,228 per unit per month. According to the City of Roseville Housing Division, the income-restricted units have stipulated rents as shown on the following page.

	50% Very Low	80% Low	100% Moderate
1.5 persons 1 bedroom	1 bedroom	1 bedroom	1 bedroom
Income	\$28,625	\$45,800	\$57,250
Gross Rent	\$716	\$1,145	\$1,431
3 persons 2 bedroom	2 bedroom	2 bedroom	2 bedroom
Income	\$32,200	\$51,520	\$64,400
Gross Rent	\$805	\$1,288	\$1,610
4.5 persons 3 bedroom	3 bedroom	3 bedroom	3 bedroom
Income	\$37,200	\$59,520	\$74,400
Gross Rent	\$930	\$1,488	\$1,860
6 persons 4 bedroom	4 bedroom	4 bedroom	4 bedroom
Income	\$41,500	\$66,400	\$83,000
Gross Rent	\$1,038	\$1,660	\$2,075

For the purposes of analysis, it is assumed that an average floor plan within a proposed project would contain two bedrooms (most likely a combination of one-bedroom, two-bedroom and three-bedroom units, but an average overall size of two bedrooms). As such, the respective rent level for the two-bedroom category per the table above is \$805 per unit per month for the very low income level. We will apply a rent conclusion (\$1,228 per unit on average for the Roseville/Rocklin area, which is generally similar to two-bedroom rent levels being achieved by projects in West Roseville) to the market rate units, but the restricted rent of \$805 to the very low income units.

Vacancy & Collection Loss

According to the Colliers report, the average vacancy in the Roseville/Rocklin submarket is currently about 3.7%, indicating a strong market. With a minor allowance given for collection loss, we conclude a vacancy/collection loss figure of 5% in our analysis.

Operating Expenses

Typical operating expense ratios for multifamily properties in South Placer County range from 30% to 40% of effective gross income. We will utilize an operating expense ratio of 35% in our analysis.

Capitalization Rate

Based upon our market observations of capitalization rates for new multifamily product in South Placer County, we will utilize a cap rate of 5.50% for Parcel CO-21 accounts for the associated risk of the affordable unit requirements.

Values at Stabilized Occupancy

Given the discussion above, our value conclusion for the site assuming completion of construction and stabilized occupancy is shown below.

PARCEL CO-21

POTENTIAL GROSS INCOME CALCULATION				
<u>Income</u>	<u>No. of Units</u>	<u>Rent per Month</u>	<u>Monthly Income</u>	<u>Annual Income</u>
Very low income	38	\$805	\$30,590	\$367,080
Market Rate	<u>87</u>	\$1,228	\$106,836	<u>\$1,282,032</u>
Total Potential Gross Income	125			\$1,649,112
VACANCY AND COLLECTION LOSS	@	5%		<u>(\$82,456)</u>
EFFECTIVE GROSS INCOME				\$1,566,656
OPERATING EXPENSES	@	35%	of EGI	<u>(\$548,330)</u>
NET OPERATING INCOME				\$1,018,327
OVERALL CAPITALIZATION RATE				5.50%
CONCLUSION OF VALUE				\$ 18,515,030
				Rd. \$ 18,520,000

Construction Cost Estimate

The next step in the extraction technique is to estimate typical costs associated with the construction of apartment complexes. In developing the cost estimate, we will rely on the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation. Further, the comparative-unit method will be employed in order to derive replacement costs for the subject's improvements.

The significant factors to address when considering the comparative-unit method are:

- Direct and Indirect Costs
- Accrued Depreciation
- Developer's Overhead and Profit

These components will be presented on the following pages and then reconciled at the end of this section.

Before going any further in this analysis, it is imperative to discuss what is included and what is not included in the cost indicator. These items, as stated verbatim in the Residential Cost Handbook, are tabulated as follows:

Included in the Costs

1. In the Calculator Section, the actual costs used are final costs to the owner and will include average architects and engineers fees. These, in turn, include plans, plan check and building permits, and survey to establish building lines and grades.
2. Normal interest on only the actual building funds during period of construction and processing fee for service charges is included. Typically, this will average half of the going rate over the time period plus the service fee.
3. All material and labor costs include all appropriate local, state and federal sales or GSE taxes, etc.
4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only.
5. Utilities from structure to lot line figured for typical setback except where noted in some Unit-in-Place cost sections (mobile homes).
6. Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc., are included.

Not Included in the Costs

1. Costs of buying or assembling land such as escrow fees, legal fees, property taxes, right of way costs, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs.
2. Piling or hillside foundations are priced separately in the manual and are considered an improvement to the land. This also refers to soil compaction and vibration, terracing, etc.

3. Costs of land planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developer's overhead and profit are not included, nor is interest or taxes on the land, feasibility studies, certificate of need, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.
4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead for fixture and equipment purchases, etc.
5. Yard improvements including septic systems, signs, landscaping, paving, walls, yard lighting, pool or other recreation facilities, etc.
6. Off-site costs including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc.
7. Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.
8. Marketing costs to create first occupancy including model or advertising expenses, leasing or broker's commissions, temporary operation of property owners' association, fill-up or membership sales costs and fees.

The cost indicators applicable to the subject property are calculated as follows:

Buildings (Good Quality)	
Base cost (psf)*	\$82.00
Roofing adjustment (concrete tile)	+\$ 5.94
Subfloor adjustment (concrete slab)	-\$ 3.49
Floor cover adjustment (allowance)	+\$ 4.71
Floor insulation adjustment (moderate)	+\$ 1.29
Current multiplier	x 0.98
Local multiplier	x 1.15
Indicated replacement cost (psf)	\$101.94

*The base cost calculation assumes 12 units per building, on average, 1,100 square foot average unit size

In addition, exterior stairwells are assumed at four stairwells per building (\$3,000 per stairwell), as well as appliances (\$3,000 per unit).

Cost factors must also be considered for a swimming pool and clubhouse (assumed for a typical apartment project in West Roseville) and site improvements. According to the cost budgets for comparable developments, the pool is estimated to cost a total of \$40,000, and a typical clubhouse would likely cost about \$100,000. The site cost estimate includes site paving, parking and landscaping. Generally, site improvement costs range between \$4.00 to \$8.00 per square foot. A site

cost estimate towards the middle of the range, or \$6.00 per square foot, appears reasonable, given the topography/configuration of the sites.

In addition to the above costs, additional indirect cost items (appraisal fee, loan fee, construction interest, contingency, etc) must be incorporated, and are estimated at about 12% of direct costs.

In addition to the above indirect costs, lease-up costs must also be taken into consideration. These discounts account for the time and expense to lease the subject to a stabilized occupancy level, and consist of 1) rent loss and 2) other rent-up costs. The lease-up cost is based upon the number of vacant units anticipated at completion of construction. Previously, a stabilized vacancy/collection loss rate of 5% was utilized. As such, of the 125 (CO-21) units to be constructed at the subject, approximately 95% are expected to be leased at stabilized occupancy. Prior to completion of construction, it is anticipated that the subject will be able to pre-lease a number of units. Based on the steady demand for rental units in the Roseville market area, it is expected that 40% of the units would be pre-leased.

Based on a survey of comparable projects throughout the region, and considering the specifics of the subject as proposed, it is anticipated the subject could achieve an absorption rate of 15 units per month. Rent loss is calculated based on the average potential gross income per unit achieved at stabilized occupancy.

Other rent-up costs for a project like the subject typically include marketing, advertising and rental concessions. These costs are over and above the marketing costs of a project already at stabilized occupancy. Rent-up costs can be calculated individually, or estimated in bulk. Based on the rent-up reserve expenses reported for new multi-family development within the region, a total rent-up cost of approximately \$1,000 per unit is estimated for the subject. It is noted that rent-up cost is applied to both pre-leased and vacant units, as both would require this expenditure.

The total lease-up cost to be incorporated in the cost analysis is shown in the table on the following page.

LEASE-UP COSTS – PARCEL CO-21

Rent Loss:					
Month 1	69	units @	\$1,099	per mo. =	\$ 75,859
Month 2	54	units @	\$1,099	per mo. =	\$ 59,368
Month 3	39	units @	\$1,099	per mo. =	\$ 42,877
Month 4	24	units @	\$1,099	per mo. =	\$ 26,386
Month 5	9	units @	\$1,099	per mo. =	<u>\$ 9,895</u>
Total Rent Loss					\$ 214,385
Other Rent-Up Costs					<u>\$ 125,000</u>
Total Lease Up Costs					\$ 339,385

Accrued Depreciation

Not applicable. The subject buildings would not be expected to suffer from any physical deterioration, functional obsolescence or external obsolescence at completion.

Developer's Incentive

According to industry sources, developer's incentive (overhead and profit) historically has ranged anywhere from 8% to 15% in the region. For purposes of our analysis, we have utilized a developer's incentive of 10%.

Conclusion

Considering the components discussed on the previous pages, the estimated construction cost for a multifamily residential development is detailed on the following page.

CONSTRUCTION COST ESTIMATE – PARCEL CO-21

MARSHALL & SWIFT COST INDICATORS					
Buildings	137,500	SF	@	\$101.94 / SF =	\$ 14,016,750
Exterior Stairways	42	flights	@	\$ 3,000 / flight =	\$ 126,000
Appliances	125	units	@	\$ 3,000 / unit =	\$ 375,000
Swimming Pool					\$ 40,000
Clubhouse					\$ 100,000
Site Improvements	217,800	SF	@	\$ 6.00 / SF =	\$ 1,306,800
Total Direct Costs					\$ 15,964,550
INDIRECT COSTS (EXCLUSIVE OF LEASE-UP COSTS)			@	12% of direct	\$ 1,915,746
LEASE-UP COSTS					\$ 339,385
Total Indirect Costs					\$ 2,255,131
Total Direct and Indirect Costs					\$ 18,219,681
DEVELOPER'S INCENTIVE			@ 10%		\$ 1,821,968
Total Project Costs					\$ 20,041,649
TOTAL PROJECT COSTS					(Rd.) \$ 20,040,000

Conclusions of Value

Using the income approach to value, we estimated the value of the subject property as a for-rent apartment community, assuming completion of construction and stabilized occupancy. With reference to the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall & Swift Corporation, total project costs (direct costs, indirect costs and developer's profit) were also estimated. Thus, our final conclusion of value for the subject parcel with income restrictions, via the extraction method, is as follows:

PARCEL CO-21	
Value Assuming Completion & Stabilized	\$18,520,000
Less: Total Costs To Construct	<u>(\$20,040,000)</u>
Land Value	(\$1,520,000)
Or:	\$0

If the subject apartment site was able to be developed with market-rate housing, it is our opinion multifamily development would be financially feasible and maximally productive. However, Parcel CO-21 has restrictive affordable housing requirements as a result of the very low income rent levels. Given apartment construction costs, combined with the restrictions on the rent that can be charged, it is our opinion development of Parcel CO-21 is not financially feasible without the input of grant money, low to no interest rate loans and the like. Therefore, for the purpose of this analysis, we will assign no value contribution to Parcel CO-21. However, there is a cost involved with the sell-off of this site, as will be discussed in the next section.

BULK MARKET VALUE

To this point in the analysis we have estimated the market value of the various components of the subject property, including single family residential lots, commercial land, office land, and multifamily land. In this section of the report we will estimate the bulk market value of the subject property by employing a discounted cash flow analysis. Although the single family residential component lots were previously analyzed on an individual lot basis the actual anticipated state of these components after completion of infrastructure improvements is large lot single family residential parcels. As such, the discounted cash flow analysis accounts for these components as large lot parcels and not individual lots. The bulk market valuation analysis is presented as follows:

Discounted Cash Flow Analysis

A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

The four main components of a discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income derived from the disposition of the subject’s land components.
- **Absorption Analysis** – the time frame required to sell-off the components. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off of the components are calculated in this section – including administration, marketing and commission costs and property taxes.
- **Discount Rate** – the appropriate discount rate is derived by employing a variety of data.

Discussions of these four concepts begin below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The revenue portion of this analysis is based on the conclusions of market value of the subject’s various components (unimproved large lot residential parcels, as well as multifamily land and commercial and office land). Our revenue estimate is displayed in the following table.

Large Parcel Designation	Acres	Lot Value	No. of Lots	Revenue
Low Density Residential				
CO-1	6.10	\$122,000	36	\$4,392,000
CO-2	6.21	\$123,250	36	\$4,437,000
CO-3	16.53	\$130,000	64	\$8,320,000
CO-6	8.14	\$122,000	48	\$5,856,000
CO-7	<u>9.78</u>	\$122,000	<u>58</u>	<u>\$7,076,000</u>
Sub-Total	46.76		242	\$30,081,000
Medium Density Residential				
CO-4	8.37	\$91,250	84	\$7,665,000
CO-5 (Market)	4.69	\$95,750	27	\$2,585,250
CO-5 (Affordable)	NA	\$26,000	19	\$494,000
CO-11	4.72	\$98,250	34	\$3,340,500
CO-12	4.88	\$98,250	34	\$3,340,500
CO-13	3.34	\$98,250	24	\$2,358,000
CO-14	4.43	\$95,750	22	\$2,106,500
CO-14	NA	\$91,250	28	\$2,555,000
CO-15	2.62	\$98,250	19	\$1,866,750
CO-16	<u>2.55</u>	\$98,250	<u>19</u>	<u>\$1,866,750</u>
Sub-Total	35.6		310	\$28,178,250
High Density Residential				
CO-22	7.26	\$55,882	119	\$6,650,000
CO-23	5.00	\$55,882	72	\$4,023,529
CO-24a	2.36	\$78,500	40	\$3,140,000
CO-24b	<u>2.36</u>	<u>\$78,500</u>	<u>40</u>	<u>\$3,140,000</u>
Sub-Total	16.98		271	\$16,953,529
Total Residential				\$75,212,779
Commercial				
CO-41	13.16	\$5,730,000	1	\$5,730,000
CO-42	<u>6.13</u>	\$3,200,000	<u>1</u>	<u>\$3,200,000</u>
Sub-Total	19.29		2	\$8,930,000
Office				
CO-31	5.54	\$1,930,000	1	\$1,930,000
MFR				
CO-21	5.00	\$0	1	\$0
Total Revenue:				\$86,072,779

Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the subject's components, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over

a projected absorption period. In light of this, when estimating absorption, it is important to give significant weight to the past experience of parties marketing similar projects for sale.

In attempting to estimate the exposure time required for the disposition of the residential land component of the subject, both the historical exposure times and projected economic conditions have been considered. For any master planned community it is common to segment the product to allow it to appeal to the broadest spectrum of potential users offering a wide range of price points. While there is a correlation between the sell-off of the end product (roof tops) and the sell-off of the land components, the relationship may not be readily apparent. Generally, the higher priced end products are expected to experience slower absorption rates than the lower priced end products, which are driven by the size of the respective buying pools. Thus, you could sell two land use components that will not compete with each other, due to product and price point differences, at similar times in the development process without jeopardizing absorption. A master developer's goal, and the goal of any respective builder, would be to avoid saturating the market with product. By the use of segmenting the range of product and diversifying the type of product, a development can maximize the return to the land by hastening the disposition time necessary to sell off the land.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject property. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

In light of the relative strength of the residential market in the West Roseville area and the subject's site features (proximity to transportation and nearby services), it is anticipated the disposition of the residential land could occur over a 18-month time period. It is noted that we do not estimate an exact sequencing of absorption of the residential parcels, given that such an attempt would be considered highly speculative. As such, we average the revenues for each revenue component over the respective absorption periods.

It is noted that while the subject includes high density residential components, as discussed earlier in this report, Parcel CO-21 is determined to have no value. However, this parcel is subject to direct levy charges. For the purposes of this analysis, it is assumed the parcel would be sold during the final period of the analysis.

The subject also includes parcels planned for commercial and office uses. The current owner reports strong interest as it relates to the commercial components of the property. We know statistically that

there is an overall imbalance in the supply and demand characteristics in the area for retail/commercial space. Based on the subject's specific site characteristics as an infill location we have concluded a near term use for the commercial parcels. In contrast the portion of the property designated for office use, although less associated with the completion and sale of a portion of the single-family homes as an implication of demand, is anticipated to transact during the final period due to current insufficient demand for that parcel's designated use.

Market conditions in the area have been experiencing recovery in some segments as discussed throughout this report. Consequently, it is appropriate to consider an appreciation rate for the land components during the absorption period. In light of current and past economic conditions, an appreciation rate of 5% per year will be applied to the revenue components in this analysis.

Expenses

Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases (as workers become less willing to accept lower pay as more sources of work become available). General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue (not including future growth reimbursements). Property tax expenses are trended upward, as will be discussed in a later section.

General and Administrative Expenses

General and administrative expenses would include management of project entitlements and Community Facilities District financing, as well as coordination with others. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. For purposes of this analysis, we have estimated this expense at 2.0% of revenue, which is spread evenly over the sell-off period.

Marketing and Sale

Based on the total revenue, we have estimated an expense of 2.0% for sales, which is within market parameters. For the sell-off of residential parcels (Units) to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

Property Taxes and Assessments

Ad valorem real estate taxes are estimated based on a 1.10888% tax rate applied to the estimated market value, in bulk, conclusion, which is then allocated between the residential lots, commercial acreages, and multifamily parcels. As the lots and land are sold, taxes are reduced on a pro-rata basis in the analysis. Ad valorem tax estimates are appreciated at a rate of 2.0% per year.

The annual total maximum Special Tax payments by revenue component, as provided by the bond administrator, have also been accounted for; however, as there are 18 months of planned capitalized interest no deductions are noted for Special Taxes.

Remaining Development Cost

As previously noted, the estimated costs for spinal infrastructure, as prepared by Economic & Planning Systems, Inc. (EPS), is \$19,900,000. Reportedly the projected construction fund amount from this bond issuance is \$19,900,000. Thus, the construction funds are projected to cover 100% of the spinal infrastructure improvement costs.

Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for new home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey¹³, discount rates for land development projects ranged from 10.0% to 20.0%, with an average of 15.9% during the Second Quarter 2015, which is down 85 basis points from the Fourth Quarter 2014 (16.75%); the land survey is completed semi-annually. These rates are free-and-clear of financing, are inclusive of developer’s profit, and assume entitlements are in place. Without entitlements in place, the PwC survey indicates certain investors increase the discount rate between 100 and 800 basis points, with an average of 400 basis points. It’s worth noting this range is significantly lower than previous surveys, which reflected a range between 400 and 1,500 basis points, and an average increase of 1,040 basis points, indicative of the strengthening land development market.

¹³ PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2015, Volume 28, Number 2.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below:

Of the four main property types covered in our Survey, three of them are expected to positively move along the real estate cycle, shifting mainly into either expansion or recovery, which will provide development opportunities. The one exception is the national multifamily sector, where many metros are expected to move into contraction by year-end 2015... Over the next 12 months, all investor participants expect one foresee development land values to increase. Appreciation ranges up to 15.0% and averages 5.2% - up quite a bit from six months ago (3.6%) and double from a year ago (2.6%). No surveyed investors expect property value declines in the national development land market over the next 12 months. (Second Quarter 2015)

Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Expected appreciation ranges up to 15.0% and average 5.0%. (Fourth Quarter 2014)

As both the U.S. economy and the commercial real estate (CRE) industry's fundamentals show continued signs of improvement, interest in CRE development has picked up across each main property sector – office, retail, industrial, apartments, and lodging. As a result, certain investors in the national development land market are looking to acquire new parcels, finish entitling owned tracts, and/or convert parcels into readied sites... For the first time in quite a while, our surveyed investors are unanimous in their expectations that values for development land will increase over the next 12 months... Appreciation ranges up to 10.0% and averages 3.6% – up quite a bit from six months ago when the average was 2.6%. (Second Quarter 2014)

Survey results suggest that investors anticipate commercial real estate (CRE) fundamentals to continue to improve, opening up diverse development land opportunities across all property types... The outlook for development improved for the second straight year. In addition, and perhaps more importantly, the average outlook for development is considered “fair” – an improvement from two years ago when the average outlook was “modestly poor...” The improvement in the development outlook does not mean that the CRE industry will be flooded with new supply in the near future and that vast opportunities exist for development land investors. “Some markets still have a significant inventory of land with entitlements and some with partial infrastructure that will move forward with development first, so we still need to be patient,” says an investor, who suggests looking for opportunities in metros where sustainable job growth exists. Another strategizes to “find the right land location and then wait for buyers to show up.” (Fourth Quarter 2013)

Improvements to the U.S. housing market and domestic economy have sparked increased interest in commercial real estate (CRE) development as many investors note that a growing number of developers are talking about and planning new projects. “The market is certainly improving in specific areas and specific submarkets,” says an investor. Nevertheless, patience is a key word among many development land investors since the recovery in the CRE industry is occurring very slowly in many areas. “It’s all about timing, and you need to be in the right market at the right time,” shares another. (Second Quarter 2013)

Although there are signs of improvements in this property sector, investors stress that it mostly relates to the amount of activity rather than improvements in pricing. “It is still a buyers’ market,” says a participant. For now, some development land investors advise owners to “hold onto their land and wait for markets to really come back...” A growing interest in new development caused both the average and high and low ranges of the discount rate to decline for the national land development market over the past six months. (Fourth Quarter 2012)

Information from a developing in-house database of project yield rates is presented in the table on the following page:

Data Source	Yield/ IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Second Quarter 2015 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.90%, inclusive of profit and assuming entitlements in place, for land development (national average)
Josh Roden - Meritage (2013)	20% to 25% for entitled lots
Jeb Elmore - Lewis Operating Corp (2013)	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
Greg Ackerman - Pulte (2010)	18% minimum, 20% target
Chris Downey - Hon Development	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Gary Gorian - Dale Poe Development	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
David Pitts - Newhall Land and Farming	20% to 30% IRR for land development deals on an unleveraged basis
Mark Palkowitsh - MSP California, LLC	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Rick Nieman - GFC	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled
Lin Stinson - Providence Realty Group	Low 20% range yield rate required to attract capital to longer-term land holdings
Dan Boyd - ESE Land Company	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Tulare Windmill Ventures, LLC	10% discount rate excluding profit for single-family subdivisions
David Jacobsen - Ridgecrest Homes	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Mike Grant - Premier Homes	15% to 20% IRR
Lyle McCullogh - California Pacific Homes	No less than 20% IRR for land development, either entitled or unentitled
Roy Robertson - Ekotec	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Gordon MacKenzie - Brookfield Development	No less than 30% when typical entitlement risk exists

There are several attributes associated with the subject property that we consider in our selection of a discount rate, including (but not necessarily limited to):

- Location within the West Roseville area, which is one of the most desirable communities for new home construction and new home purchases in the Sacramento region
- Entitlement status of the subject property as large lot parcels as opposed to tentative or final mapped lots.
- Completion of backbone infrastructure
- Recent momentum in bulk lot purchases by regional and/or national builders in the West Roseville area, although the subject property represents large lot parcels.

As the yield rate specific to the development represents a discount factor for a buyer to assume the current owner's position, which is for selling off the large lot parcels, the rate is slightly lower than would be otherwise warranted by the risks associated with further entitlement work and developing the site to finished lots. There is risk associated with estimating the timing that the subject components will be sold off, especially when the market is transitioning from declining to expansion. In addition, there is risk associated with unforeseen factors such as broad economic declines and job losses. Considering these factors, and the positive and negative characteristics previously described, we estimate an internal rate of return (IRR) of **14%**.

Conclusion

The discounted cash flow analysis is presented on the following page, the results of which reflect the bulk market value of the subject property.

SUBDIVISION DEVELOPMENT METHOD

ASSUMPTIONS

Revenue Table			Ad Valorem Tax Table		
Number of SFR Large Lot Parcels	17	Number of Commercial Parcels:	2	Annual Increase in Property Taxes	2%
Total SFR Revenue	\$75,212,779	Commercial Acreage	19.29	First Year Annual Taxes per Residential Parcel	\$40,542
Total SFR Revenue per Large Lot	\$4,424,281	Total Commercial Revenue	\$8,930,000	First Year Annual Taxes per Commercial Acre	\$4,559
		Commercial Revenue per Acre	\$462,934	First Year Annual Taxes per Office Acre	\$3,561
Number of Office Parcels	1			First Year Annual Taxes per Multifamily Parcel	\$17,806
Office Acreage	5.54	Number of MFR (Afford.) Parcels:	1	General Conditions	
Total Office Revenue	\$1,930,000	Total MFR (Afford.) Revenue	\$0	Revenue Appreciation (annual)	5%
Office Revenue per Acre	\$348,375			General & Administrative	2.0%
				Marketing and Commissions	2.0%
Special Tax Table					
Special Taxes (residential parcels)	\$80,357 per large lot per year		2% max. escalation		
Special Taxes (commercial parcels)	\$6,300 per acre per year		2% max. escalation		
Special Taxes (office parcels)	\$6,300 per acre per year		2% max. escalation		
Special Taxes (MFR)	\$31,500 per year (based on \$6,300 per acre)		2% max. escalation		
Existing Special Taxes	\$442 per acre per year				

REVENUE, EXPENSES AND VALUATION

SFR REVENUE	6-month period	1	2	3	4	5	6	Total
Sales (large lot parcels):		6	6	5	0	0	0	17
End of Period Inventory		11	5	0	0	0	0	
Total Period Inventory		17	11	5	0	0	0	
SFR Revenue Unappreciated		\$ 26,545,687	\$ 26,545,687	\$ 22,121,406	\$ -	\$ -	\$ -	\$ 75,212,779
SFR Revenue Appreciated		\$ 26,545,687	\$ 27,209,329	\$ 23,780,511	\$ -	\$ -	\$ -	\$ 77,535,527
COMMERCIAL REVENUE								
Sales (acres)		0.00	0.00	0.00	13.16	6.13	0.00	19.29
End of Period Inventory		19.29	19.29	19.29	6.13	0.00	0.00	
Total Period Inventory (acres)		19.29	19.29	19.29	19.29	6.13	0.00	
Total Period Inventory (parcels)		2	2	2	2	1	0	
Commercial Revenue Unappreciated		\$ -	\$ -	\$ -	\$ 6,092,214	\$ 2,837,786	\$ -	\$ 8,930,000
Commercial Revenue Appreciated		\$ -	\$ -	\$ -	\$ 6,701,435	\$ 3,192,510	\$ -	\$ 9,893,945
OFFICE REVENUE								
Sales (acres)		0.00	0.00	0.00	0.00	0.00	5.54	5.54
End of Period Inventory		5.54	5.54	5.54	5.54	5.54	0.00	
Total Period Inventory (acres)		5.54	5.54	5.54	5.54	5.54	5.54	
Total Period Inventory (parcels)		1	1	1	1	1	0	
Office Revenue Unappreciated		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,930,000	\$ 1,930,000
Office Revenue Appreciated		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,219,500	\$ 2,219,500
MFR REVENUE								
Sales (parcels)		0	0	0	0	0	1	1
End of Period Inventory		1	1	1	1	1	0	
Total Period Inventory (parcels)		1	1	1	1	1	1	
MFR Revenue Unappreciated		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MFR Revenue Appreciated		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE		\$ 26,545,687	\$ 27,209,329	\$ 23,780,511	\$ 6,701,435	\$ 3,192,510	\$ 2,219,500	\$ 89,648,972
EXPENSES	All Categories							
General & Administrative		\$ (298,830)	\$ (298,830)	\$ (298,830)	\$ (298,830)	\$ (298,830)	\$ (298,830)	\$ (1,792,979)
Marketing/Commissions		\$ (530,914)	\$ (544,187)	\$ (475,610)	\$ (134,029)	\$ (63,850)	\$ (44,390)	\$ (1,792,979)
Ad Valorem Taxes (Residential Parcels)		\$ (344,604)	\$ (222,979)	\$ (103,381)	\$ -	\$ -	\$ -	\$ (670,965)
Ad Valorem Taxes (Commercial Only)		\$ (43,973)	\$ (43,973)	\$ (44,853)	\$ (44,853)	\$ (14,533)	\$ -	\$ (192,185)
Ad Valorem Taxes (Office Only)		\$ (9,864)	\$ (9,864)	\$ (10,062)	\$ (10,062)	\$ (10,259)	\$ (10,259)	\$ (60,371)
Ad Valorem Taxes (MFR Only)		\$ (8,903)	\$ (8,903)	\$ (9,081)	\$ (9,081)	\$ (9,259)	\$ (9,259)	\$ (54,486)
Special Taxes (residential parcels)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Taxes (commercial parcels)		\$ -	\$ -	\$ -	\$ (61,979)	\$ (20,082)	\$ -	\$ (82,061)
Special Taxes (office parcels)		\$ -	\$ -	\$ -	\$ (17,800)	\$ (18,149)	\$ (18,149)	\$ (54,098)
Special Taxes (MFR)		\$ -	\$ -	\$ -	\$ (16,065)	\$ (16,380)	\$ (16,380)	\$ (48,825)
Existing Special Taxes		\$ (28,570)	\$ (20,816)	\$ (13,061)	\$ (6,598)	\$ (3,687)	\$ (2,331)	\$ (75,064)
Remaining Development Cost		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES		\$ (1,265,659)	\$ (1,149,552)	\$ (954,878)	\$ (599,296)	\$ (455,029)	\$ (399,599)	\$ (4,824,013)
NET INCOME		\$ 25,280,028	\$ 26,059,777	\$ 22,825,633	\$ 6,102,138	\$ 2,737,480	\$ 1,819,901	\$ 84,824,958
INTERNAL RATE OF RETURN @ 14.00%		0.93659	0.87719	0.82157	0.76947	0.72067	0.67497	
DISCOUNTED CASH FLOW		\$ 23,676,915	\$ 22,859,453	\$ 18,752,776	\$ 4,695,397	\$ 1,972,826	\$ 1,228,382	\$ 73,185,750
NET PRESENT VALUE		\$ 73,185,750						
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)								\$ 73,190,000

FINAL CONCLUSION OF BULK VALUE

As a result of our analysis, it is our opinion the bulk value of the subject property, in accordance with the general assumptions and limiting conditions set forth herein (pages 7 through 10), and based on an effective date of value of September 23, 2015, which was our date of inspection, is as follows:

SEVENTY THREE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS

\$73,190,000

*The market value conclusions noted above are subject to the Extraordinary Assumptions and Significant Factors, as well as the General Assumptions and Limiting Conditions referenced on pages 7 through 10 of this report. The market value estimated herein is based on a **hypothetical condition** that the backbone infrastructure improvements financed by proceeds from the District Bonds have been completed.*

EXPOSURE TIME & MARKETING TIME

Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with the market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends.

Exposure Time

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Appendix.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The housing market has entered a growth stage for the past few years. A transfer of residential land in the region has typically occurred within 12 months of exposure. It is estimated the exposure time for the subject property, if appropriately priced, would have been within 12 months of initial exposure.

Marketing Time

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.

APPENDIX

A – ABSORPTION STUDY

the gregory group

Campus Oaks
Prepared for City of Roseville

Roseville, California

October, 2015

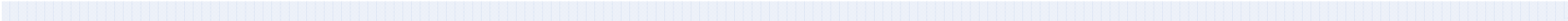


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Objective

This analysis was prepared by The Gregory Group, a market research firm that specializes in providing information and consulting services to the building industry. The Gregory Group provides quarterly market analysis for the nation, the state of California and the MSAs of California; compiles a quarterly new-home database for MSA's within the State of California and performs consulting and feasibility analysis throughout the western United States.

The Gregory Group was commissioned by the City of Roseville to perform this Market Assessment related to Campus Oaks. The primary objective of this analysis was to provide conclusions related to product, pricing and absorption for the eight development types at the Campus Oaks community based on current market conditions within the city of Roseville, Placer County and the Sacramento region.

Campus Oaks is located south of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard and directly to the west of the current Hewlett-Packard, Cokeva and Sutter Health Facilities. The project is planned to include a 948 units (including 125 apartment units that are not a part of this analysis) on 104.33 residential acres (a residential density of 9.1 units per acre). The project also includes office, retail and tech/business park space as well as parks, open spaces and walking trails.

Contact Information

Greg Paquin, President and Rik Osmer, Consultant, conducted the analysis and developed conclusions. Follow-up questions can be directed to:

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Rik Osmer at 949.247.8852 or rosmer@thegregorygroup.com

Executive Summary

General Conclusions

- Given the overall strength in the economy and the generally agreed upon prognosis of a continuation in growth, there is becoming clear evidence that housing is finally on secure footing. While some parts of the country have been experiencing growth for some time (i.e. Silicon Valley, Irvine, etc.), greater affordability is causing growth to accelerate to more inland parts of the state. **2015 is experiencing an acceleration in new-home sales activity and those communities that are well positioned and well designed, will produce greater success than average traditional subdivisions. Furthermore, with growth forecast for future housing activity in Sacramento; new-home development at the beginning of the current upward cycle provides an excellent opportunity to take advantage of a rising market.**
- Campus Oaks offers a highly desirable location, a superior and well-designed land plan and a community with a variety of lot sizes and home sizes incorporated with gently varying terrain and consumer segments. Campus Oaks is centrally located and close to job centers and the **integration of the subject project within the greater community and the connectivity and easy access to the walking trails, surrounding businesses, employment, open space and parks will provide for a superior living environment. This combination of factors sets the subject property apart from much of the current development in the area and creates a niche opportunity that offers a marketing environment with very little direct competition.**
- There has been a lot of talk about millennials and their lack of interest and ability to purchase housing. Given the sheer size of the generation (23 year olds are the largest age group in the nation), their engagement for the health of the housing market is vital. While the younger generations have fundamentally changed in some ways (marrying and having children at a later age, etc.), their commitment to housing (and suburban housing and urban living in suburban markets) does not seem to be waning. In fact, it is believed by economists, demographers and housing experts alike, that the millennials will begin to re-engage in the housing market in 2015 and into 2016. **This will provide an opportunity for generation X and baby-boomers to sell their current homes and move into newer housing.**
- There is also increasing evidence that the San Francisco buyer is re-engaging in the Sacramento housing market. It has generally started with the 55+ aged buyer selling a home with a significant amount of equity and looking in areas like El Dorado Hills and Rocklin, but it is believed that this trend will trickle-down to a greater diversity of buyers especially as the Sacramento job market continues to improve and wages continue to increase.

- Finally, it appears that the headwinds that housing (and the economy) have been facing for several years now are finally shifting into tail winds. Good economic growth, job growth and wage increases (the key drivers to housing along with household formations) are growing at the fastest pace since the recession. **With strong housing growth and solid pricing growth projected for Sacramento, there is enough evidence to finally say that 2015 will be the transition to a healthy and vibrant housing market.**

Roseville

- The Sacramento new-home market began 2014 with strong sales and continuing price increases but moderated in the second half of the year. **But December brought a new dynamic to the industry as sales agents began to report strong traffic levels coupled with a superior quality of traffic which ultimately translated into increasing sales. Q1/2015 resulted in 1,036 sales (a 52.4% increase from the previous year) and Q2/2015 resulted in 1,096 sales; a half year total of 2,132 sales. Half way through 2015, new-home sales are up 44% and have the potential to increase 56% for the year.**
- Placer County (and the city of Roseville) continues to be one of the more desirable and popular communities within Sacramento. A great diversity of housing that includes small-lot, large-lot and custom homes and traditional subdivisions as well as infill developments appeals to a wide range of buyers and price points. New-home projects within Roseville have the ability to attract a wide range of potential buyers including first-time buyers, move-up buyers and move-down, empty-nester and retiree buyers.
- The majority of new-home development within Roseville has moved east of Highway 65 and north of Interstate 80 and even further to areas that are west of Fiddymont Road; in fact, there are only four projects within the areas to the east of Fiddymont Road and thirteen projects to the west.
- **It is believed that the subject project offers a tremendous opportunity for success as an infill project with easy ingress-egress, access throughout the community, office, retail and commercial uses and a built-in buyer base of residents within older residential homes and those that work at the adjacent HP facility. Furthermore, local buyers will have the option of remaining within the area that they have lived in for many years with the ability to purchase new housing.**
- There is a greater emphasis on providing higher density in suburban housing markets (“urban living in suburban communities”). Given the substantial shifting demographics (increasing numbers of aging baby-boomers and younger millennials) it is projected that there will be an increased demand for move-down, empty-nester and retiree housing and for entry-level, affordable, first-time and first-time move-up housing. **Campus Oaks meets this demand by providing smaller lot attached and detached housing (five product types situated on lots sized at less than 4,000 square feet) and more traditional housing that can offer age-targeted housing (on 5,000 to 6,600 square foot lots).**

- As the cost of housing increases, buyers are asking for more from their communities. Communities that offer greater planning and integration of housing, terrain, trees, open space, walking trails and parks and superior product offerings that include (superior product designs, features and amenities, etc.) have the greatest opportunity to meet with superior sales and pricing success. **It is believed that Campus Oaks has the potential to price and absorb at the upper end of competing new-home communities in the subject market area.**
- The specific project pricing for the subject project is at the top of the competitive projects and most directly comparable to the four projects located in the Primary Market Area (east of Fiddymont Road). This is believed to be the optimal positioning based on the competitive developments including lot size, product type, land plan and location. In addition, the subject project is position toward the top of the existing home sales in the market place.

Campus Oaks Home Pricing

Based on a review of the Roseville competitive marketplace, the tables on the following two pages outline our pricing and absorption. The base pricing is net of any incentives and the absorption is based on sales per week. **It is believed that the pricing and absorption recommendations are viable and appropriate when considering the Primary and Secondary Market Areas and especially given the following factors:**

- **The overall plan of the Campus Oaks project; this includes the infill location that is next to major employment, existing and future retail, office and light industrial uses and the integration of thoroughfares, parks, open space, walking and biking trails and recreation.**
- **A lack of existing and future new-home product within the sought-after Primary Market Area.**
- **The expectation of an overall superior community (especially as compared to traditional subdivision, master planned communities) including infrastructure, land planning, homes design and quality of construction.**
- **Overall housing market conditions that continue to improve within the Sacramento region, Placer County and the city of Roseville.**
- **A younger and older population that is more diverse, has a greater acceptance of density, is demanding communities that live cleaner, more efficiently, with greater collaboration yet still offer homes that consumers wish to purchase at appropriate prices.**

The recommended pricing and absorption is competitive with new-homes in the Primary Market Area due to a similar housing environment and location, but above new-homes in the Secondary Market Area which offers traditional, subdivision housing. In addition, it is recommended that the project offer a diversity of product types in phases such as the 5,000 square foot lots and the cluster homes, the 5,250 square foot lots and the paseo homes, the 6,600 square foot lots and the row homes.

COMMUNITY DETAILS			PRODUCT SUMMARY						RECOMMENDATIONS									
Community Location	Builder Master Plan		Home Size	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Add-Ons Options/ Upgrades	Premiums	Total Price	Total Price/ Sq. Ft.	Monthly Obligation (Base)		80% 4.00%		Req.
Product Summary	Sales Summary	Mix	(SF)											Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income
Campus Oaks Roseville	BBC Roseville Oaks, LLC	26	1,500	3	2.5	2	2	\$347,000	\$231	\$0	\$0	\$347,000	\$231	\$0	1.09%	0.44%	\$1,767	\$68,403
	Campus Oaks	26	1,650	3/L	2.5	2	2	\$356,000	\$216	\$0	\$0	\$356,000	\$216	\$0	1.09%	0.44%	\$1,813	\$70,178
	Product Type: Single-Family	28	1,800	4	3	2	2	\$363,000	\$202	\$0	\$0	\$363,000	\$202	\$0	1.09%	0.44%	\$1,849	\$71,558
	Total Units: 80																	
	Configuration: Tow nhome (2 Story)																	
	Lot Dimensions: 26 x 50																	
Lot Size/Density: 1,300/17.0																		
Rec. Wkly Abs.: 1.25																		
Totals/Averages:			80	1,650				\$355,333	\$216	\$0	\$0	\$355,333	\$216	\$0	1.09%	0.44%	\$1,810	\$70,046
Campus Oaks Roseville	BBC Roseville Oaks, LLC	47	1,750	3/L	2.5	2	2	\$359,000	\$205	\$0	\$0	\$359,000	\$205	\$0	1.09%	0.42%	\$1,822	\$70,537
	Campus Oaks	47	1,900	4	3.5	3	2	\$368,000	\$194	\$0	\$0	\$368,000	\$194	\$0	1.09%	0.42%	\$1,868	\$72,306
	Product Type: Single-Family	48	2,000	4	3.5	3	2	\$374,000	\$187	\$0	\$0	\$374,000	\$187	\$0	1.09%	0.42%	\$1,898	\$73,485
	Total Units: 191	49	2,150	4/D	3.5	3	2	\$383,000	\$178	\$0	\$0	\$383,000	\$178	\$0	1.09%	0.42%	\$1,944	\$75,253
	Configuration: Tow nhome (2/3 Story)																	
	Lot Dimensions: 21 x 50																	
Lot Size/Density: 1,050/15.6																		
Rec. Wkly Abs.: 1.25																		
Totals/Averages:			191	1,950				\$371,000	\$191	\$0	\$0	\$371,000	\$191	\$0	1.09%	0.42%	\$1,883	\$72,895
Campus Oaks Roseville	BBC Roseville Oaks, LLC	32	1,800	4	3	2	2	\$392,000	\$218	\$0	\$0	\$392,000	\$218	\$0	1.09%	0.50%	\$2,016	\$78,033
	Campus Oaks	32	1,900	4	3	2	2	\$398,000	\$209	\$0	\$0	\$398,000	\$209	\$0	1.09%	0.50%	\$2,047	\$79,227
	Product Type: Single-Family	32	2,100	4/L	3	2	2	\$432,000	\$206	\$0	\$0	\$432,000	\$206	\$0	1.09%	0.50%	\$2,222	\$85,995
	Total Units: 96																	
	Configuration: Cluster (Green)																	
	Lot Dimensions: 30 x 60/55 x 60																	
Lot Size/Density: 1,800-3,300/10.5																		
Rec. Wkly Abs.: 1.25																		
Totals/Averages:			96	1,933				\$407,333	\$211	\$0	\$0	\$407,333	\$211	\$0	1.09%	0.50%	\$2,095	\$81,085
Campus Oaks Roseville	BBC Roseville Oaks, LLC	28	1,450	3	2.5	2	2	\$380,000	\$262	\$0	\$0	\$380,000	\$262	\$0	1.09%	0.52%	\$1,960	\$75,889
	Campus Oaks	28	1,650	3/L	2.5	2	2	\$392,000	\$238	\$0	\$0	\$392,000	\$238	\$0	1.09%	0.52%	\$2,022	\$78,286
	Product Type: Single-Family	28	1,900	4	2.5	2	2	\$407,000	\$214	\$0	\$0	\$407,000	\$214	\$0	1.09%	0.52%	\$2,100	\$81,281
	Total Units: 84																	
	Configuration: Paseo (Stub)																	
	Lot Dimensions: 40 x 60																	
Lot Size/Density: 2,400/10.0																		
Rec. Wkly Abs.: 1.25																		
Totals/Averages:			84	1,667				\$393,000	\$238	\$0	\$0	\$393,000	\$238	\$0	1.09%	0.52%	\$2,028	\$78,486
Campus Oaks Roseville	BBC Roseville Oaks, LLC	32	2,200	4	3	2	2	\$445,000	\$202	\$0	\$0	\$445,000	\$202	\$0	1.09%	0.50%	\$2,288	\$88,583
	Campus Oaks	32	2,400	4/L	3	2	2	\$457,000	\$190	\$0	\$0	\$457,000	\$190	\$0	1.09%	0.50%	\$2,350	\$90,972
	Product Type: Single-Family	33	2,600	4/B	3	2	2	\$469,000	\$180	\$0	\$0	\$469,000	\$180	\$0	1.09%	0.50%	\$2,412	\$93,361
	Total Units: 130	33	3,150	4/B	3	2	2	\$501,000	\$159	\$0	\$0	\$501,000	\$159	\$0	1.09%	0.50%	\$2,576	\$99,731
	Configuration: Row (Alley)																	
	Lot Dimensions: 38 x 100																	
Lot Size/Density: 3,800/7.2																		
Rec. Wkly Abs.: 1.00																		
Totals/Averages:			130	2,588				\$468,000	\$183	\$0	\$0	\$468,000	\$183	\$0	1.09%	0.50%	\$2,407	\$93,162

The larger sized homes that are situated on larger lots (5,000, 5,250 and 6,600 square foot lots) are priced more aggressively than the smaller sized lots in the Campus Oaks community and the comparable traditional standard sized lots located further to the east. **This higher pricing position is based on several factors including:**

- **A lack of current and future larger sized lots in the Primary Market Area.**
- **An superior infill location.**
- **A smaller number of units being offered.**
- **The anticipated superior product.**
- **A comparison to the existing home sale communities in the Diamond Creek planned Community and the JMC Homes project Vianza; both of these communities offer a similar location and product type (at between 10 and 15 years old) and it is recommended that the subject project can be positioned higher.**

Community Details				Product Summary					Recommendations														
Community	Builder				Home				Base		Current Add-Ons		Total	Monthly Obligation (Base)			80%						
Location	Master Plan				Size				Base	Price/	Options/	Total	Price/	Monthly	Base	Add	4.00%	Req.					
Product Summary	Sales Summary	Mix	(SF)	Bed	Bath	Levels	Gar	Price	Sq. Ft.	Upgrades	Premiums	Price	Sq. Ft.	HOA	Tax	Tax	Mo. Pmt	Income					
	Campus Oaks	BBC Roseville Oaks, LLC					35	2,400	4	3	2	2	\$514,000	\$214	\$0	\$0	\$514,000	\$214	\$0	1.09%	0.53%	\$2,656	\$102,816
	Roseville	Campus Oaks					35	2,600	4/L	3	2	2	\$526,000	\$202	\$0	\$0	\$526,000	\$202	\$0	1.09%	0.53%	\$2,718	\$105,217
	Product Type:	Single-Family	Total Units:	142		36	2,800	5/B	3	2	2	\$538,000	\$192	\$0	\$0	\$538,000	\$192	\$0	1.09%	0.53%	\$2,780	\$107,617	
	Configuration:	Traditional			36	3,000	5/B	3	2	2	\$550,000	\$183	\$0	\$0	\$550,000	\$183	\$0	1.09%	0.53%	\$2,842	\$110,017		
	Lot Dimensions:	50 x 100																					
	Lot Size/Density:	5,000/5.9																					
	Rec. Wkly Abs.:	1.00																					
Totals/Averages:		142	2,700					\$532,000	\$198	\$0	\$0	\$532,000	\$198	\$0	1.09%	0.53%	\$2,749	\$106,417					
	Campus Oaks	BBC Roseville Oaks, LLC					12	2,800	4/B	3.5	2	3T	\$553,000	\$198	\$0	\$0	\$553,000	\$198	\$0	1.09%	0.50%	\$2,844	\$110,082
	Roseville	Campus Oaks					12	3,050	5/B	3	2	3T	\$568,000	\$186	\$0	\$0	\$568,000	\$186	\$0	1.09%	0.50%	\$2,921	\$113,068
	Product Type:	Single-Family	Total Units:	36		12	3,300	5/B	3	2	3T	\$583,000	\$177	\$0	\$0	\$583,000	\$177	\$0	1.09%	0.50%	\$2,998	\$116,054	
	Configuration:	Traditional				(2800;Master Dow n)																	
	Lot Dimensions:	50 x 105																					
	Lot Size/Density:	5,250/5.8																					
	Rec. Wkly Abs.:	1.00																					
Totals/Averages:		36	3,050					\$568,000	\$187	\$0	\$0	\$568,000	\$187	\$0	1.09%	0.50%	\$2,921	\$113,068					
	Campus Oaks	BBC Roseville Oaks, LLC					21	3,300	4/D/B	4	2	3	\$730,000	\$221	\$0	\$0	\$730,000	\$221	\$0	1.09%	0.37%	\$3,675	\$142,255
	Roseville	Campus Oaks					21	3,700	4/D/B	4	2	3	\$753,000	\$204	\$0	\$0	\$753,000	\$204	\$0	1.09%	0.37%	\$3,791	\$146,737
	Product Type:	Single-Family	Total Units:	64		22	4,200	4/D/B	4	2	3	\$782,000	\$186	\$0	\$0	\$782,000	\$186	\$0	1.09%	0.37%	\$3,937	\$152,388	
	Configuration:	Traditional				(3700: Guest Suite)																	
	Lot Dimensions:	60 x 110																					
	Lot Size/Density:	6,600/3.9																					
	Rec. Wkly Abs.:	1.00																					
Totals/Averages:		64	3,733					\$755,000	\$204	\$0	\$0	\$755,000	\$204	\$0	1.09%	0.37%	\$3,801	\$147,127					

Absorption Analysis

The absorption analysis is based on information provided by the developer which includes when the projects will open for sale based on the location within the community, infrastructure development, grading schedules, marketing considerations and anticipated market conditions. Furthermore, it is believed that there can be several different projects selling within each product type and these projects can be by different builders (i.e. there may be two different projects selling on 5,000 square foot lots at the same time but by different home builders).

In conclusion, it is believed that the subject project can absorb an average of 1.13 units per week for all eight product offerings over the marketing life of the development given the pricing (with home sizes ranging from 1,450 to 4,200 square feet and base prices range from \$347,000 to \$782,000).

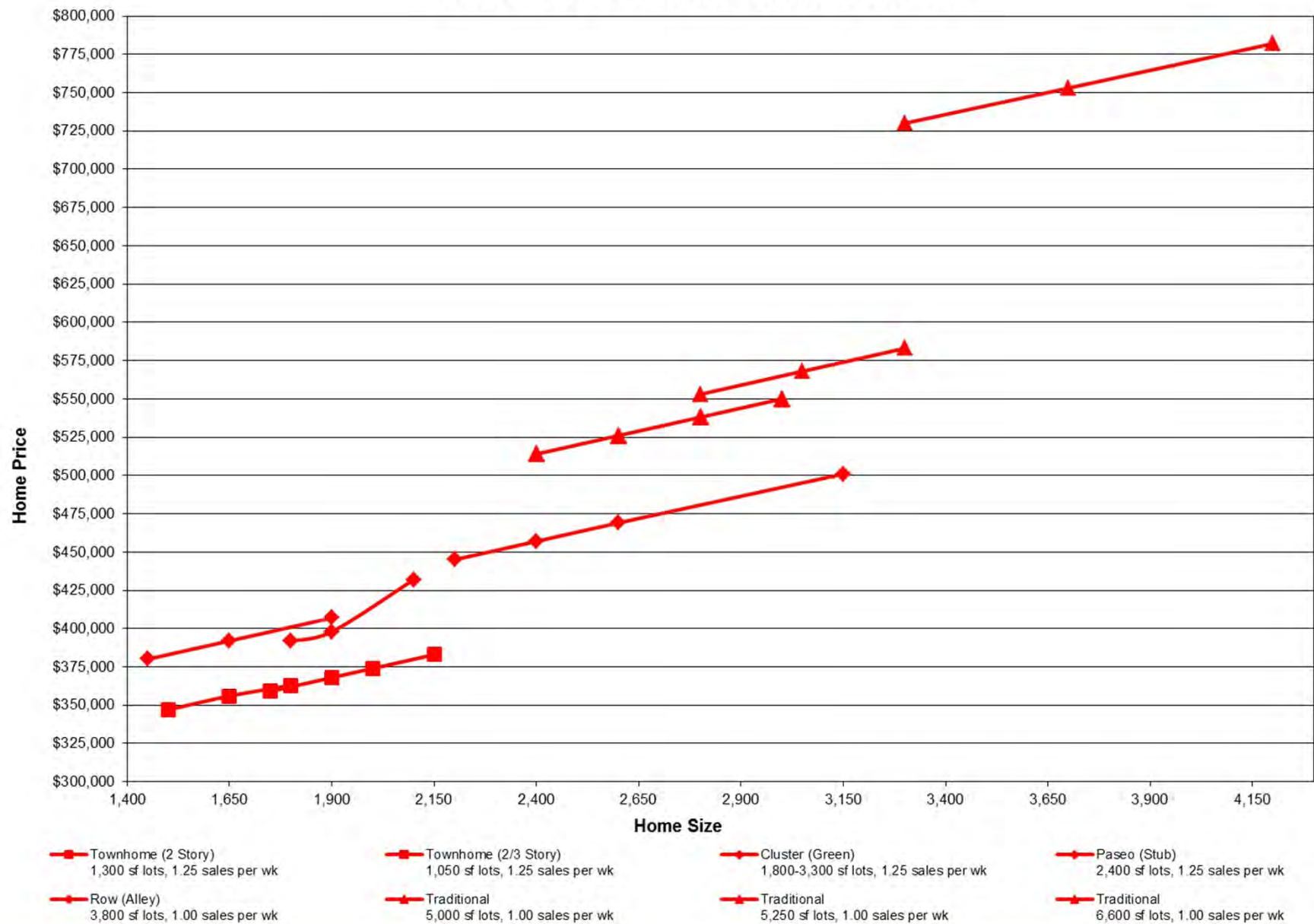
The years to absorb the production homes is estimated to be 3.17 years given the following absorption schedule.

Product Type	Lot Size/ Density	Total Number of Units	Recommended Absorption	Units Sold Per Year			
				2016	2017	2018	2019
Campus Oaks/Tow nhome	1,300/17.0	80	1.25	0	20	50	10
Campus Oaks/Tow nhome	1,050/15.6	191	1.25	20	60	79	32
Campus Oaks/Cluster	1,800-3,300/10.5	96	1.25	20	51	25	0
Campus Oaks/Paseo	2,400/10.0	84	1.25	20	60	4	0
Campus Oaks/Row	3,800/7.2	130	1.00	32	74	24	0
Campus Oaks/Traditional	5,000/5.9	142	1.00	0	48	74	20
Campus Oaks/Traditional	5,250/5.8	36	1.00	0	0	24	12
Campus Oaks/Traditional	6,600/3.9	64	1.00	0	0	24	40
Total Units:		823		92	313	304	114

Years to Absorb Production Homes:	3.17

Project Pricing Position

SUBJECT DEVELOPMENT PRICING POSITION



Community Summary Table

						INVENTORY SUMMARY					SALES SUMMARY OVERALL 3 MONTH		AVERAGE			MONTHLY OBLIGATION			
COMMUNITY	BUILDER	CITY	PRODUCT TYPE	LOT SIZE/ DENSITY	UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSAID RU	HOME SIZE			NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT	
Subject	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Townhome	1,300/17.0	80	0	0	80	0	1.25	--	1,650	\$355,333	\$216	\$0	1.09%	0.44%	\$1,810
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Townhome	1,050/15.6	191	0	0	191	0	1.25	--	1,950	\$371,000	\$191	\$0	1.09%	0.42%	\$1,883
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Cluster	1,800-3,300/10.5	96	0	0	96	0	1.25	--	1,933	\$407,333	\$211	\$0	1.09%	0.50%	\$2,095
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Paseo	2,400/10.0	84	0	0	84	0	1.25	--	1,667	\$393,000	\$238	\$0	1.09%	0.52%	\$2,028
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Row	3,800/7.2	130	0	0	130	0	1.00	--	2,588	\$468,000	\$183	\$0	1.09%	0.50%	\$2,407
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	5,000/5.9	142	0	0	142	0	1.00	--	2,700	\$532,000	\$198	\$0	1.09%	0.53%	\$2,749
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	5,250/5.8	36	0	0	36	0	1.00	--	3,050	\$568,000	\$187	\$0	1.09%	0.50%	\$2,921
Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	6,600/3.9	64	0	0	64	0	1.00	--	3,733	\$755,000	\$204	\$0	1.09%	0.37%	\$3,801	
SUBJECT SITE TOTALS/AVERAGES:					3,388/8.3	823	0	0	823	0	1.13	--	2,409	\$478,519	\$200	\$0	1.09%	0.47%	\$2,462
NH PMA	Eskaton (Age Restricted)	Silverado Homes	Roseville	Single-Family/Traditional	4,000	290	255	255	35	0	0.50	1.85	1,447	\$368,000	\$288	\$354	1.06%	0.57%	\$2,259
	Molly's Walk	Black Pine Communities	Roseville	Single-Family/Small Lot	2,700	84	46	39	45	7	0.27	0.00	1,815	\$354,490	\$199	\$86	1.06%	0.59%	\$1,927
	Paseo Del Norte	K Hovnanian Homes	Roseville	Single-Family/Small Lot	2,475	74	74	70	4	4	0.89	0.62	2,286	\$349,712	\$155	\$104	1.06%	0.18%	\$1,800
	The Village	JMC Homes	Roseville	Single-Family/Traditional	4,275	155	149	145	10	4	0.82	0.85	2,066	\$408,740	\$202	\$116	1.06%	0.34%	\$2,153
NEW-HOME TOTALS/AVERAGES:					3,363	603	524	509	94	15	0.62	0.83	1,963	\$364,992	\$186	\$165	1.06%	0.42%	\$2,035
New-Home (Secondary Market Area)	Aria	KB Home	Roseville	Single-Family/Traditional	4,950	78	74	41	37	33	0.55	0.54	3,092	\$452,875	\$148	\$0	1.06%	0.59%	\$2,352
	Carrington	Lennar Homes	Roseville	Single-Family/Traditional	5,775	65	20	10	55	10	0.53	0.46	2,560	\$468,740	\$186	\$0	1.06%	0.51%	\$2,403
	Legato	KB Home	Roseville	Single-Family/Traditional	7,150	60	39	32	28	7	0.42	0.23	3,357	\$476,714	\$146	\$0	1.06%	0.54%	\$2,455
	Marisol	Lennar Homes	Roseville	Single-Family/Traditional	6,300	146	70	62	84	8	0.65	0.31	2,904	\$498,490	\$174	\$0	1.06%	0.53%	\$2,563
	Merrion Square	Lennar Homes	Roseville	Single-Family/Small Lot	2,508	90	49	43	47	6	0.74	1.77	2,074	\$353,323	\$171	\$94	1.06%	0.33%	\$1,852
	Primrose	Pulte Homes	Roseville	Single-Family/Traditional	4,500	448	142	120	328	22	2.22	3.62	2,859	\$439,390	\$155	\$0	1.06%	0.55%	\$2,267
	Ridgefield	Lennar Homes	Roseville	Single-Family/Traditional	7,350	52	29	21	31	8	1.11	0.46	3,318	\$535,823	\$164	\$0	1.06%	0.44%	\$2,715
	Sierra Commons	Meritage Homes	Roseville	Single-Family/Traditional	6,050	83	50	25	58	25	0.33	0.23	2,754	\$447,950	\$164	\$0	1.06%	0.55%	\$2,311
	Sierra Crossings	Meritage Homes	Roseville	Single-Family/Traditional	6,000	69	40	28	41	12	0.52	0.38	2,366	\$435,450	\$185	\$0	1.06%	0.57%	\$2,254
	Somerville	Lennar Homes	Roseville	Single-Family/Traditional	4,725	50	47	35	15	12	0.49	0.00	2,648	\$432,657	\$164	\$0	1.06%	0.61%	\$2,254
	Taylor Crossing	Lennar Homes	Roseville	Single-Family/Small Lot	2,100	132	108	105	27	3	0.81	0.38	1,423	\$316,240	\$225	\$84	1.06%	0.50%	\$1,702
	The Reserve	JMC Homes	Roseville	Single-Family/Traditional	6,300	75	36	31	44	5	0.46	0.15	3,355	\$551,657	\$168	\$0	1.06%	0.48%	\$2,814
	The Retreat	JMC Homes	Roseville	Single-Family/Traditional	7,700	70	44	36	34	8	0.72	0.77	2,214	\$457,157	\$210	\$0	1.06%	0.58%	\$2,370
NEW-HOME TOTALS/AVERAGES:					5,493	1418	748	589	829	159	0.73	0.72	2,769	\$458,835	\$166	\$14	1.06%	0.52%	\$2,332
						INVENTORY SUMMARY					SALES SUMMARY OVERALL 3 MONTH		AVERAGE			MONTHLY OBLIGATION			
PARAMETERS	DATE RANGE	DOM	YEAR BUILT	LOT SIZE	UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSAID RU	HOME SIZE			NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT	
RESALES	Roseville (PMA)	6/11/15 - 9/11/15	25	1997	6,470	--	--	325	--	--	24.46	--	1,961	\$390,677	\$208	--	--	--	--
	< \$300,000	6/11/15 - 9/11/15	22	1986	4,950	--	--	41	--	--	3.09	--	1,163	\$273,321	\$240	--	--	--	--
	\$300,000 - \$500,000	6/11/15 - 9/11/15	25	1999	6,206	--	--	245	--	--	18.44	--	1,916	\$382,595	\$205	--	--	--	--
	> \$500,000	6/11/15 - 9/11/15	27	2000	9,675	--	--	39	--	--	2.94	--	3,083	\$564,825	\$189	--	--	--	--
	YB 2005+	6/11/15 - 9/11/15	27	2009	4,326	--	--	66	--	--	4.97	--	1,956	\$374,685	\$200	--	--	--	--

Locational Assessment

Sacramento

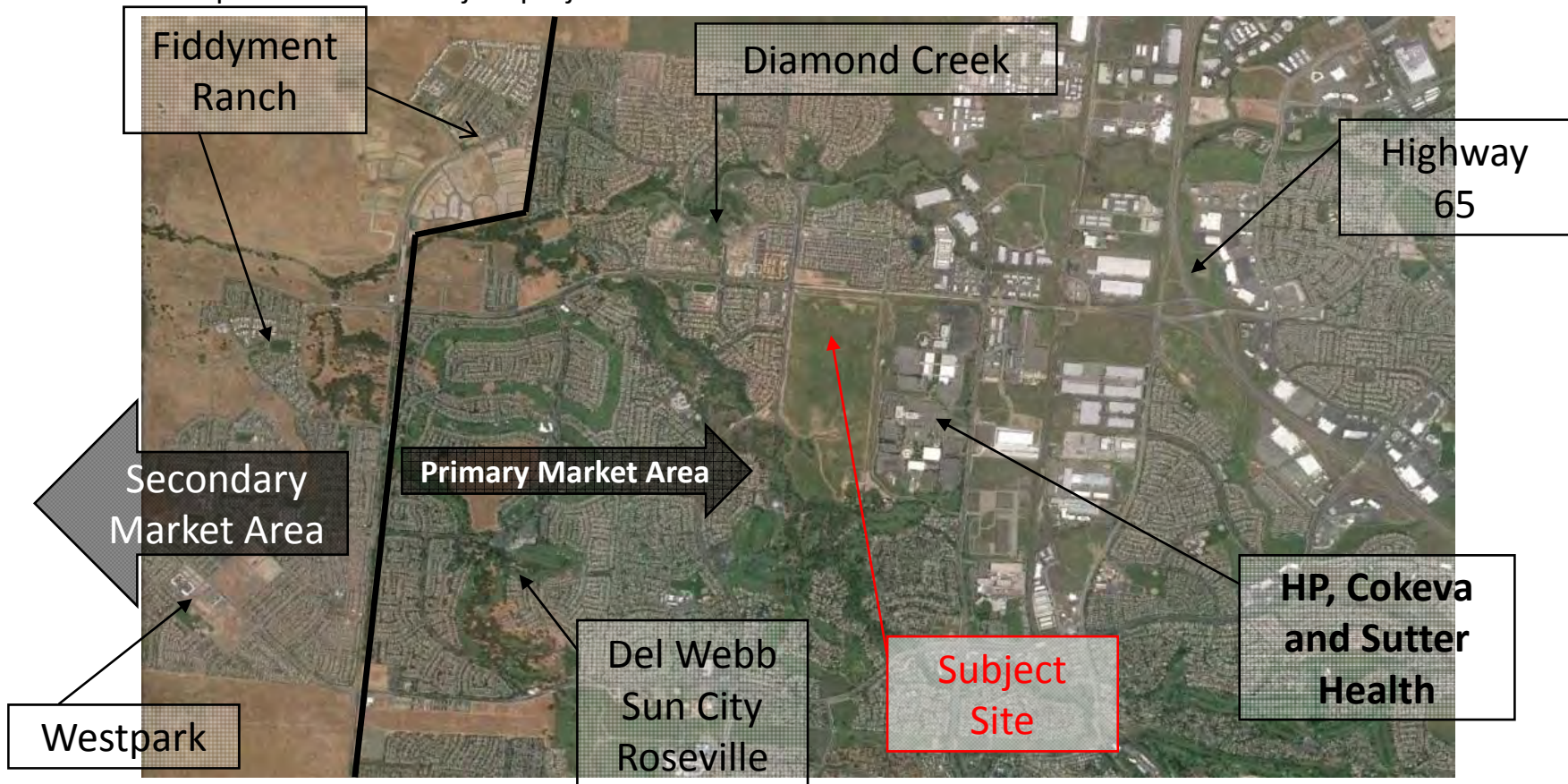
The Sacramento MSA consists of four counties; El Dorado, Placer, Sacramento and Yolo. The MSA is home to 2.215 million residents with Placer County accounting for 367,300 of those residents (16.6%). Placer County is typically one of the fastest growing counties in the state and is considered one of the more desirable places to live in California.

- It is anticipated that **population growth will accelerate in the coming years to greater than 1.0%; with 22,100 new residents in 2015, 24,300 in 2016 and 26,100 people in 2017.**
- Likewise, **job growth is anticipated to accelerate to 2.9% in 2015 and 2.4% in 2016 (25,500 new jobs in 2015 and 22,300 new jobs in 2016).** As a result of increasing job growth, **the unemployment rate in the Sacramento MSA is anticipated to fall to below 5.0% by 2019.**
- More importantly, wages in the Sacramento MSA are approaching a 2.2% increase as of Q2/2015. **This is especially good news considering the lower price of gasoline and an inflation rate that is well below 2.0%.**
- In the coming years, building permits within the Sacramento MSA are anticipated to increase significantly and exceed levels not seen since before the recession. **Building permit growth from 2015 through 2017 is anticipated to be very strong; growth rates of 42.7% (5,586 permits), 18.1% (6,595 permits) and 18.2% (7,798 permits) respectively.**



Roseville

To best analyze the subject project, the market area is segmented into two distinct market areas; the Primary Market Area (generally east of Fiddymont Road and north of Interstate 80) and the Secondary Market Area (generally west of Fiddymont Road). The Primary Market Area includes an area that is nearly fully developed, is closer to job centers and has a more diverse demographic spectrum. These attributes, along with many site specific features and amenities, enhances the uniqueness of the subject project.



The Secondary Market Area includes the majority of new residential development in the Roseville and Placer County area. Most of these homes are situated in large master planned communities, offer traditional suburban housing and are a relatively long distance from services, conveniences, entertainment and employment. In total, there are currently seventeen new-home, for-sale projects in both the Primary Market Area (four projects) and the Secondary Market Area (thirteen projects).

Campus Oaks

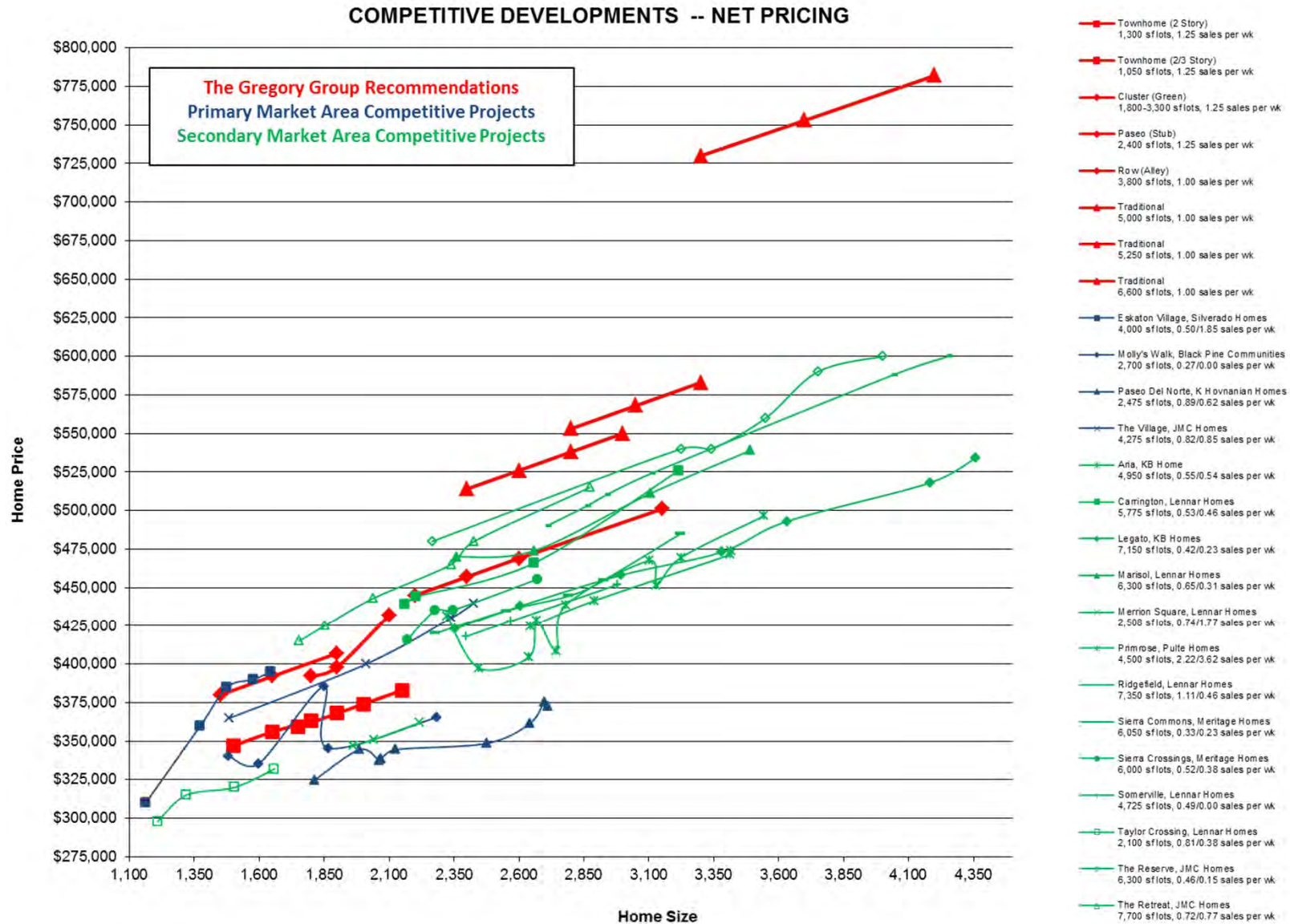
The Subject Project is planned to include 948 units on 104.33 residential acres (a residential density of 9.1 units per acre). The project also includes office, retail and tech/business park (a total of 57.7 acres) as well as parks, open spaces/walking trails and public uses (72.5 acres). Residential uses accounts for 44% of the developable acreage and the office, retail and industrial uses account for 25%.

- The site offers a broad range of product types that are well suited for the diversity of the current demographics in the market area. These uses include attached homes, small lot detached homes (in cluster, paseo and alley configurations) and traditional detached on standard sized lots.
- The Subject Property is centrally located in the city of Roseville and unlike most of the current development further to the west, is closer to a variety of job centers. **In fact, it is estimated that the combined HP, Sutter Health, Cokeva and Save Mart facilities (adjacent to the Campus Oaks site) generate a 6,000 daytime population.** Furthermore, with HP centralizing some of its work force from the Bay Area to Sacramento and the addition of a new FBI facility, the daytime population is estimated to increase to 10,000 daytime employees in the coming years.
- This makes Campus Oaks unique; **it will be integrated with the current commercial, office and retail as well as the future commercial development at the Campus Oaks project.** This connectivity allows for easily accessible walking trails to surrounding businesses, employment, open space and parks within the community.
- **This combination of being closer to job centers as well as offering connectivity within the community sets the Subject Property apart from the majority of current development in the Sacramento Region.**

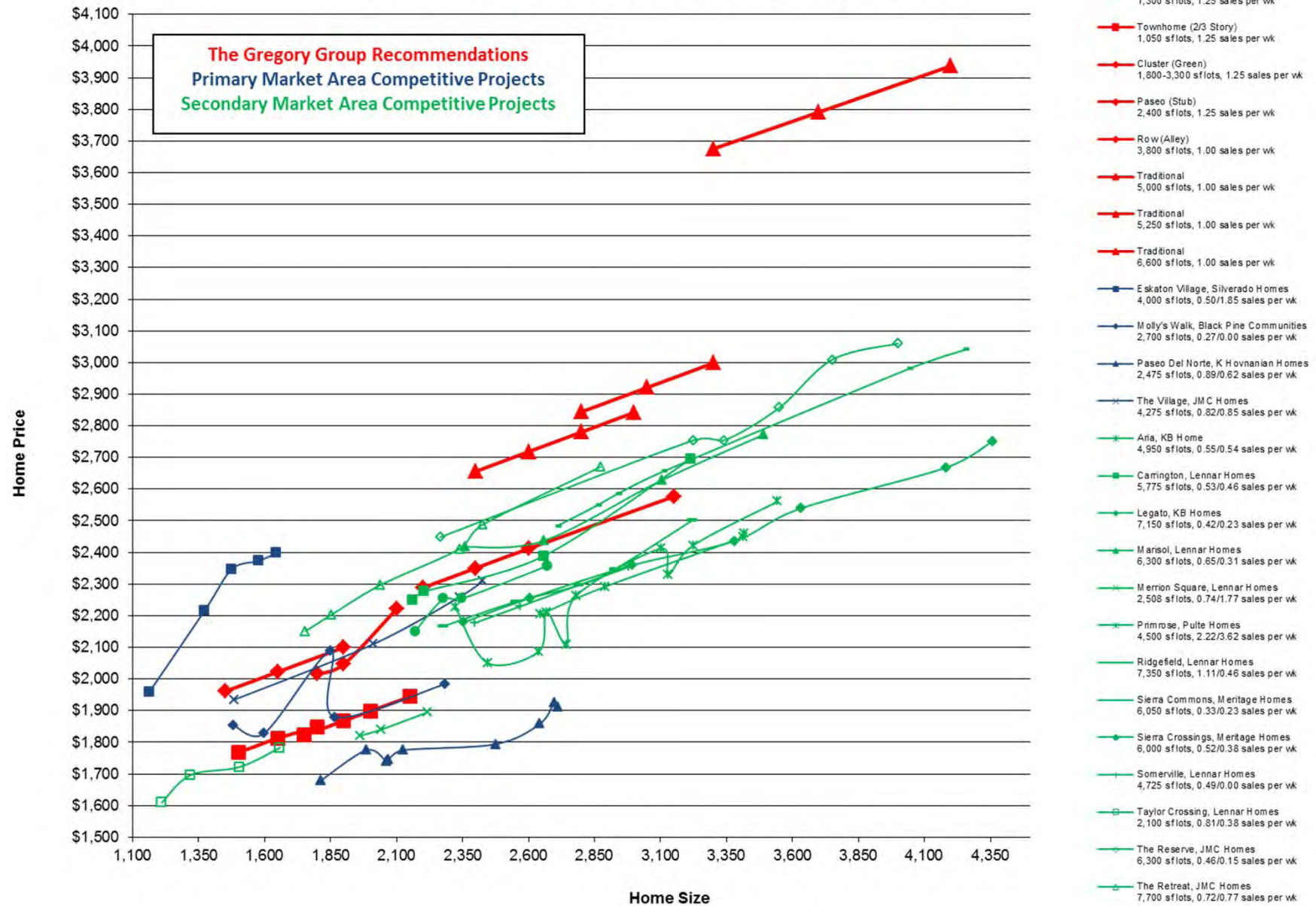


Competitive Housing Analysis

The Subject Project is positioned most comparable to the projects within the Primary Market Area and above the projects within the more traditional subdivision communities in the Secondary Market Area.



COMPETITIVE DEVELOPMENTS -- MONTHLY OBLIGATION



Primary Market Area

The Primary Market Area consists of only four actively selling projects with only 94 remaining units (less than nine months supply). Due to the infill nature of the area, all four projects are situated on lots sized at or less than 4,275 square feet. By comparison, the Secondary Market Area offers 13 actively selling projects with 829 units of remaining inventory (nearly 23-months of supply), in addition to potentially thousands of future units. The Secondary Market Area is selling at 0.72 units per week compared to nearly one-sale per week (0.83) in the Primary Market Area.

Community Details				Product Summary						Market Pricing Summary															
Community Location	Builder Master Plan	Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00% Req.				
Product Summary		Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other	Base Price	Price/ Sq. Ft.	Options/ Upgrades	Premiums			Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income			
Primary Market Area	Esaton Village (Age Restricted)		Silverado Homes		1,163	2	2	1	2	\$310,000	\$267	\$0	\$0	\$0	\$310,000	\$267	\$0	\$0	\$310,000	\$267	\$354	1.06%	0.57%	\$1,959	\$75,813
	Roseville		Diamond Creek		1,373	2	2	1	2	\$360,000	\$262	\$0	\$0	\$0	\$360,000	\$262	\$0	\$0	\$360,000	\$262	\$354	1.06%	0.57%	\$2,217	\$85,831
	Product Type:	Single-Family	Total Units:	290	1,476	2	2	1	2	\$385,000	\$261	\$0	\$0	\$0	\$385,000	\$261	\$0	\$0	\$385,000	\$261	\$354	1.06%	0.57%	\$2,347	\$90,840
	Configuration:	Traditional	Units Offered:	255	1,577	2/D	2	1	2	\$390,000	\$247	\$0	\$0	\$0	\$390,000	\$247	\$0	\$0	\$390,000	\$247	\$354	1.06%	0.57%	\$2,373	\$91,841
	Lot Dimensions:	50 x 80	Units Sold:	255	1,645	2/D	2	1	2	\$395,000	\$240	\$0	\$0	\$0	\$395,000	\$240	\$0	\$0	\$395,000	\$240	\$354	1.06%	0.57%	\$2,398	\$92,843
	Lot Size/Density:	4,000	3 Mon Sold:	24																					
	Open Date:	Jan-06	Total RU:	35																					
	Overall Sales Rate:	0.50	Total % R:	12%																					
3 Mon. Sales Rate:	1.85	Unsold RU:	0																						
Averages:				1,447					\$368,000	\$255	\$0	\$0	\$0	\$368,000	\$255	\$0	\$0	\$368,000	\$255	\$354	1.06%	0.57%	\$2,259	\$87,433	
Primary Market Area	Molly's Walk		Black Pine Communities		1,482	2	2.5	2	1	\$344,990	\$233	\$0	\$0	\$4,500	\$340,490	\$230	\$0	\$0	\$340,490	\$230	\$86	1.06%	0.59%	\$1,854	\$71,767
	Roseville		Diamond Creek		1,598	3	2.5	2	2	\$339,990	\$213	\$0	\$0	\$4,500	\$335,490	\$210	\$0	\$0	\$335,490	\$210	\$86	1.06%	0.59%	\$1,828	\$70,762
	Product Type:	Single-Family	Total Units:	84	1,848	3/D	2.5	2	2	\$389,990	\$211	\$0	\$0	\$4,500	\$385,490	\$209	\$0	\$0	\$385,490	\$209	\$86	1.06%	0.59%	\$2,088	\$80,812
	Configuration:	Small Lot	Units Offered:	46	1,864	4	2.5	2	2	\$349,990	\$188	\$0	\$0	\$4,500	\$345,490	\$185	\$0	\$0	\$345,490	\$185	\$86	1.06%	0.59%	\$1,880	\$72,772
	Lot Dimensions:	45 x 60	Units Sold:	39	2,284	4	2.5	2	2	\$369,990	\$162	\$0	\$0	\$4,500	\$365,490	\$160	\$0	\$0	\$365,490	\$160	\$86	1.06%	0.59%	\$1,984	\$76,792
	Lot Size/Density:	2,700	3 Mon Sold:	0																					
	Open Date:	Jan-13	Total RU:	45																					
	Overall Sales Rate:	0.27	Total % R:	54%																					
3 Mon. Sales Rate:	0.00	Unsold RU:	7																						
Averages:				1,815					\$358,990	\$201	\$0	\$0	\$4,500	\$354,490	\$199	\$0	\$0	\$354,490	\$199	\$86	1.06%	0.59%	\$1,927	\$74,581	
Primary Market Area	Paseo Del Norte		K Hovnanian Homes		1,811	3/L	2.5	2	2	\$331,990	\$183	\$0	\$0	\$7,500	\$324,490	\$179	\$0	\$0	\$324,490	\$179	\$104	1.06%	0.18%	\$1,678	\$64,956
	Roseville		None		1,985	3/B	3	2	2	\$351,990	\$177	\$0	\$0	\$7,500	\$344,490	\$174	\$0	\$0	\$344,490	\$174	\$104	1.06%	0.18%	\$1,775	\$68,712
	Product Type:	Single-Family	Total Units:	74	2,060	4	2.5	2	2	\$344,990	\$167	\$0	\$0	\$7,500	\$337,490	\$164	\$0	\$0	\$337,490	\$164	\$104	1.06%	0.18%	\$1,741	\$67,397
	Configuration:	Small Lot	Units Offered:	74	2,069	4/L	2.5	2	2	\$345,990	\$167	\$0	\$0	\$7,500	\$338,490	\$164	\$0	\$0	\$338,490	\$164	\$104	1.06%	0.18%	\$1,746	\$67,585
	Lot Dimensions:	45 x 55	Units Sold:	70	2,123	4/L	2.5	2	2	\$351,990	\$166	\$0	\$0	\$7,500	\$344,490	\$162	\$0	\$0	\$344,490	\$162	\$104	1.06%	0.18%	\$1,775	\$68,712
	Lot Size/Density:	2,475	3 Mon Sold:	8	2,474	3/L/B	2.5	3	2	\$355,990	\$144	\$0	\$0	\$7,500	\$348,490	\$141	\$0	\$0	\$348,490	\$141	\$104	1.06%	0.18%	\$1,794	\$69,463
	Open Date:	Mar-14	Total RU:	4	2,642	4/B	2.5	3	2	\$368,990	\$140	\$0	\$0	\$7,500	\$361,490	\$137	\$0	\$0	\$361,490	\$137	\$104	1.06%	0.18%	\$1,858	\$71,904
	Overall Sales Rate:	0.89	Total % R:	5%	2,697	5/L/B	3.5	3	2	\$382,990	\$142	\$0	\$0	\$7,500	\$375,490	\$139	\$0	\$0	\$375,490	\$139	\$104	1.06%	0.18%	\$1,925	\$74,533
3 Mon. Sales Rate:	0.62	Unsold RU:	4	2,712	5/L/B	3.5	3	2	\$379,990	\$140	\$0	\$0	\$7,500	\$372,490	\$137	\$0	\$0	\$372,490	\$137	\$104	1.06%	0.18%	\$1,911	\$73,969	
Averages:				2,286					\$357,212	\$159	\$0	\$0	\$7,500	\$349,712	\$155	\$0	\$0	\$349,712	\$155	\$104	1.06%	0.18%	\$1,800	\$69,692	
Primary Market Area	The Village		JMC Homes		1,486	3	2	1	2	\$374,990	\$252	\$0	\$0	\$10,000	\$364,990	\$246	\$0	\$0	\$364,990	\$246	\$116	1.06%	0.34%	\$1,935	\$74,910
	Roseville		Crocker Ranch		2,011	4	3	2	2	\$409,990	\$204	\$0	\$0	\$10,000	\$399,990	\$199	\$0	\$0	\$399,990	\$199	\$116	1.06%	0.34%	\$2,110	\$81,662
	Product Type:	Single-Family	Total Units:	155	2,338	5	3	2	2	\$439,990	\$188	\$0	\$0	\$10,000	\$429,990	\$184	\$0	\$0	\$429,990	\$184	\$116	1.06%	0.34%	\$2,259	\$87,450
	Configuration:	Traditional	Units Offered:	149	2,427	5/G	4	2	2	\$449,990	\$185	\$0	\$0	\$10,000	\$439,990	\$181	\$0	\$0	\$439,990	\$181	\$116	1.06%	0.34%	\$2,309	\$89,380
	Lot Dimensions:	45 x 95	Units Sold:	145																					
	Lot Size/Density:	4,275	3 Mon Sold:	11																					
	Open Date:	May-12	Total RU:	10																					
	Overall Sales Rate:	0.82	Total % R:	6%																					
3 Mon. Sales Rate:	0.85	Unsold RU:	4																						
Averages:				2,066					\$418,740	\$207	\$0	\$0	\$10,000	\$408,740	\$202	\$0	\$0	\$408,740	\$202	\$116	1.06%	0.34%	\$2,153	\$83,350	

Secondary Market Area

Community Details				Product Summary					Market Pricing Summary																
Community Location		Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00% Req.		
Product Summary				Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums			Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income	
Secondary Market Area	Aria Roseville		KB Home Westpark		2,645	4/D/L	2.5	2	2	\$424,500	\$160	\$0	\$0	\$0	\$424,500	\$160	\$0	\$0	\$424,500	\$160	\$0	1.06%	0.59%	\$2,204	\$85,324
					2,891	3/D/L	2.5	2	2	\$441,500	\$153	\$0	\$0	\$0	\$441,500	\$153	\$0	\$0	\$441,500	\$153	\$0	1.06%	0.59%	\$2,292	\$88,741
	Product Type: Single-Family		Total Units: 78		3,413	4/D/L	2.5	2	3	\$471,500	\$138	\$0	\$0	\$0	\$471,500	\$138	\$0	\$0	\$471,500	\$138	\$0	1.06%	0.59%	\$2,448	\$94,771
	Configuration: Traditional		Units Offered: 74		3,418	4/Dell	2.5	2	2	\$474,000	\$139	\$0	\$0	\$0	\$474,000	\$139	\$0	\$0	\$474,000	\$139	\$0	1.06%	0.59%	\$2,461	\$95,274
	Lot Dimensions: 55 x 90		Units Sold: 41																						
	Lot Size/Density: 4,950		3 Mon Sold: 7																						
	Open Date: Apr-14		Total RU: 37																						
	Overall Sales Rate: 0.55		Total % R: 47%																						
	3 Mon. Sales Rate: 0.54		Unsold RU: 33																						
Averages:				3,092					\$452,875	\$148	\$0	\$0	\$0	\$452,875	\$148	\$0	\$0	\$452,875	\$148	\$0	1.06%	0.59%	\$2,352	\$91,027	
Secondary Market Area	Carrington Roseville		Lennar Homes Westpark		2,161	4	3	1	3	\$444,990	\$206	\$0	\$0	\$6,000	\$438,990	\$203	\$0	\$0	\$438,990	\$203	\$0	1.06%	0.51%	\$2,250	\$87,104
					2,204	3/D/L	3	1	3	\$449,990	\$204	\$0	\$0	\$6,000	\$443,990	\$201	\$0	\$0	\$443,990	\$201	\$0	1.06%	0.51%	\$2,276	\$88,096
	Product Type: Single-Family		Total Units: 65		2,658	4/D/L	3	1	3	\$471,990	\$178	\$0	\$0	\$6,000	\$465,990	\$175	\$0	\$0	\$465,990	\$175	\$0	1.06%	0.51%	\$2,389	\$92,461
	Configuration: Traditional		Units Offered: 20		3,215	5/NG/L	4.5	2	3	\$531,990	\$165	\$0	\$0	\$6,000	\$525,990	\$164	\$0	\$0	\$525,990	\$164	\$0	1.06%	0.51%	\$2,696	\$104,366
	Lot Dimensions: 55 x 105		Units Sold: 10																						
	Lot Size/Density: 5,775		3 Mon Sold: 6																						
	Open Date: May-15		Total RU: 55																						
	Overall Sales Rate: 0.53		Total % R: 85%																						
	3 Mon. Sales Rate: 0.46		Unsold RU: 10																						
Averages:				2,560					\$474,740	\$188	\$0	\$0	\$6,000	\$468,740	\$186	\$0	\$0	\$468,740	\$186	\$0	1.06%	0.51%	\$2,403	\$93,007	
Secondary Market Area	Legato Roseville		KB Home Westpark		2,354	3	2	1	2	\$428,000	\$182	\$0	\$0	\$5,000	\$423,000	\$180	\$0	\$0	\$423,000	\$180	\$0	1.06%	0.54%	\$2,179	\$84,340
					2,606	3/D	2	1	2	\$443,000	\$170	\$0	\$0	\$5,000	\$438,000	\$168	\$0	\$0	\$438,000	\$168	\$0	1.06%	0.54%	\$2,256	\$87,331
	Product Type: Single-Family		Total Units: 60		2,991	3/D/L	2.5	2	3	\$463,000	\$155	\$0	\$0	\$5,000	\$458,000	\$153	\$0	\$0	\$458,000	\$153	\$0	1.06%	0.54%	\$2,359	\$91,319
	Configuration: Traditional		Units Offered: 39		3,379	4/D/L	2.5	2	3	\$478,000	\$141	\$0	\$0	\$5,000	\$473,000	\$140	\$0	\$0	\$473,000	\$140	\$0	1.06%	0.54%	\$2,436	\$94,310
	Lot Dimensions: 65 x 110		Units Sold: 32		3,632	4/D/L	2.5	2	3	\$498,000	\$137	\$0	\$0	\$5,000	\$493,000	\$136	\$0	\$0	\$493,000	\$136	\$0	1.06%	0.54%	\$2,539	\$98,297
	Lot Size/Density: 7,150		3 Mon Sold: 3		4,182	4/D/G	3.5	2	3	\$523,000	\$125	\$0	\$0	\$5,000	\$518,000	\$124	\$0	\$0	\$518,000	\$124	\$0	1.06%	0.54%	\$2,668	\$103,282
	Open Date: Apr-14		Total RU: 28		4,357	5/G	4	2	3	\$539,000	\$124	\$0	\$0	\$5,000	\$534,000	\$123	\$0	\$0	\$534,000	\$123	\$0	1.06%	0.54%	\$2,751	\$106,472
	Overall Sales Rate: 0.42		Total % R: 47%																						
	3 Mon. Sales Rate: 0.23		Unsold RU: 7																						
Averages:				3,357					\$481,714	\$148	\$0	\$0	\$5,000	\$476,714	\$146	\$0	\$0	\$476,714	\$146	\$0	1.06%	0.54%	\$2,455	\$95,050	
Secondary Market Area	Marisol Roseville		Lennar Fiddymont Farm		2,361	4	3	1	3	\$475,990	\$202	\$0	\$0	\$6,000	\$469,990	\$199	\$0	\$0	\$469,990	\$199	\$0	1.06%	0.53%	\$2,417	\$93,558
					2,658	4/D	3	1	3	\$479,990	\$181	\$0	\$0	\$6,000	\$473,990	\$178	\$0	\$0	\$473,990	\$178	\$0	1.06%	0.53%	\$2,437	\$94,354
	Product Type: Single-Family		Total Units: 146		3,105	5/L	3	2	3	\$516,990	\$167	\$0	\$0	\$6,000	\$510,990	\$165	\$0	\$0	\$510,990	\$165	\$0	1.06%	0.53%	\$2,628	\$101,720
	Configuration: Traditional		Units Offered: 70		3,491	5/B	4	2	3	\$544,990	\$156	\$0	\$0	\$6,000	\$538,990	\$154	\$0	\$0	\$538,990	\$154	\$0	1.06%	0.53%	\$2,772	\$107,293
	Lot Dimensions: 60 x 105		Units Sold: 62																						
	Lot Size/Density: 6,300		3 Mon Sold: 4																						
	Open Date: Nov-13		Total RU: 84																						
	Overall Sales Rate: 0.65		Total % R: 58%																						
	3 Mon. Sales Rate: 0.31		Unsold RU: 8																						
Averages:				2,904					\$504,490	\$176	\$0	\$0	\$6,000	\$498,490	\$174	\$0	\$0	\$498,490	\$174	\$0	1.06%	0.53%	\$2,563	\$99,231	
Secondary Market Area	Merrion Square Roseville		Lennar Westpark		1,963	3/B	2.5	2	2	\$352,990	\$180	\$0	\$0	\$6,000	\$346,990	\$177	\$0	\$0	\$346,990	\$177	\$94	1.06%	0.33%	\$1,821	\$70,473
					2,041	4	3	2	2	\$356,990	\$175	\$0	\$0	\$6,000	\$350,990	\$172	\$0	\$0	\$350,990	\$172	\$94	1.06%	0.33%	\$1,840	\$71,244
	Product Type: Single-Family		Total Units: 90		2,218	4/L	3	2	2	\$367,990	\$166	\$0	\$0	\$6,000	\$361,990	\$163	\$0	\$0	\$361,990	\$163	\$94	1.06%	0.33%	\$1,895	\$73,362
	Configuration: Small Lot		Units Offered: 49																						
	Lot Dimensions: 38 x 66		Units Sold: 43																						
	Lot Size/Density: 2,508		3 Mon Sold: 23																						
	Open Date: Aug-14		Total RU: 47																						
	Overall Sales Rate: 0.74		Total % R: 52%																						
	3 Mon. Sales Rate: 1.77		Unsold RU: 6																						
Averages:				2,074					\$359,323	\$174	\$0	\$0	\$6,000	\$353,323	\$171	\$0	\$0	\$353,323	\$171	\$94	1.06%	0.33%	\$1,852	\$71,693	

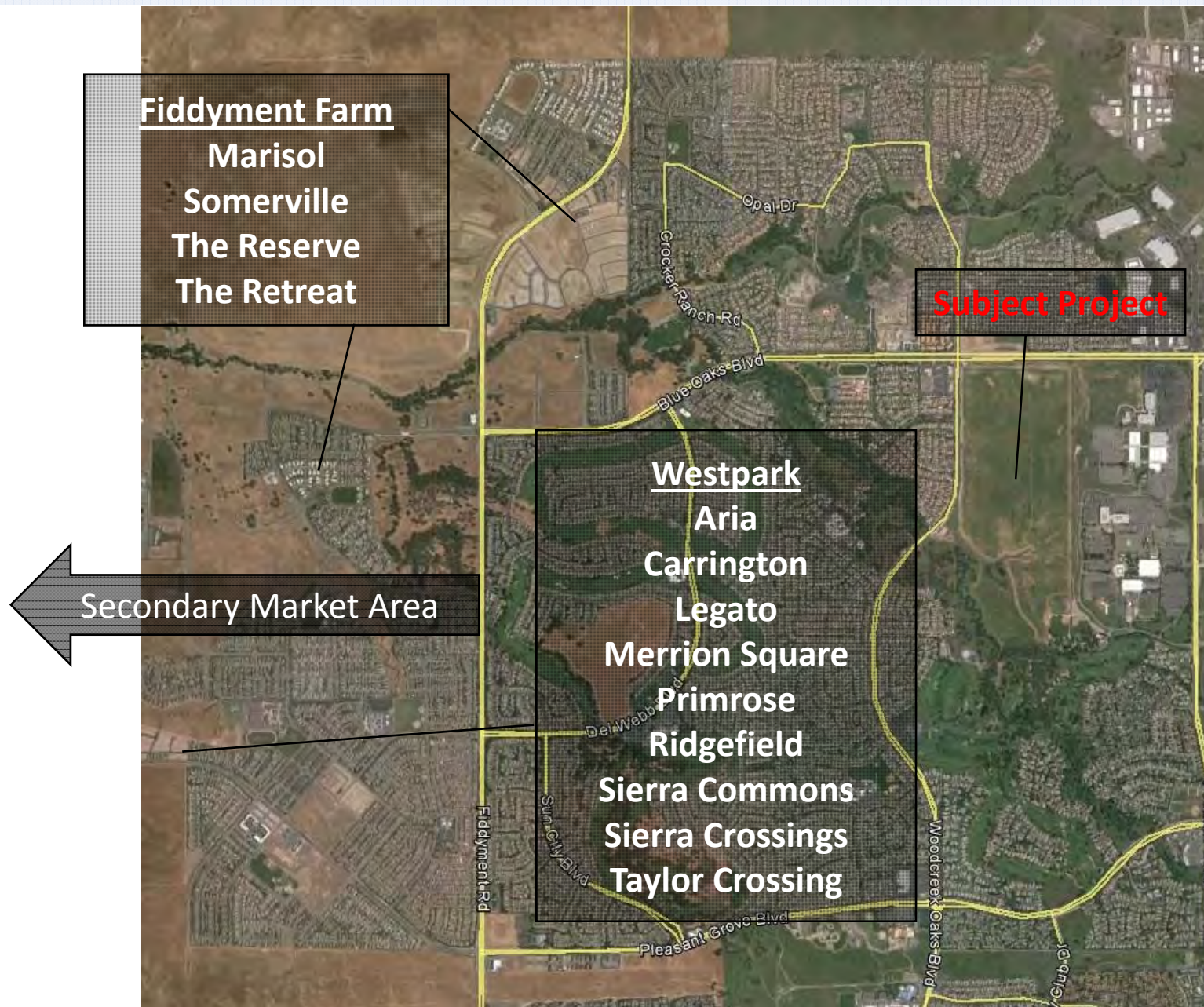
Community Details					Product Summary				Market Pricing Summary																
Community Location	Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives				Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00%	Req.	
Product Summary			Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums	Price		Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income		
Secondary Market Area	Primrose Roseville		Pulte Homes Westpark		2,323	4	2.5	1	2	\$438,990	\$189	\$0	\$0	\$7,500	\$431,490	\$186	\$0	\$0	\$431,490	\$186	\$0	1.06%	0.55%	\$2,226	\$86,172
					2,444	3/L	2.5	2	2	\$404,990	\$166	\$0	\$0	\$7,500	\$397,490	\$163	\$0	\$0	\$397,490	\$163	\$0	1.06%	0.55%	\$2,051	\$79,382
	Product Type: Single-Family		Total Units: 448		2,639	4/L	2.5	2	2	\$411,990	\$156	\$0	\$0	\$7,500	\$404,490	\$153	\$0	\$0	\$404,490	\$153	\$0	1.06%	0.55%	\$2,087	\$80,780
	Configuration: Traditional		Units Offered: 142		2,668	4/L	2.5	2	3	\$435,990	\$163	\$0	\$0	\$7,500	\$428,490	\$161	\$0	\$0	\$428,490	\$161	\$0	1.06%	0.55%	\$2,211	\$85,573
	Lot Dimensions: 45 x 100		Units Sold: 120		2,744	4/L	2.5	2	2	\$415,990	\$152	\$0	\$0	\$7,500	\$408,490	\$149	\$0	\$0	\$408,490	\$149	\$0	1.06%	0.55%	\$2,107	\$81,579
	Lot Size/Density: 4,500		3 Mon Sold: 47		2,779	4/L	2.5	2	2	\$445,990	\$160	\$0	\$0	\$7,500	\$438,490	\$158	\$0	\$0	\$438,490	\$158	\$0	1.06%	0.55%	\$2,262	\$87,570
	Open Date: Sep-14		Total RU: 328		3,101	4/L	3.5	2	3	\$474,990	\$153	\$0	\$0	\$7,500	\$467,490	\$151	\$0	\$0	\$467,490	\$151	\$0	1.06%	0.55%	\$2,412	\$93,362
	Overall Sales Rate: 2.22		Total % R: 73%		3,129	4/L	3.5	2	3	\$458,990	\$147	\$0	\$0	\$7,500	\$451,490	\$144	\$0	\$0	\$451,490	\$144	\$0	1.06%	0.55%	\$2,329	\$90,167
	3 Mon. Sales Rate: 3.62		Unsold RU: 306		3,223	4/L	3.5	2	3	\$476,990	\$148	\$0	\$0	\$7,500	\$469,490	\$146	\$0	\$0	\$469,490	\$146	\$0	1.06%	0.55%	\$2,422	\$93,761
					3,544	4	3	2	3	\$503,990	\$142	\$0	\$0	\$7,500	\$496,490	\$140	\$0	\$0	\$496,490	\$140	\$0	1.06%	0.55%	\$2,561	\$99,153
Averages:					2,859					\$446,890	\$158	\$0	\$0	\$7,500	\$439,390	\$155	\$0	\$0	\$439,390	\$155	\$0	1.06%	0.55%	\$2,267	\$87,750
Secondary Market Area	Ridgefield Roseville		Lennar Homes Westpark		2,707	4	3.5	1	3	\$495,990	\$183	\$0	\$0	\$6,000	\$489,990	\$181	\$0	\$0	\$489,990	\$181	\$0	1.06%	0.44%	\$2,483	\$96,117
					2,861	3	3.5	1	3	\$508,990	\$178	\$0	\$0	\$6,000	\$502,990	\$176	\$0	\$0	\$502,990	\$176	\$0	1.06%	0.44%	\$2,549	\$98,667
	Product Type: Single-Family		Total Units: 52		2,935	4/NG/D	3	1	3	\$515,990	\$176	\$0	\$0	\$6,000	\$509,990	\$174	\$0	\$0	\$509,990	\$174	\$0	1.06%	0.44%	\$2,584	\$100,040
	Configuration: Traditional		Units Offered: 29		3,108	3/O	2.5	1	3	\$529,990	\$171	\$0	\$0	\$6,000	\$523,990	\$169	\$0	\$0	\$523,990	\$169	\$0	1.06%	0.44%	\$2,655	\$102,786
	Lot Dimensions: 70 x 105		Units Sold: 21		4,041	4/B	3.5	2	3	\$593,990	\$147	\$0	\$0	\$6,000	\$587,990	\$146	\$0	\$0	\$587,990	\$146	\$0	1.06%	0.44%	\$2,980	\$115,340
	Lot Size/Density: 7,350		3 Mon Sold: 6		4,253	5/B	4.5	2	3	\$605,990	\$142	\$0	\$0	\$6,000	\$599,990	\$141	\$0	\$0	\$599,990	\$141	\$0	1.06%	0.44%	\$3,040	\$117,694
	Open Date: May-15		Total RU: 31																						
	Overall Sales Rate: 1.11		Total % R: 60%																						
	3 Mon. Sales Rate: 0.46		Unsold RU: 8																						
	Averages:					3,318					\$541,823	\$166	\$0	\$0	\$6,000	\$535,823	\$164	\$0	\$0	\$535,823	\$164	\$0	1.06%	0.44%	\$2,715
Secondary Market Area	Sierra Commons Roseville		Meritage Homes Westpark		2,278	3	2	1	3	\$434,950	\$191	\$0	\$0	\$15,000	\$419,950	\$184	\$0	\$0	\$419,950	\$184	\$0	1.06%	0.55%	\$2,167	\$83,868
					2,551	3/D/G	2.5	2	3	\$449,950	\$176	\$0	\$0	\$15,000	\$434,950	\$171	\$0	\$0	\$434,950	\$171	\$0	1.06%	0.55%	\$2,244	\$86,863
	Product Type: Single-Family		Total Units: 83		2,791	4/D/L	3.5	2	3	\$459,950	\$165	\$0	\$0	\$15,000	\$444,950	\$159	\$0	\$0	\$444,950	\$159	\$0	1.06%	0.55%	\$2,296	\$88,860
	Configuration: Traditional		Units Offered: 50		2,927	4/G	3.5	2	3	\$469,950	\$161	\$0	\$0	\$15,000	\$454,950	\$155	\$0	\$0	\$454,950	\$155	\$0	1.06%	0.55%	\$2,347	\$90,858
	Lot Dimensions: 55 x 110		Units Sold: 25		3,222	4/D/G	3.5	2	3	\$499,950	\$155	\$0	\$0	\$15,000	\$484,950	\$151	\$0	\$0	\$484,950	\$151	\$0	1.06%	0.55%	\$2,502	\$96,849
	Lot Size/Density: 6,050		3 Mon Sold: 3																						
	Open Date: Apr-14		Total RU: 58																						
	Overall Sales Rate: 0.33		Total % R: 70%																						
	3 Mon. Sales Rate: 0.23		Unsold RU: 25																						
	Averages:					2,754					\$462,950	\$170	\$0	\$0	\$15,000	\$447,950	\$164	\$0	\$0	\$447,950	\$164	\$0	1.06%	0.55%	\$2,311
Secondary Market Area	Sierra Crossings Roseville		Meritage Homes Westpark		2,169	3	2.5	1	2	\$427,950	\$197	\$0	\$0	\$12,500	\$415,450	\$192	\$0	\$0	\$415,450	\$192	\$0	1.06%	0.57%	\$2,150	\$83,237
					2,278	3	2	1	3	\$447,950	\$197	\$0	\$0	\$12,500	\$435,450	\$191	\$0	\$0	\$435,450	\$191	\$0	1.06%	0.57%	\$2,254	\$87,244
	Product Type: Single-Family		Total Units: 69		2,347	4	2.5	1	2	\$447,950	\$191	\$0	\$0	\$12,500	\$435,450	\$186	\$0	\$0	\$435,450	\$186	\$0	1.06%	0.57%	\$2,254	\$87,244
	Configuration: Traditional		Units Offered: 40		2,670	4	3.5	1	3	\$467,950	\$175	\$0	\$0	\$12,500	\$455,450	\$171	\$0	\$0	\$455,450	\$171	\$0	1.06%	0.57%	\$2,357	\$91,251
	Lot Dimensions: 60 x 100		Units Sold: 28																						
	Lot Size/Density: 6,000		3 Mon Sold: 5																						
	Open Date: Sep-14		Total RU: 41																						
	Overall Sales Rate: 0.52		Total % R: 59%																						
	3 Mon. Sales Rate: 0.38		Unsold RU: 12																						
	Averages:					2,366					\$447,950	\$190	\$0	\$0	\$12,500	\$435,450	\$185	\$0	\$0	\$435,450	\$185	\$0	1.06%	0.57%	\$2,254
Secondary Market Area	Somerville Roseville		Lennar Fiddymont Farm		2,396	4	3	2	3	\$422,990	\$177	\$0	\$0	\$5,000	\$417,990	\$174	\$0	\$0	\$417,990	\$174	\$0	1.06%	0.61%	\$2,177	\$84,285
					2,567	5/B	3	2	2	\$432,990	\$169	\$0	\$0	\$5,000	\$427,990	\$167	\$0	\$0	\$427,990	\$167	\$0	1.06%	0.61%	\$2,229	\$86,302
	Product Type: Single-Family		Total Units: 50		2,980	5/B	4	2	3	\$456,990	\$153	\$0	\$0	\$5,000	\$451,990	\$152	\$0	\$0	\$451,990	\$152	\$0	1.06%	0.61%	\$2,354	\$91,141
	Configuration: Traditional		Units Offered: 47																						
	Lot Dimensions: 45 x 105		Units Sold: 35																						
	Lot Size/Density: 4,725		3 Mon Sold: 0																						
	Open Date: May-14		Total RU: 15																						
	Overall Sales Rate: 0.49		Total % R: 30%																						
	3 Mon. Sales Rate: 0.00		Unsold RU: 12																						
	Averages:					2,648					\$437,657	\$166	\$0	\$0	\$5,000	\$432,657	\$164	\$0	\$0	\$432,657	\$164	\$0	1.06%	0.61%	\$2,254

Community Details						Product Summary				Market Pricing Summary															
Community Location	Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00%			
Product Summary			Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums			HOA	Base Tax	Add Tax	Mo. Pmt	Req. Income		
Secondary Market Area	Taylor Crossing		Lennar		1,210	3	2.5	2	2	\$301,990	\$250	\$0	\$0	\$4,000	\$297,990	\$246	\$0	\$0	\$297,990	\$246	\$84	1.06%	0.50%	\$1,609	\$62,282
	Roseville		Westpark		1,318	3	2	2	2	\$318,990	\$242	\$0	\$0	\$4,000	\$314,990	\$239	\$0	\$0	\$314,990	\$239	\$84	1.06%	0.50%	\$1,696	\$65,650
	Product Type: Single-Family		Total Units: 132		1,505	3	2.5	2	2	\$323,990	\$215	\$0	\$0	\$4,000	\$319,990	\$213	\$0	\$0	\$319,990	\$213	\$84	1.06%	0.50%	\$1,722	\$66,640
	Configuration: Small Lot		Units Offered: 108		1,658	4	2.5	2	2	\$335,990	\$203	\$0	\$0	\$4,000	\$331,990	\$200	\$0	\$0	\$331,990	\$200	\$84	1.06%	0.50%	\$1,783	\$69,017
	Lot Dimensions: 30 x 70		Units Sold: 105																						
	Lot Size/Density: 2,100		3 Mon Sold: 5																						
	Open Date: Apr-13		Total RU: 27																						
	Overall Sales Rate: 0.81		Total % R: 20%																						
3 Mon. Sales Rate: 0.38		Unsold RU: 3																							
Averages:					1,423					\$320,240	\$227	\$0	\$0	\$4,000	\$316,240	\$225	\$0	\$0	\$316,240	\$225	\$84	1.06%	0.50%	\$1,702	\$65,897
Secondary Market Area	The Reserve		JMC Homes		2,265	4	3	1	3	\$489,990	\$216	\$0	\$0	\$10,000	\$479,990	\$212	\$0	\$0	\$479,990	\$212	\$0	1.06%	0.48%	\$2,448	\$94,774
	Roseville		Fiddymont Farm		3,224	4/D/B	3	2	3	\$549,990	\$171	\$0	\$0	\$10,000	\$539,990	\$167	\$0	\$0	\$539,990	\$167	\$0	1.06%	0.48%	\$2,754	\$106,621
	Product Type: Single-Family		Total Units: 75		3,341	4/B	4	2	3	\$549,990	\$165	\$0	\$0	\$10,000	\$539,990	\$162	\$0	\$0	\$539,990	\$162	\$0	1.06%	0.48%	\$2,754	\$106,621
	Configuration: Traditional		Units Offered: 36		3,550	5/B	4	2	3	\$569,990	\$161	\$0	\$0	\$10,000	\$559,990	\$158	\$0	\$0	\$559,990	\$158	\$1	1.06%	0.48%	\$2,857	\$110,609
	Lot Dimensions: 60 x 105		Units Sold: 31		3,750	6/B	4.5	2	3	\$599,990	\$160	\$0	\$0	\$10,000	\$589,990	\$157	\$0	\$0	\$589,990	\$157	\$0	1.06%	0.48%	\$3,009	\$116,494
	Lot Size/Density: 6,300		3 Mon Sold: 2		4,000	5/B	4.5	2	3	\$609,990	\$152	\$0	\$0	\$10,000	\$599,990	\$150	\$0	\$0	\$599,990	\$150	\$0	1.06%	0.48%	\$3,060	\$118,468
	Open Date: Jun-14		Total RU: 44																						
	Overall Sales Rate: 0.46		Total % R: 59%																						
3 Mon. Sales Rate: 0.15		Unsold RU: 5																							
Averages:					3,355					\$561,657	\$171	\$0	\$0	\$10,000	\$551,657	\$168	\$0	\$0	\$551,657	\$168	\$0	1.06%	0.48%	\$2,814	\$108,931
Secondary Market Area	The Retreat		JMC Homes		1,754	3	2	1	3	\$419,990	\$239	\$0	\$0	\$5,000	\$414,990	\$237	\$0	\$0	\$414,990	\$237	\$0	1.06%	0.58%	\$2,151	\$83,279
	Roseville		Fiddymont Farm		1,853	3	2	1	3	\$429,990	\$232	\$0	\$0	\$5,000	\$424,990	\$229	\$0	\$0	\$424,990	\$229	\$0	1.06%	0.58%	\$2,203	\$85,286
	Product Type: Single-Family		Total Units: 70		2,039	3	3	1	3	\$447,990	\$220	\$0	\$0	\$5,000	\$442,990	\$217	\$0	\$0	\$442,990	\$217	\$0	1.06%	0.58%	\$2,297	\$88,898
	Configuration: Traditional		Units Offered: 44		2,338	4	3	2	2	\$469,990	\$201	\$0	\$0	\$5,000	\$464,990	\$199	\$0	\$0	\$464,990	\$199	\$0	1.06%	0.58%	\$2,411	\$93,313
	Lot Dimensions: 70 x 110		Units Sold: 36		2,427	4	4	2	2	\$484,990	\$200	\$0	\$0	\$5,000	\$479,990	\$198	\$0	\$0	\$479,990	\$198	\$0	1.06%	0.58%	\$2,488	\$96,323
	Lot Size/Density: 7,700		3 Mon Sold: 10		2,872	5	4	2	3	\$519,990	\$181	\$0	\$0	\$5,000	\$514,990	\$179	\$0	\$0	\$514,990	\$179	\$0	1.06%	0.58%	\$2,670	\$103,346
	Open Date: Oct-14		Total RU: 34																						
	Overall Sales Rate: 0.72		Total % R: 49%																						
3 Mon. Sales Rate: 0.77		Unsold RU: 8																							
Averages:					2,214					\$462,157	\$212	\$0	\$0	\$5,000	\$457,157	\$210	\$0	\$0	\$457,157	\$210	\$0	1.06%	0.58%	\$2,370	\$91,741

Primary Market Area -- Competitive Projects

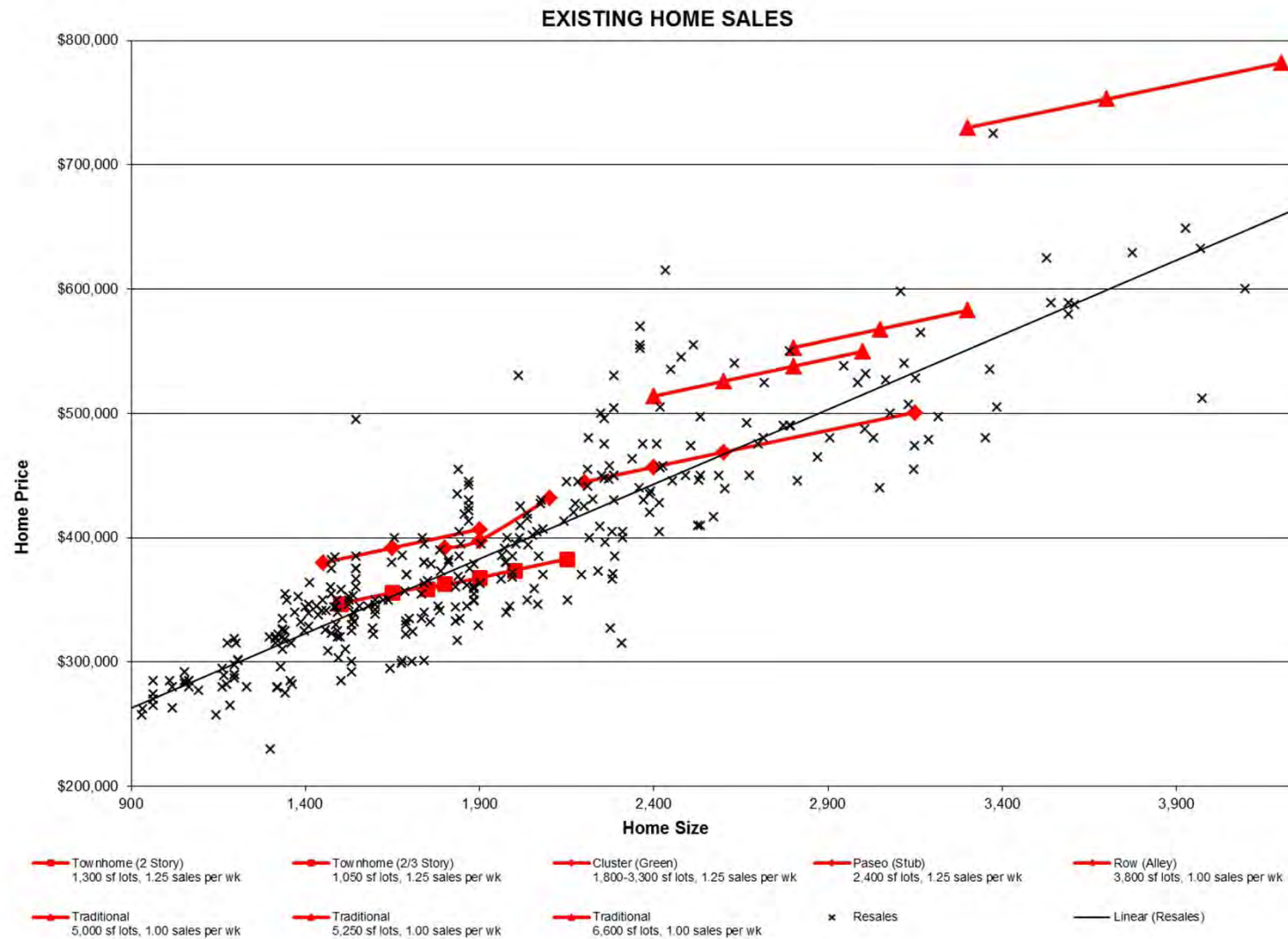


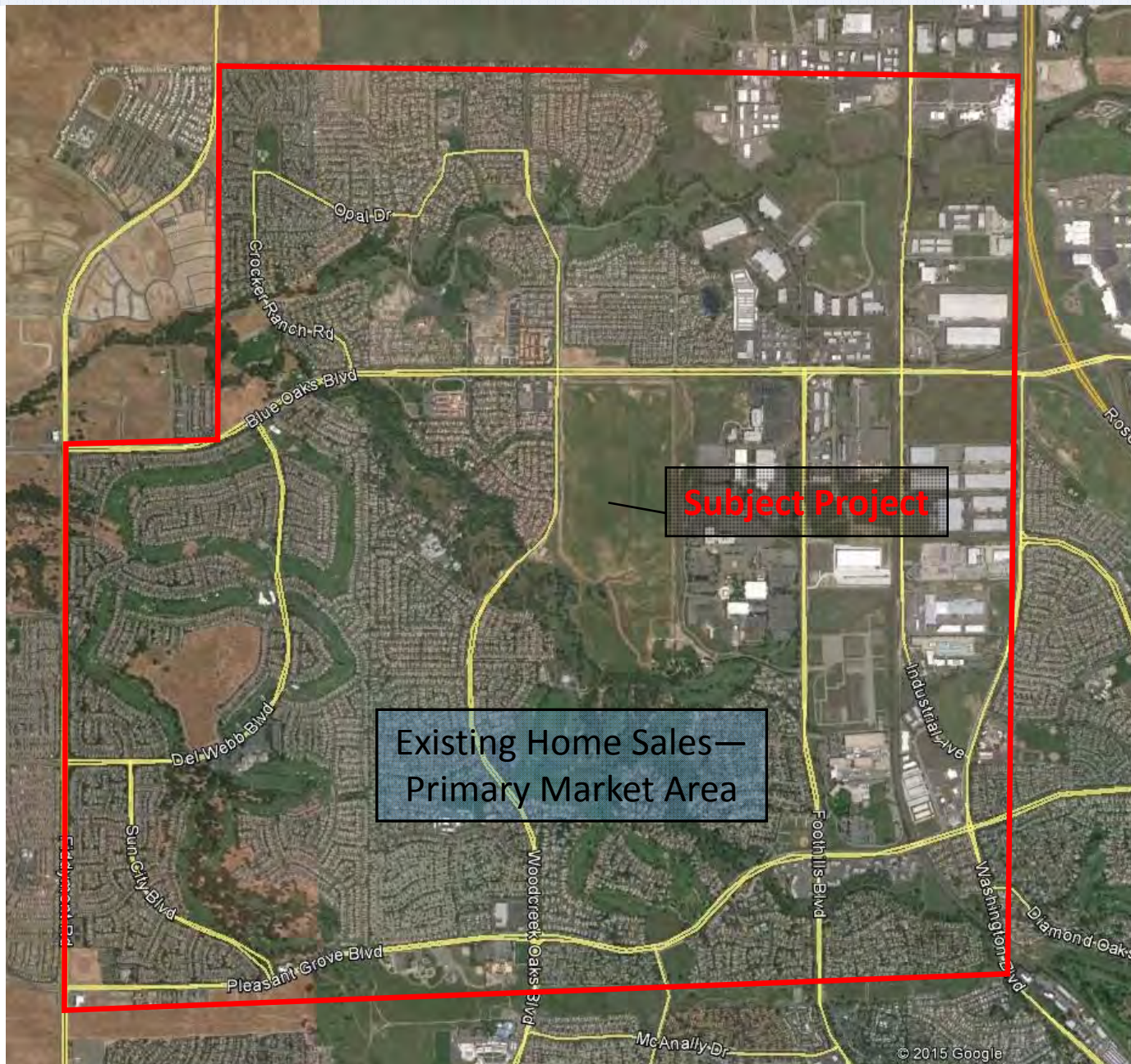
Secondary Market Area -- Competitive Projects



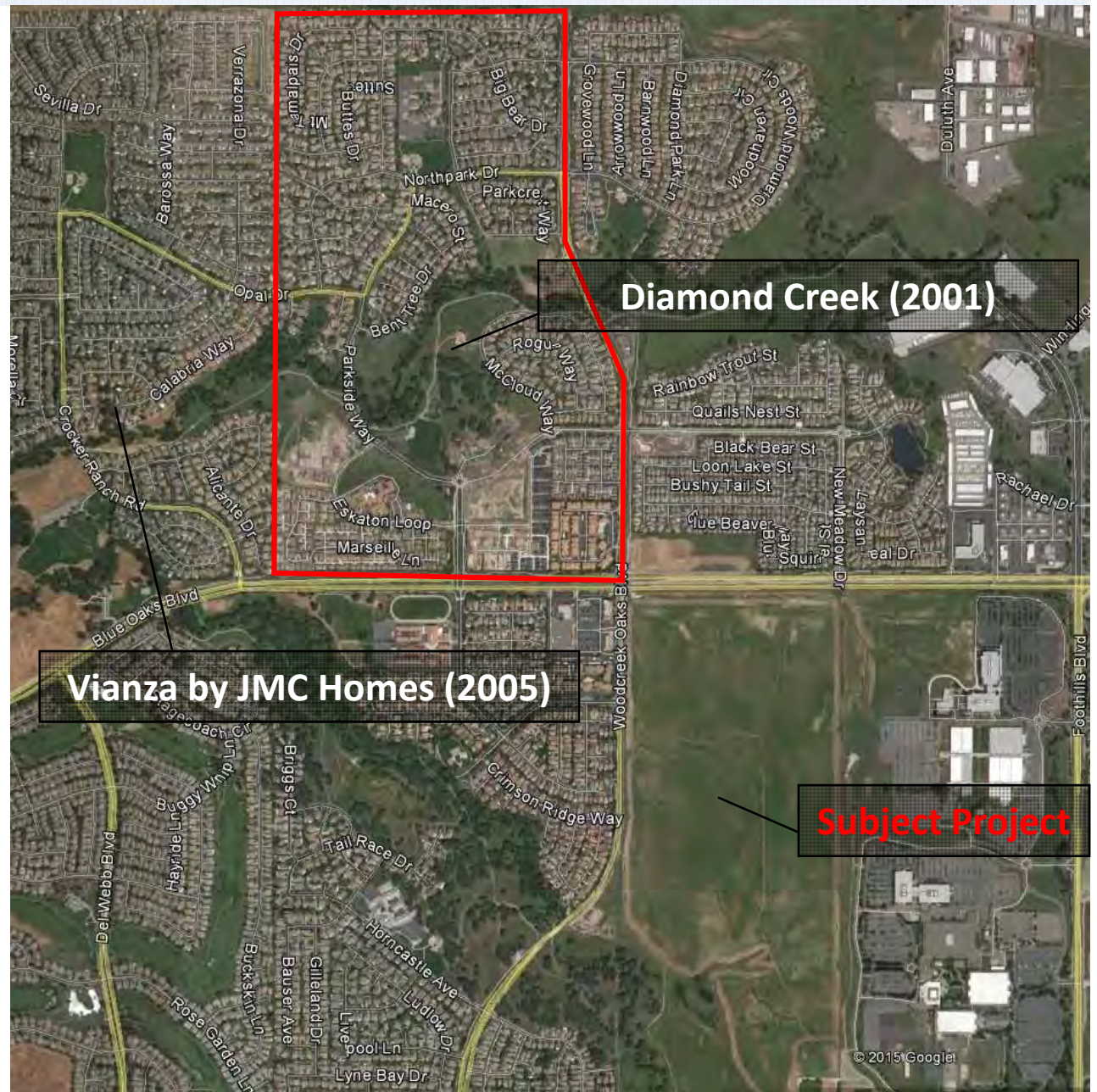
Resales

The average price of an existing home in the Primary Market Area is \$390,677 (\$208 per square foot) with a total of 325 sales (an average of 24 sales per week). 75% of the sales were for homes priced between \$300,000 and \$500,000 and twelve-percent were priced at greater than \$500,000. For all resales, the number of Days on Market average is an exceptionally low 25.





- Traditional Homes within Diamond Creek (built in 2000 and 2001) sold for an average price of \$551,750 (\$157 per square foot) and were on the market of only an average of 21 days. In addition, there were only four of these homes recorded.
- Homes within the JMC Home community of Vianza (built in 2005 offering semi-custom homes in a gated community) sold for an average price of \$707,333 (\$205 per square foot). Homes within Vianza are very popular with only three sales and an average Days on Market of only 19.
- These two communities are the most relevant existing home communities as comparables to the subject project given their location, community plan and product type.



Sacramento Housing

Sacramento New-Housing

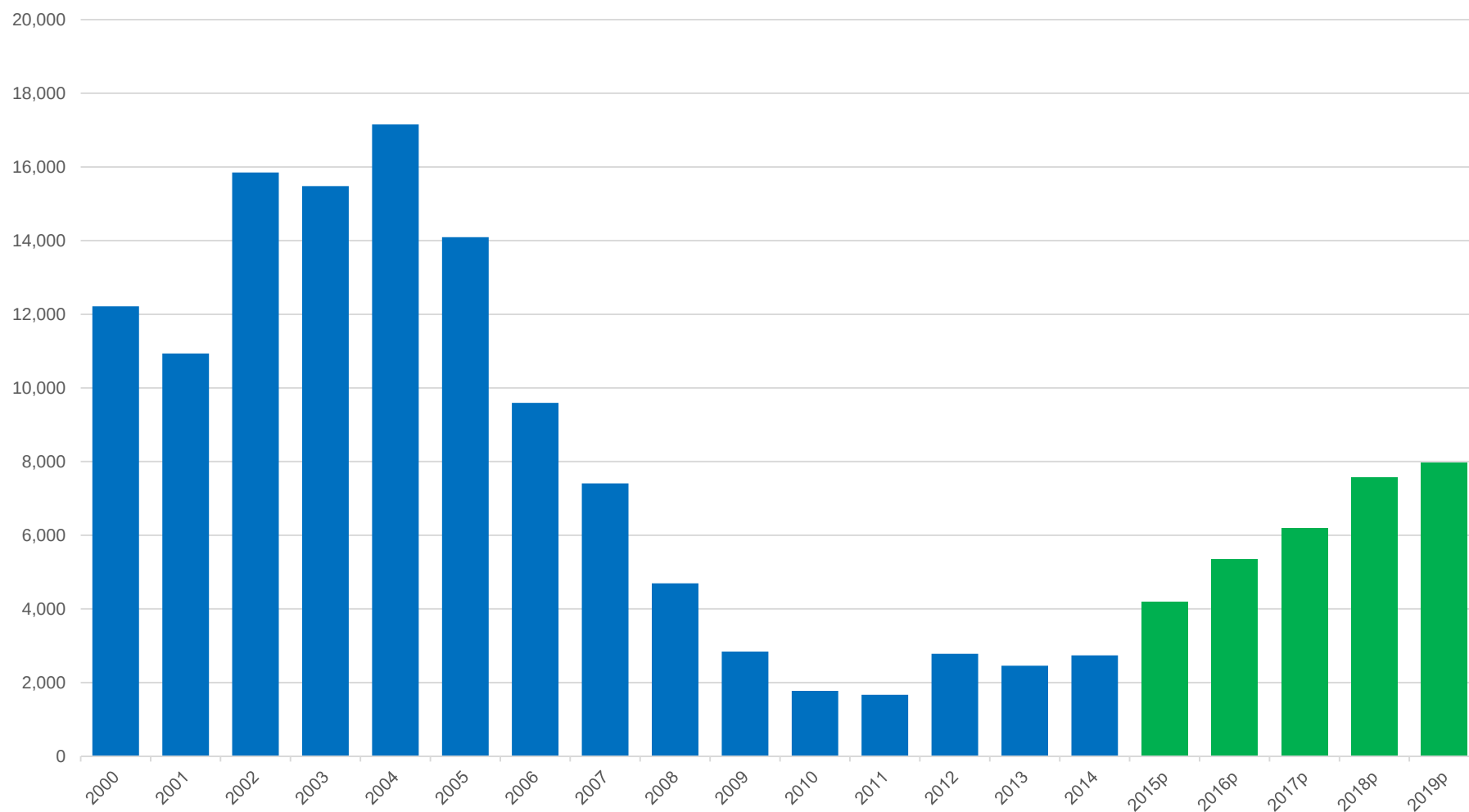
After disappointing sales in the summer and fall of 2014 in the Sacramento region, there was little hope for a strong rebound in the fourth quarter. However, a robust December and early 2015 that saw an increase in traffic and ultimately sales, resulted in a surprisingly greater number of sales than initially anticipated. **In fact, there were 1,036 sales in the First Quarter and 1,096 in the Second Quarter (a mid-year total of 2,132 total sales in the region; an increase of 42.7% from a year earlier).** It is possible that the Sacramento region could post a total of more than 4,000 new-home sales for all of 2015; this would be the first time sales have surpassed 4,000 units since 2008.

Pricing in Sacramento moderated early in the year due primarily to a lack of affordability (primarily a result of slow to moderate wage growth). As a result, new-home prices are up only 5.3% from a year earlier.

Inventory has been increasing during the last year (up 36.6%), and importantly, the number of projects has increased from 98 to 128. An increase in the number of projects and the resulting increase in inventory is a very positive sign; especially considering that as more projects enter the market there are more sales resulting in a greater sales rate.

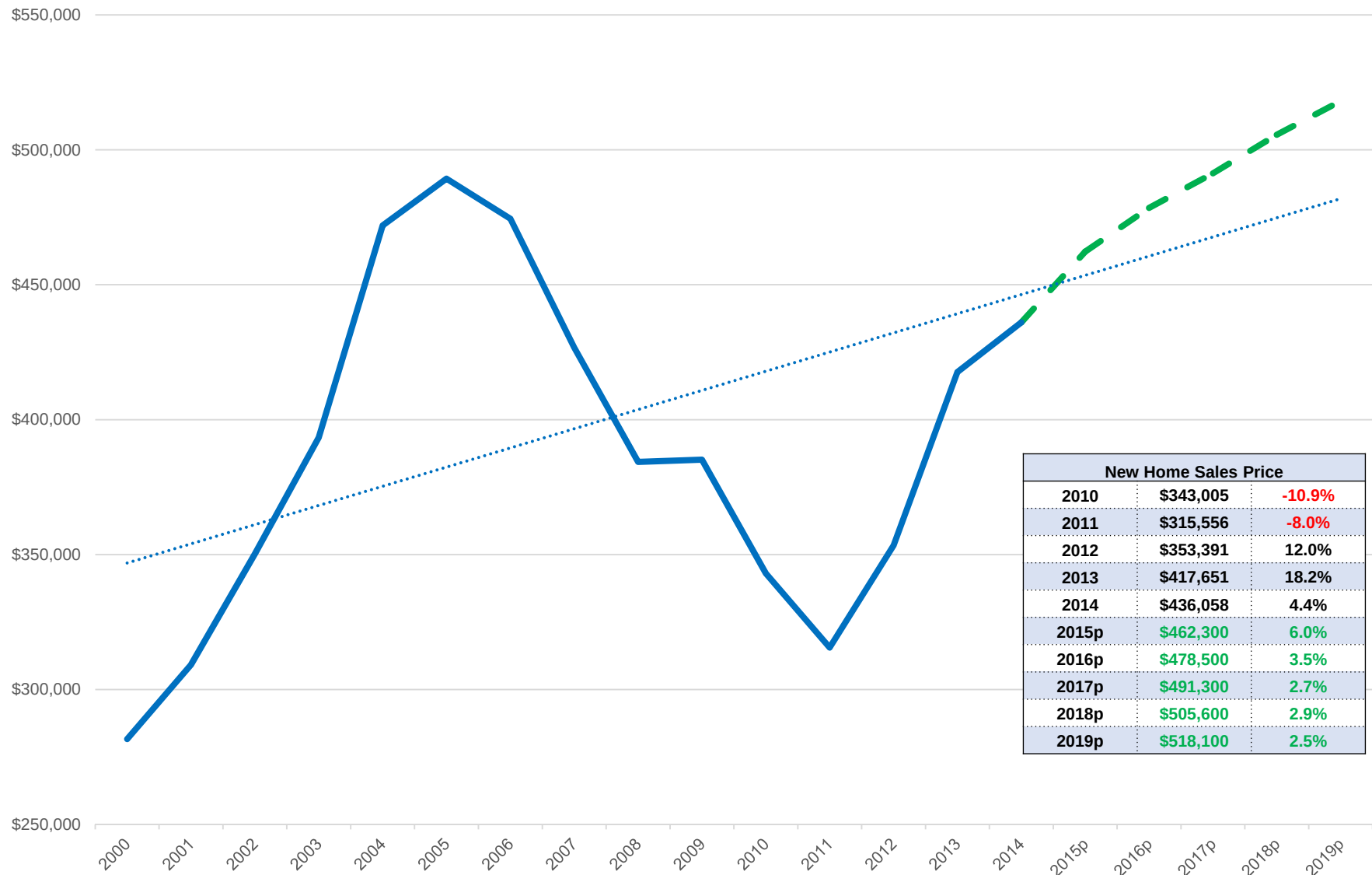
Sacramento MSA and Yuba MSA									
	2011	2012	2013	2014	2nd Qtr 2014	1st Qtr 2015	2nd Qtr 2015	Previous Qtr % Change	Year Ago % Change
Average Price	\$315,556	\$353,391	\$417,651	\$436,058	\$439,685	\$454,431	\$463,180	1.9%	5.3%
Median Price	\$299,450	\$332,990	\$413,271	\$418,990	\$415,000	\$425,990	\$435,945	2.3%	5.0%
Average Home Size	2,170	2,233	2,342	2,487	2,437	2,563	2,583	0.8%	6.0%
Average Pr/Sq Ft	\$149.41	\$161.78	\$183.86	\$180.51	\$187.35	\$181.94	\$184.22	1.3%	-1.7%
Ttl Weekly Sales Rate	0.38	0.53	0.60	0.57	0.67	0.61	0.74	21.3%	10.4%
Homes Sold	1,668	2,782	2,458	2,739	808	1,036	1,096	5.8%	35.6%
Qtr Weekly Sales Rate	0.30	0.64	0.39	0.49	0.63	0.65	0.66	1.5%	4.8%
Unsold Inventory	631	442	412	973	771	814	1,053	29.4%	36.6%

Sacramento New Home Sales

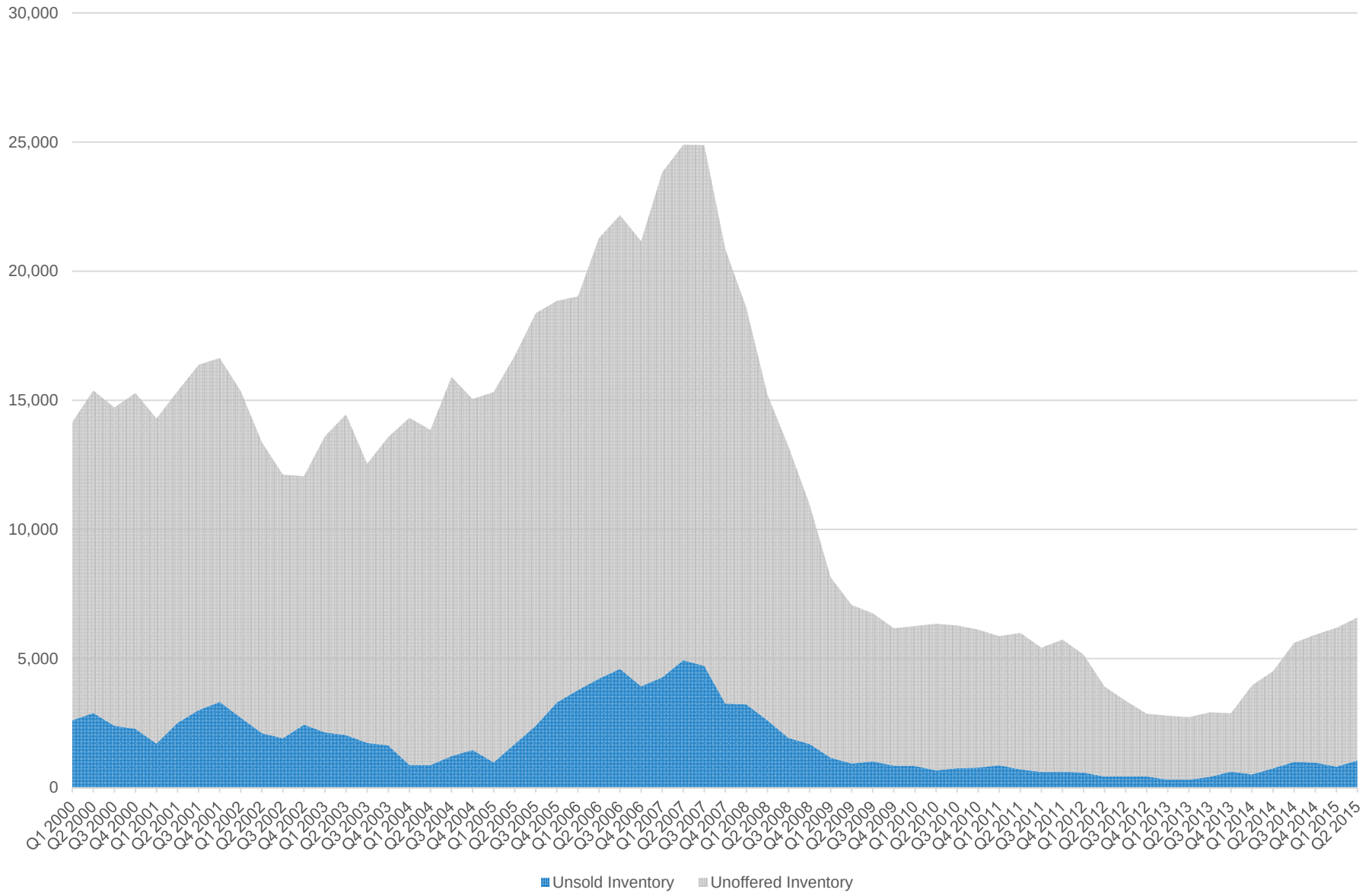


New Home Sales	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
No. of Sales	1,776	1,668	2,782	2,458	2,739	4,178	5,344	6,189	7,561	7,967
% Change YOY	-37.5%	-6.1%	66.8%	-11.6%	11.4%	52.5%	27.9%	15.8%	22.2%	5.4%

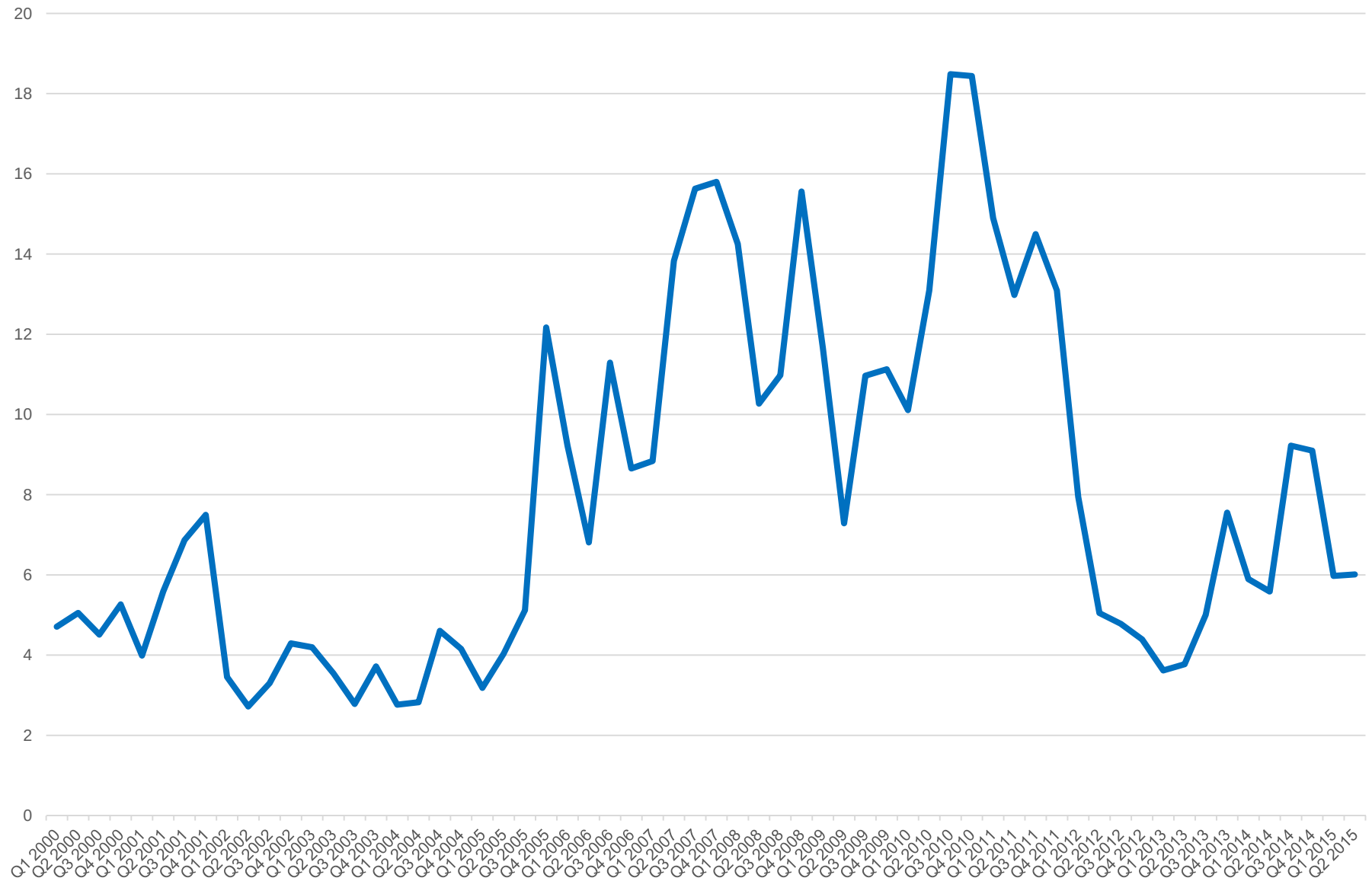
Sacramento Average New Home Price (Not Adjusted for Inflation)



Sacramento Total Inventory



Sacramento Months of Total Inventory



Roseville New-Housing

- Currently, Placer County accounts for 39.3% of all new-home sales in Sacramento. **Given the amount of developable land and the high desire for people to re-locate to the area, the percent capture of Placer County is expected to stay elevated (above the long-term trend of 28.1%).**
- Roseville accounted for 62.9% of sales in Placer County for year-to-date 2015; up from the past two years. Roseville (and Placer County) was one of the brighter spots during the recession, attracting new-home buyers despite economic hardships. **As the economy gathers steam and the new-home market continues to improve, it is anticipated that Roseville will return to the long-term trend of a 46% capture rate in Placer County.**

Year	City of Roseville Sales	Placer County Sales	Roseville Percent of Sales	Placer County Sales	Sacramento Region Sales	Placer Percent of Sales
2000	1,326	3,923	33.8%	3,923	12,216	32.1%
2001	1,133	3,282	34.5%	3,282	10,936	30.0%
2002	2,296	4,914	46.7%	4,914	16,062	30.6%
2003	1,718	4,164	41.3%	4,164	15,858	26.3%
2004	1,398	3,309	42.2%	3,309	17,155	19.3%
2005	1,126	2,609	43.2%	2,609	14,094	18.5%
2006	876	2,600	33.7%	2,600	9,607	27.1%
2007	1,096	2,147	51.0%	2,147	7,416	29.0%
2008	833	1,317	63.2%	1,317	4,695	28.1%
2009	718	1,112	64.6%	1,112	2,841	39.1%
2010	603	863	69.9%	863	1,776	48.6%
2011	449	663	67.7%	663	1,668	39.7%
2012	770	1,087	70.8%	1,087	2,782	39.1%
2013	498	889	56.0%	889	2,458	36.2%
2014	506	1,048	48.3%	1,048	2,739	38.3%
2015e	972	1,546	62.9%	1,546	3,929	39.3%
Avg's:	1,020	2,217	46.0%	2,217	7,890	28.1%

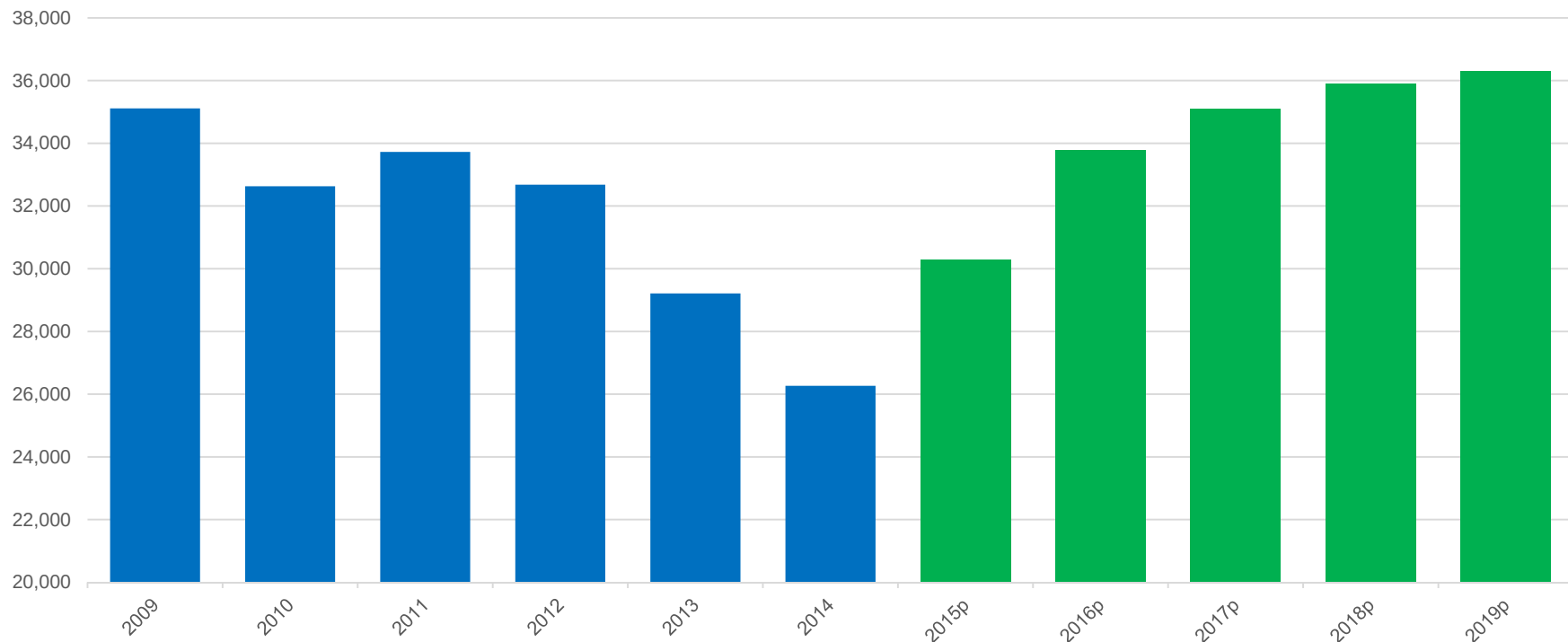
Top Ten Sales By Community						
Community	YTD 2015	YTD % Share	2014 Sales	2014 % Capture	2013 Sales	2013 % Capture
Roseville	515	24.2%	506	19.0%	498	20.8%
Laguna	357	16.7%	339	12.8%	327	13.6%
El Dorado Hills	177	8.3%	183	6.7%	166	6.8%
Rancho Cordova	166	7.8%	229	8.6%	212	8.8%
Rocklin	157	7.4%	203	7.6%	78	3.3%
Lincoln	149	7.0%	290	10.9%	266	11.1%
Elk Grove	136	6.4%	273	10.3%	192	8.0%
Folsom	127	6.0%	231	8.7%	210	8.8%
Woodland	58	2.7%	128	4.8%	90	3.8%
West Sacramento	20	0.9%	37	1.4%	73	3.0%

- Roseville is once again the top selling community in Sacramento; 24.2% of all new-home sales (YTD 2015) are in Roseville (19.0% in 2014). Given the desirability of Roseville and Placer County, it is **not anticipated that Roseville will relinquish the lead anytime in the near future and overall sales are expected to increase.**
- Within Roseville and as of Q3/2015, the average overall sales pace is of 0.66 sales per week and the Quarter sales pace is 0.61 sales per week. **Improving economic conditions, more affordable housing options and a greater supply of housing will ultimately lead to higher average sales rates per project.**
- A new-home in Roseville averaged 2,509 square feet and \$443,673 in Q3/2015 with an average price per square foot value of \$185. Currently there are an average of \$6,290 in incentives and the lot sizes range from 1,900 to 11,200 square feet.
- There are only 1,356 units of total inventory and 272 units of unsold inventory.

Sacramento Existing Homes

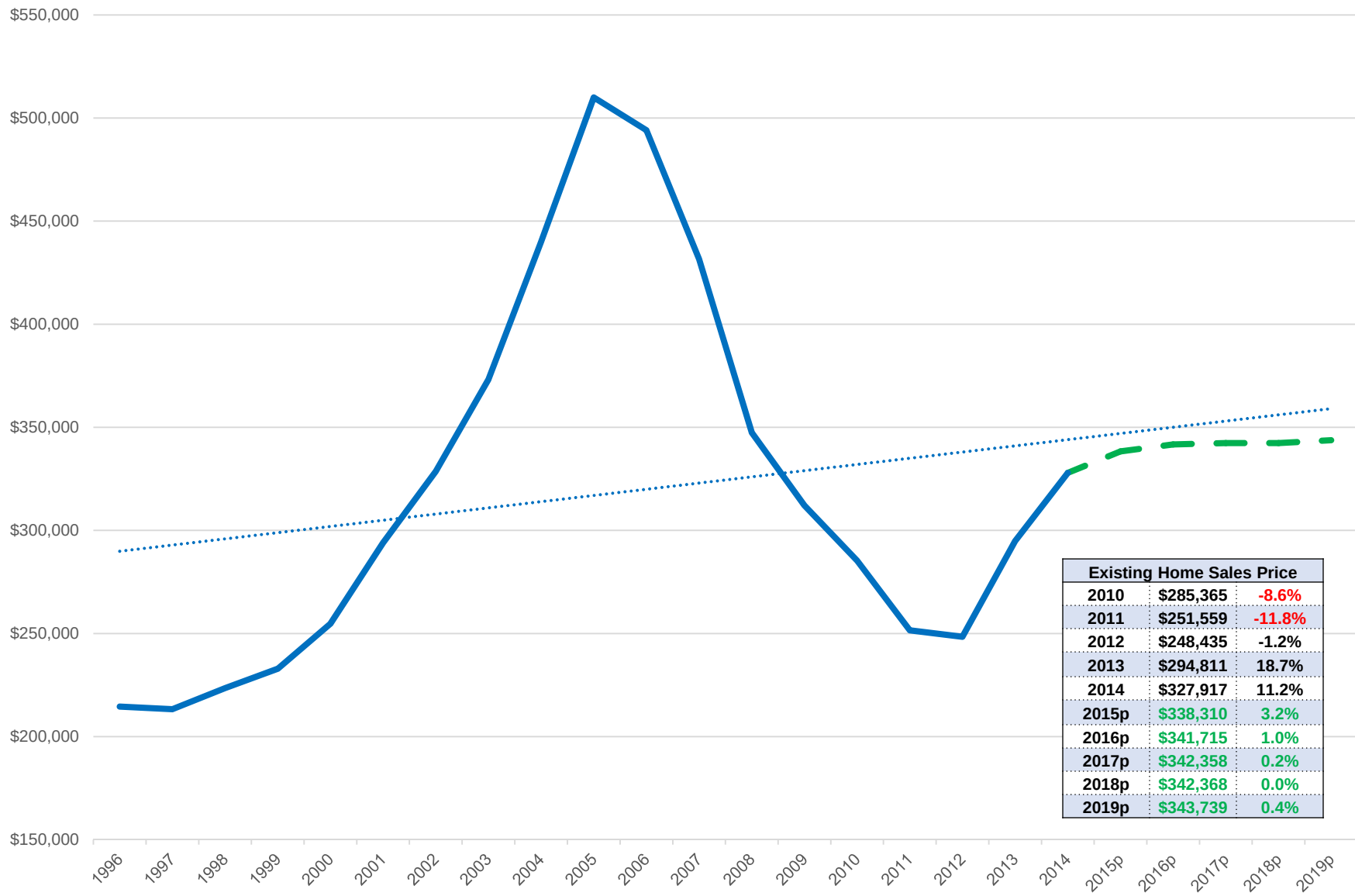
Total resales in 2014 were down from the previous year (a decline of 10.1% to 26,266 sales), but pricing increased 11.2% (adjusted for inflation) and Months of Inventory is only slightly above two-months. With only 12.5% distressed sales (and much of that concentrated in selected communities), the resale market is returning to healthy levels of activity. Resale agents and brokers are stating that the number of open houses and the traffic levels to these open houses are increasing.

Existing Home Sales

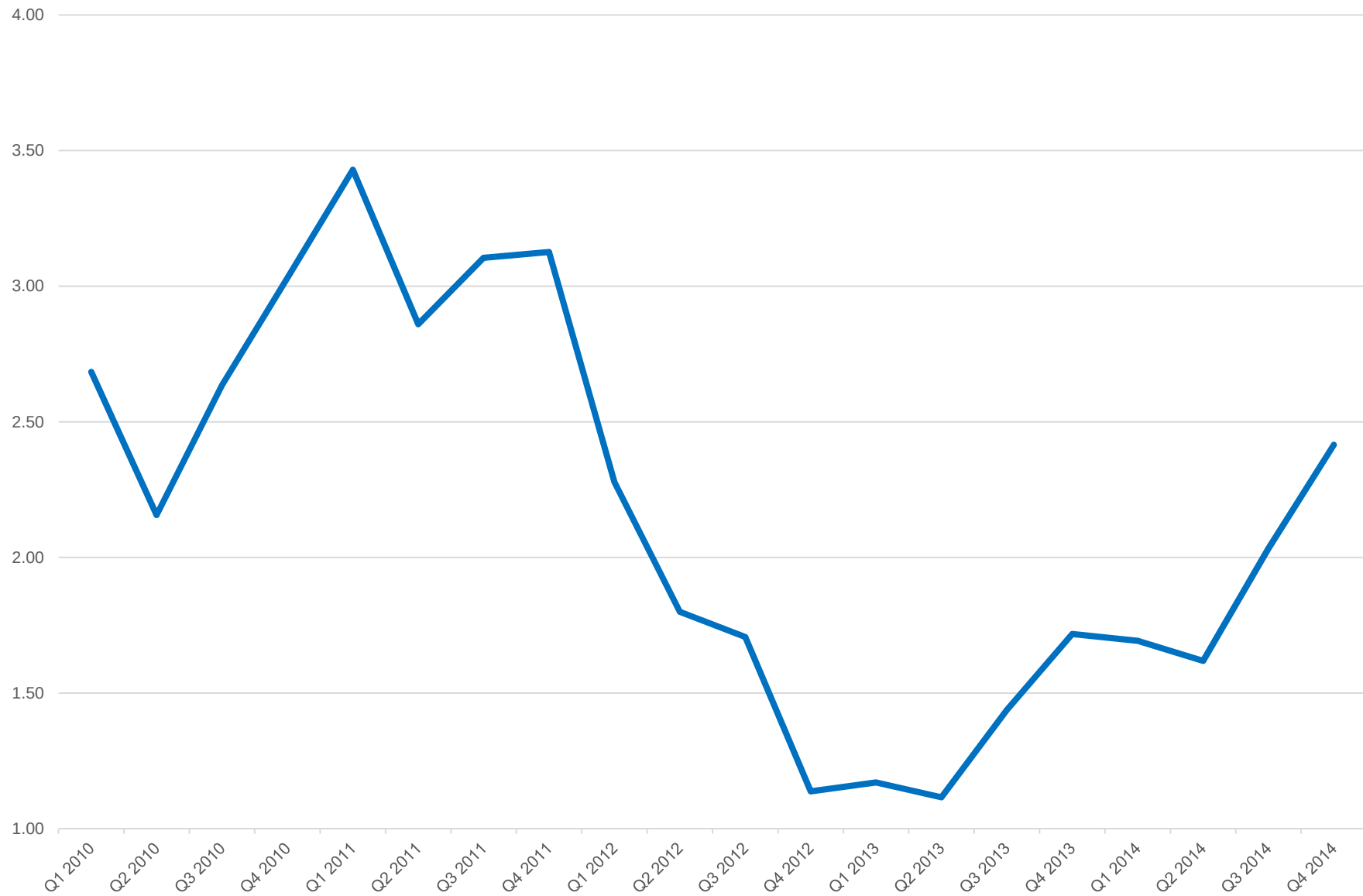


New Home Sales	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
	32,628	33,722	32,680	29,211	26,266	30,288	33,775	35,100	35,900	36,300
% Change YOY	-7.07%	3.35%	-3.09%	-10.62%	-10.08%	15.31%	11.51%	3.92%	2.28%	1.11%

Sacramento Existing Home Price (Adjusted for Inflation)



Sacramento Existing Home Months of Inventory



Potential Future Supply

Within the greater Subject Property market area there are currently a total of 64,292 units planned for future development. These totals include a multitude of larger master planned communities located in west Roseville and west Placer County. In fact, within the Primary Market Area there are a total of 4,318 units planned for future development (948 at the subject property and 3,370 at Placer Ranch east of Fiddymont Boulevard). There are an additional, 53,373 units planned in the Secondary market Area and 6,601 units planned in Placer County.

It terms of the timing of market entry, it is estimated that approximately 8,331 units can enter the market between 2016 and 2018, 8,660 units between 2017 and 2019, 6,756 units between 2018 and 2020 and 40,545 units between 2020 and 2024. Not all of those units will enter the market during the specified time frames, but is it reasonable that some of the units will be available to consumers in the coming years.

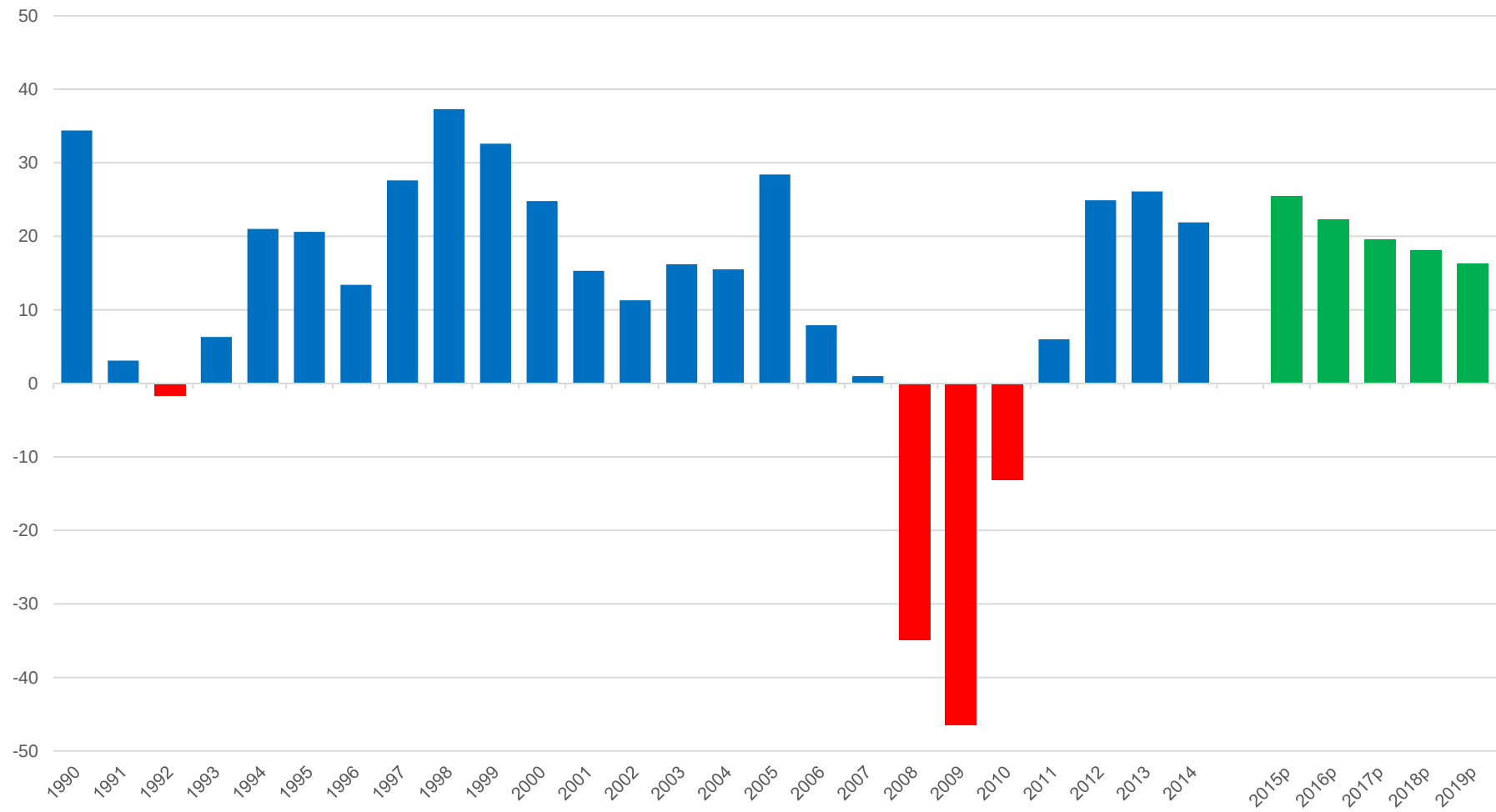
Finally, it is worth noting that there are very few projects in the Primary Market Area and other than the Subject Project, no units are anticipated to enter the market before 2020. Based on this analysis, the subject project has a significant opportunity to offer new units in a highly desirable market area with relatively limited competition.

Project Name	Community	Developer	Number of Units	Five-Year Market Entry "Window"
Primary Market Area				
HP	Roseville	Diamond Creek Equities	948	2016 - 2018
Placer Ranch (E/Fiddymment Road)	Unincorporated Placer	--	3,370	2020 - 2024
Total Units Proposed:			4,318	
Secondary Market Area				
Creekview	Roseville	GBD Communities	2,011	2018 - 2020
Fiddymment Farm	Roseville	Wells Fargo Bank	2,530	2016 - 2018
Fiddymment Farm	Roseville	GBD Communities	419	2016 - 2018
Sierra Vista	Roseville	Various	4,745	2018 - 2020
Westbrook	Roseville	Westpark Communities	2,029	2016 - 2018
Westpark	Roseville	Westpark Communities	1,032	2016 - 2018
Amoruso Ranch	Unincorporated Placer	Brookfield	2,785	2020 - 2024
Curry Creek	Unincorporated Placer	--	15,000	2020 - 2024
Placer Ranch (W/Fiddymment Road)	Unincorporated Placer	--	3,370	2020 - 2024
Placer Vineyards	Unincorporated Placer	Various	14,132	2020 - 2024
Regional University	Unincorporated Placer	AKT Development	4,387	2017 - 2019
Riolo Vineyards	Unincorporated Placer	--	933	2016 - 2018
Total Units Proposed:			53,373	
"Other Placer County" Market Area				
Lincoln Ranch	Lincoln	Lewis Operating Corp.	2,266	2017 - 2019
Twelve Bridges	Lincoln	Placer Holdings	440	2016 - 2018
Whitney Ranch	Rocklin	IHP Capital Partners	2,007	2017 - 2019
Bickford Ranch	Unincorporated Placer	Lehman Brothers	1,888	2020 - 2024
Total Units Proposed:			6,601	
Total Market Area Proposed:			64,292	

Economics and Demographics

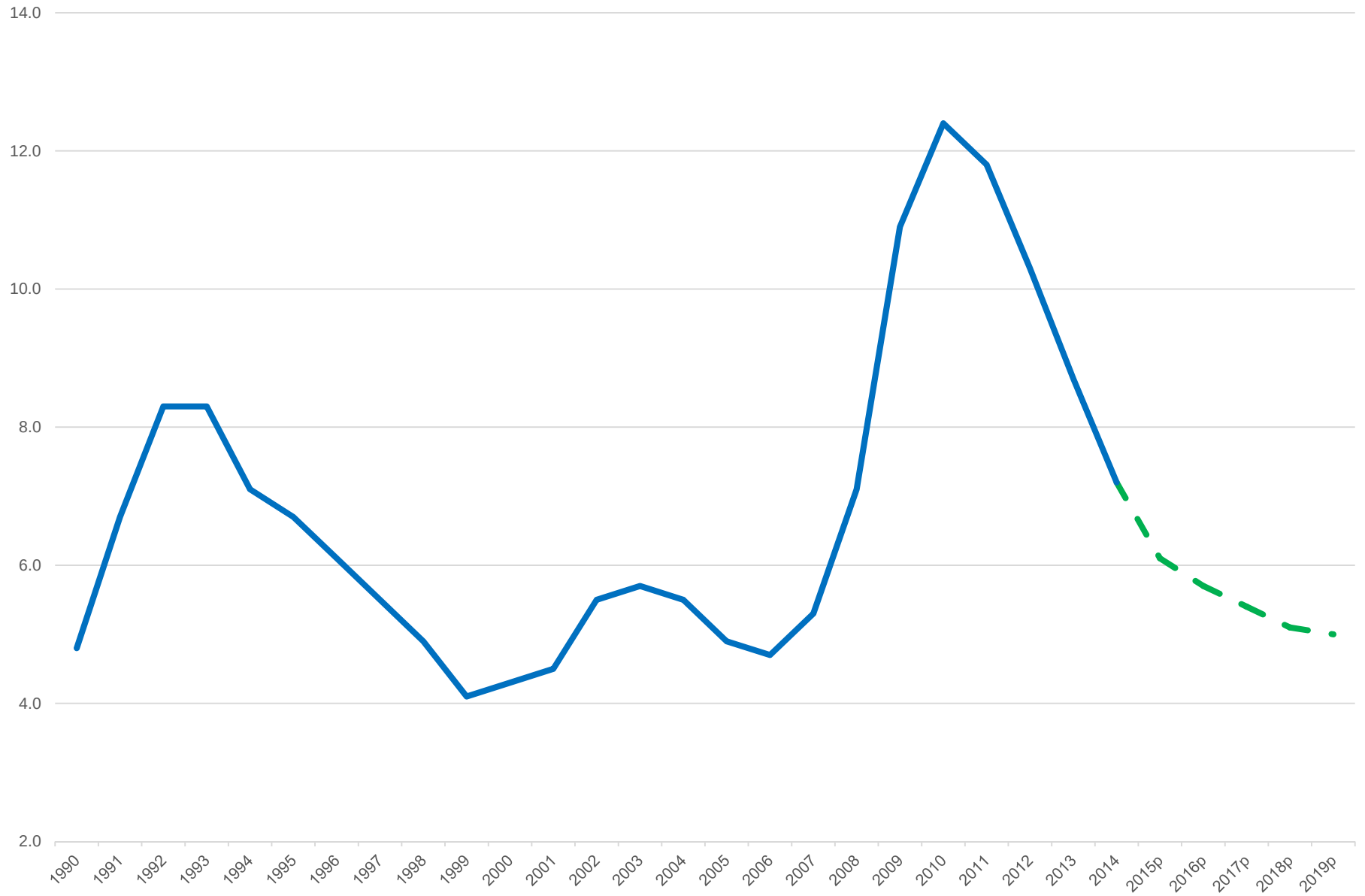
Sacramento Economics

Sacramento MSA Job Growth

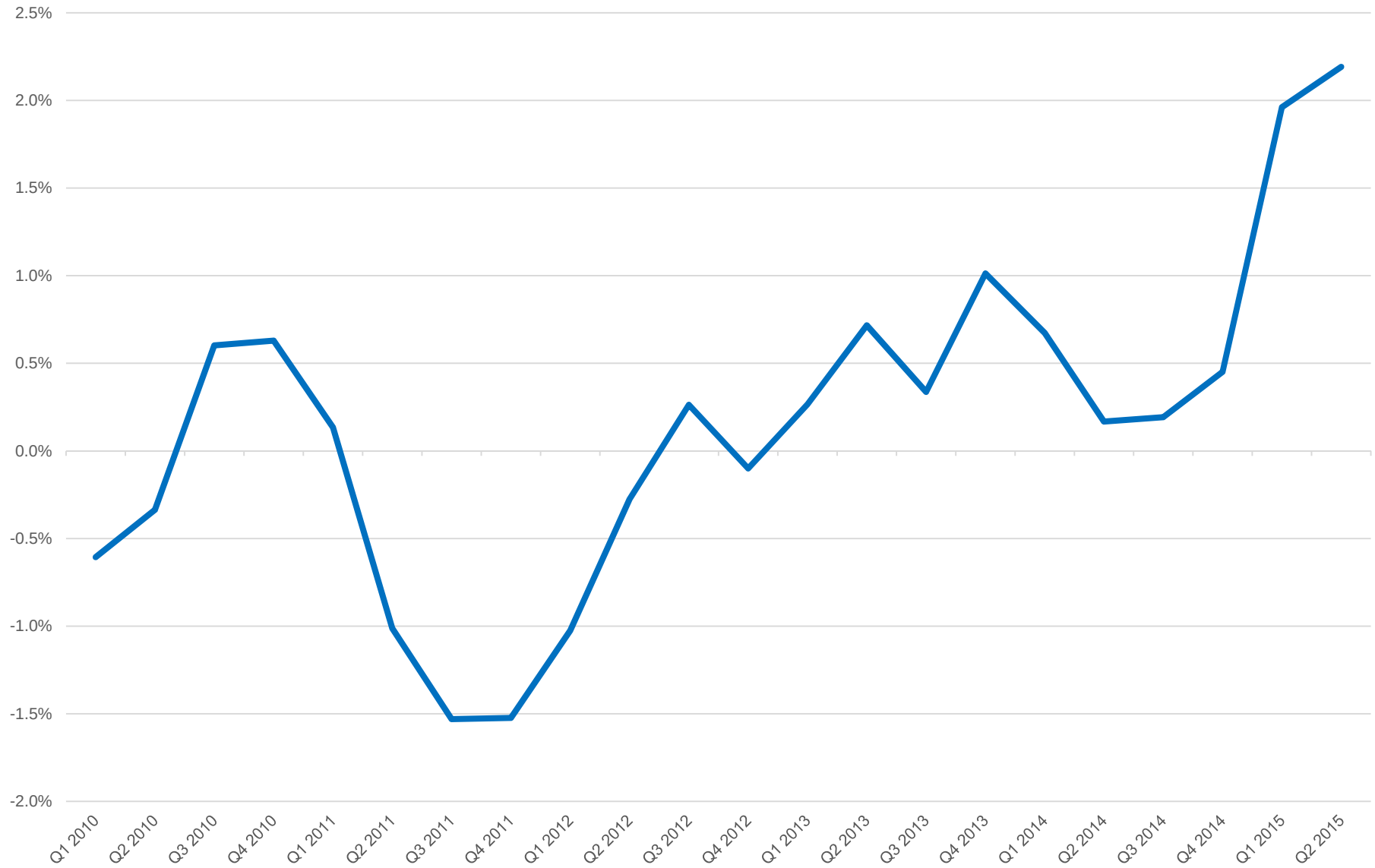


Job Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
(Thousands)	-13.1	6.0	24.9	26.1	21.9	25.5	22.3	19.5	18.1	16.3
% YOY	-1.5%	0.7%	3.0%	3.1%	2.5%	2.9%	2.4%	2.1%	1.9%	1.7%

Sacramento Unemployment Rate

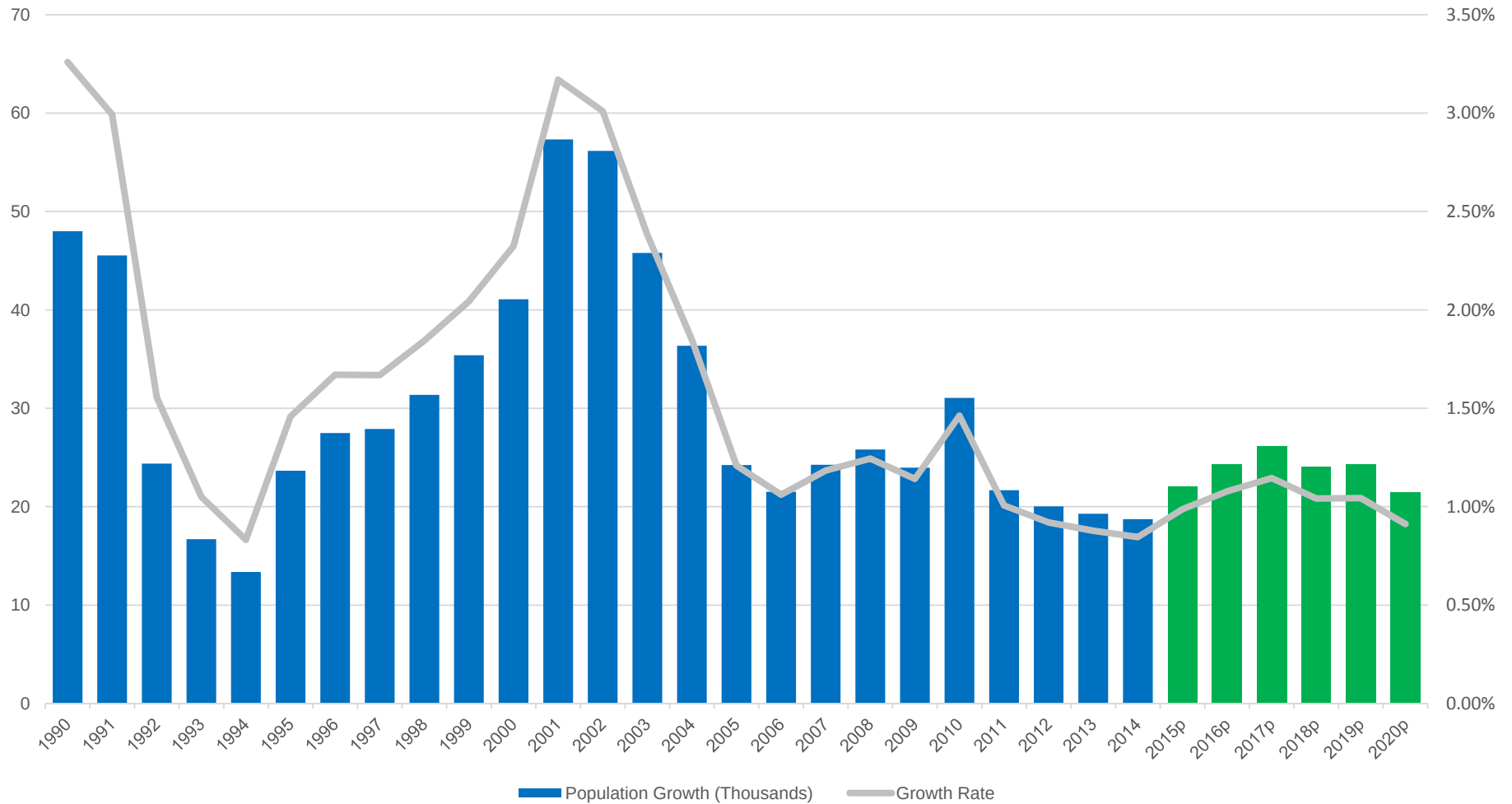


Sacramento Hourly Wages Percentage Change from Last Year (Adjusted for Inflation)



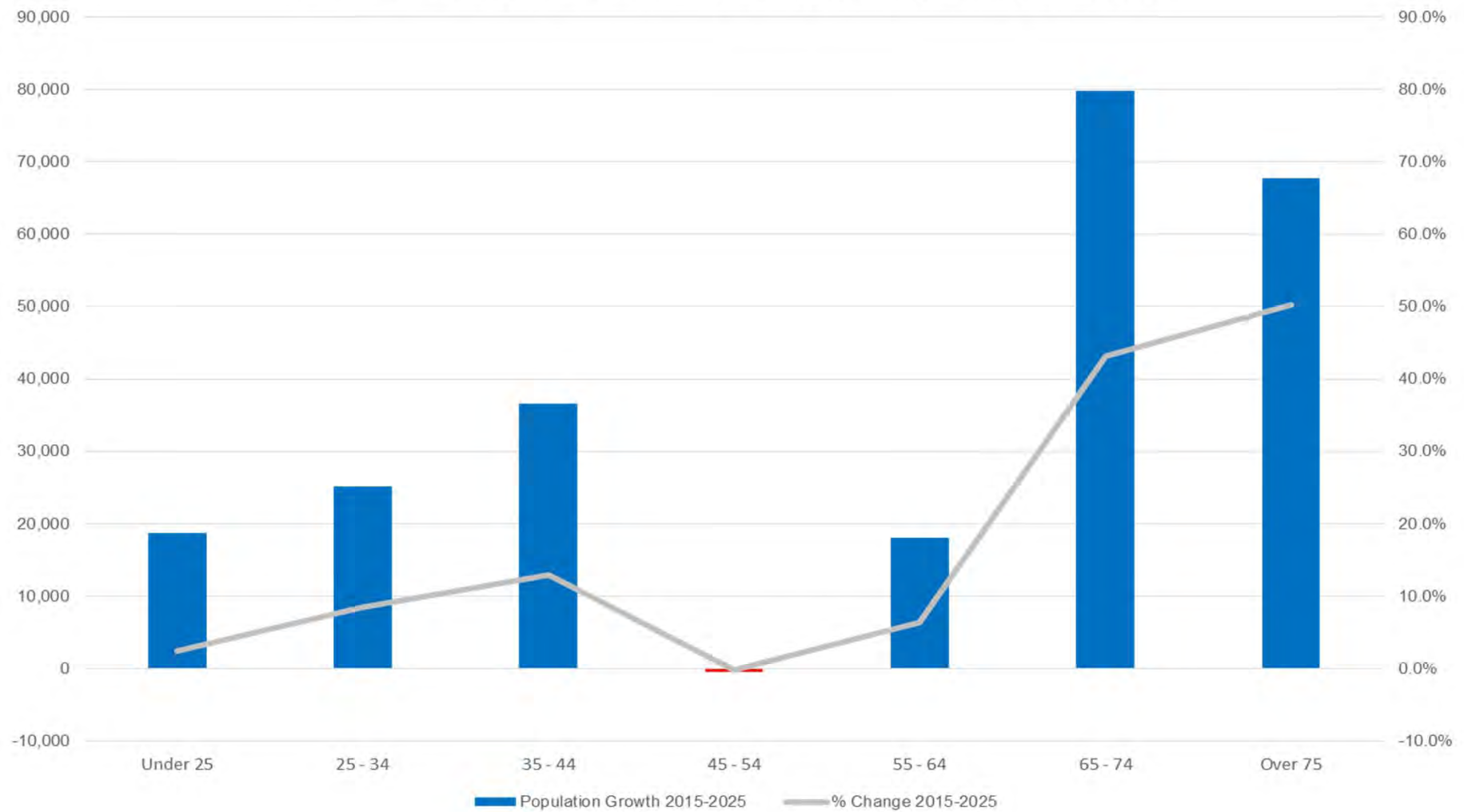
Sacramento Demographics

Sacramento Population Growth



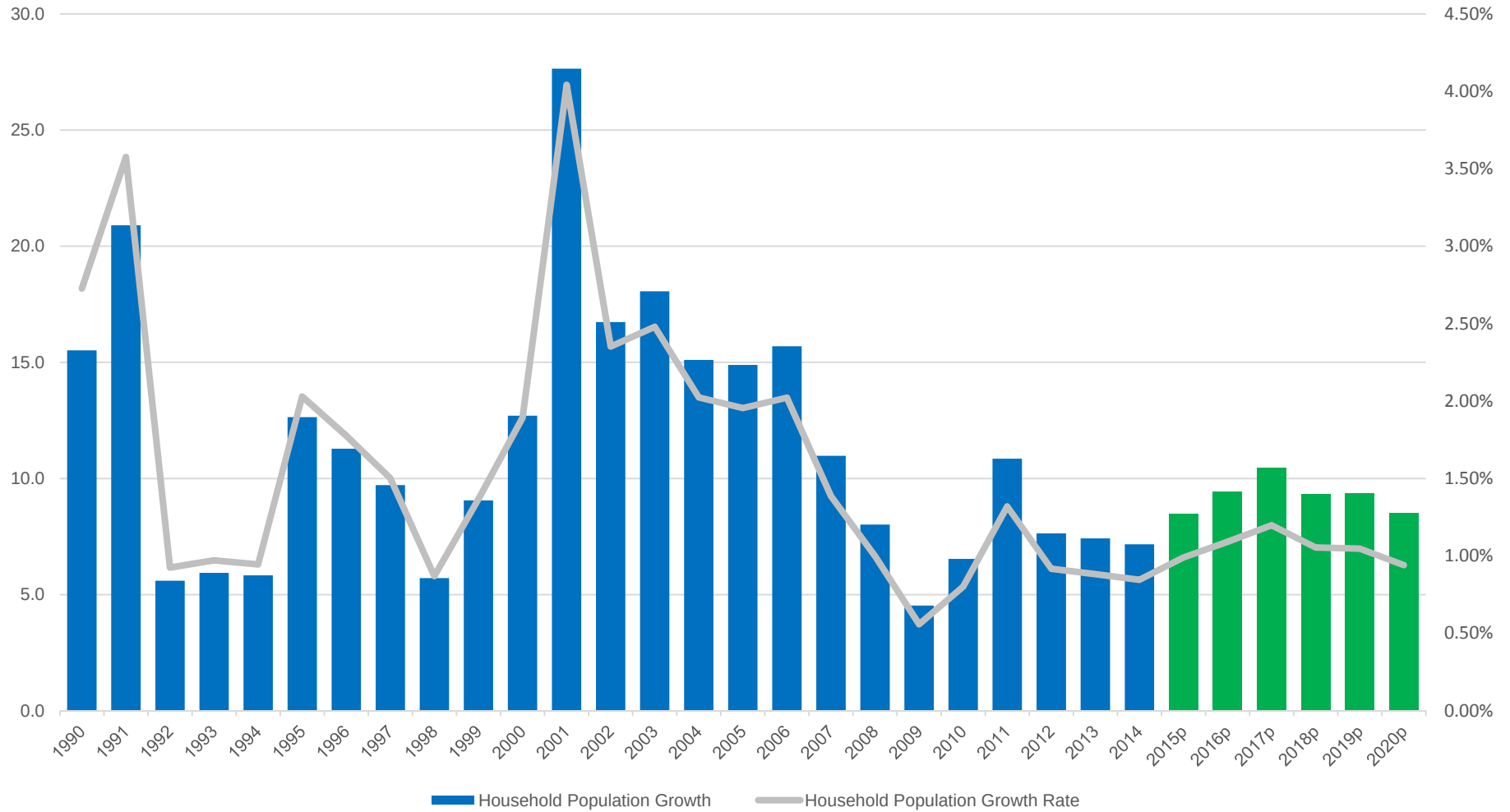
Population Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

Sacramento MSA Population Change and Percentage Change 2015-2025



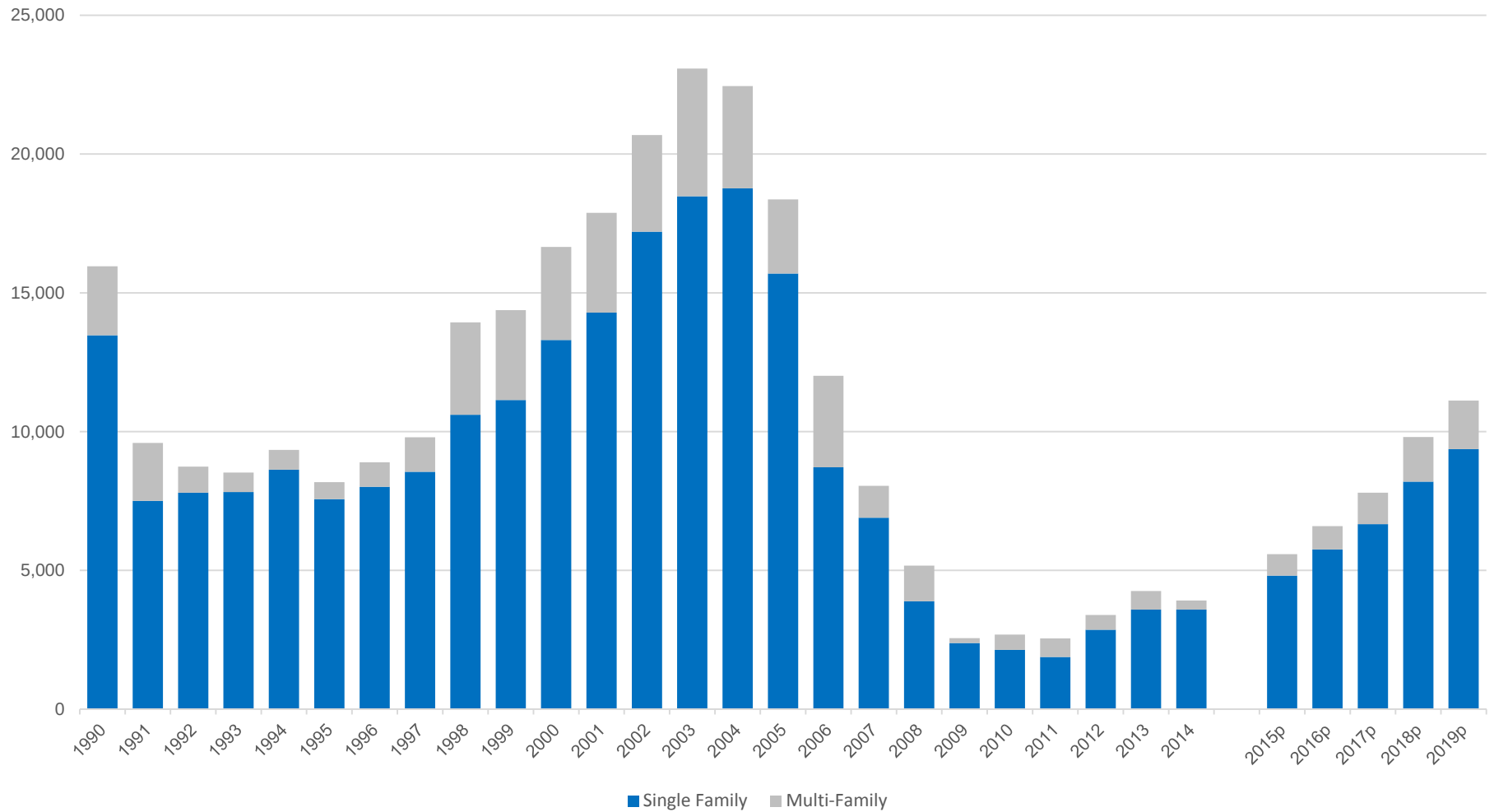
Population Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

Sacramento Household Population Growth



Household Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	6.5	10.9	7.6	7.4	7.2	8.5	9.4	10.5	9.3	9.3	8.5
% YOY	0.80%	1.32%	0.92%	0.88%	0.85%	0.99%	1.09%	1.20%	1.05%	1.05%	0.94%

Sacramento MSA Building Permits



Total Permits	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
	2,685	2,547	3,393	4,255	3,915	5,586	6,595	7,798	9,807	11,118
% YOY	4.9%	-5.1%	33.2%	25.4%	-8.0%	42.7%	18.1%	18.2%	25.8%	13.4%

Notes

The Sacramento MSA includes the four counties of El Dorado, Placer, Sacramento and Yolo

The Sacramento Region includes the six counties of El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba

All projections are provided by The Gregory Group

Sources include US Bureau of Economic Analysis, US Bureau of Labor Statistics, US Bureau of Census, Thomson Reuters/University of Michigan, Board of Governors of the Federal Reserve, NAHB/Wells Fargo Bank, National Association of Realtors, Zillow Real Estate Research, California Association of Realtors, Federal Reserve Bank of St. Louis, California Department of Finance, Google Maps, The Gregory Group

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**B - READDRESSING/REASSIGNING
APPRAISAL REPORTS**



Readdressing/Reassigning Appraisal Reports

Seevers Jordan Ziegenmeyer adheres to the requirements of the 2016-2017 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This edition is effective from January 1, 2016 through December 31, 2017. The following excerpts pertain to readdressing/reassigning appraisal reports:

Advisory Opinion 26, Page A-164:

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-166 to A-169:

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. 119, Page F-266:

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.

C - GLOSSARY OF TERMS

GLOSSARY OF TERMS

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

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

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

Band of Investment: A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Bulk Value: The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

Comparative-Unit Method: A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

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

Depreciation: In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

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

Discounted Cash Flow (DCF) Analysis: The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Discount Rate: A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

Disposition Value: The most probable price that a specified interest in property should bring under the following conditions: 1) consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market; 2) the property is subjected to market conditions prevailing as of the date of valuation; 3) both the buyer and seller are acting prudently and knowledgeably; 4) the seller is under compulsion to sell; 5) the buyer

is typically motivated; 6) both parties are acting in what they consider to be their best interests; 7) an adequate marketing effort will be made during the exposure time; 8) payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto; 9) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Easement: The right to use another's land for a stated purpose.

Exposure Time: The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

External Obsolescence: A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.

Extraction: A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Fair Market Value: The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the

other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

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

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

Functional Obsolescence (Curable): An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.

Functional Obsolescence (Incurable): An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal.

Highest and Best Use: The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Hypothetical Condition: A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

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

Neighborhood: A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Obsolescence: One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

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

Quantity Survey Method: A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

Replacement Cost: The estimated cost to construct, at current prices as of a specified date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.

Reproduction Cost: The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Site Coverage Ratio: The gross area of the building footprint divided by the site area.

Stabilized Occupancy: 1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. 2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Subdivision Development Method: A method of estimating land value when subdividing and developing a parcel of land is the highest and best use of that land. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or the completed improvements on those lots), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

Superadequacy: An excess in the capacity or quality of a structure or structural component; determined by market standards.

Unit-In-Place Method: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method*.

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

Yield Rate: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

D - QUALIFICATIONS OF APPRAISER(S)



Seevers
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Ziegenmeyer

Real Estate Appraisal & Consultation

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Kevin K. Ziegenmeyer, MAI, Partner

Introduction

Mr. Ziegenmeyer is a partner with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

Professional Affiliations

Appraisal Institute – MAI Designation

Certified General Real Estate Appraiser - State of California (No. AG013567)

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

(continued on next page.....)



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(.....continued from previous page)

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Land Valuation Adjustment Procedures

Highest & Best Use and Market Analysis

Entitlements, Land Subdivision & Valuation

Real Estate Value Cycles

El Dorado Hills Housing Symposium

Federal Land Exchanges

M & S Computer Cost-Estimating, Nonresidential

Appraisal Experience

General-purpose:

Offices

Retail

Industrial

Apartments

Subdivisions

Land

Special-purpose:

Athletic Clubs

Churches

Educational Facilities

Restaurants

Assisted-living Facilities

Auto Sales and Service

Lodging Facilities



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Sample of Appraisal Experience

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

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

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

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

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

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

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

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



Sample of Appraisal Experience (continued)

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

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

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

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

Community Facilities District No. 16
West Sacramento, California

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

Community Facilities District No. 17
West Sacramento, California

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

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

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

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

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



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Sample of Appraisal Experience (continued)

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

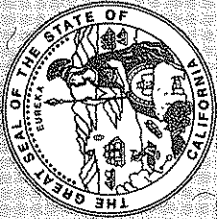
This assignment involved the valuation of an assessment district containing commercial and residential components comprising 5.66 acres of commercial land, 882 single-family residential lots and 15.8 acres of multifamily land. The appraisal was used for bond underwriting purposes and was prepared for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

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

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

Syrah Condominiums
Sacramento, Sacramento County, California

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



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law

BREA APPRAISER IDENTIFICATION NUMBER AG 013567

Effective Date: June 5, 2015

Date Expires: June 4, 2017

Jim Martin

Jim Martin, Bureau Chief BREA

3020787



Seevers
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Ziegenmeyer

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Eric A. Segal, MAI, Partner

Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of 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

Appraisal Institute – MAI designation

Certified General Real Estate Appraiser – State of California (No. AG026558)

Real Estate Appraiser - Certified General – State of Nevada (No. A.0207066-CG)

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Appraisal Litigation Practice and Courtroom Management

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications



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Sample of Appraisal Experience

Pleasant Valley Mixed-Use Development
Visitacion Valley Neighborhood
San Francisco, San Francisco County, California

This appraisal was prepared for loan underwriting. The Pleasant Valley mixed-use development comprises approximately 20.08 gross acres of land to be developed in three phases. Phase 1 will contain 568 residential units, a grocery store, in-line retail stores, office space, public park and pedestrian access to the Caltrain Bayshore station, which is located just east of the development. Phase 2 will contain approximately 556 residential units and an additional public park (Visitacion Park). Phase 3 will contain approximately 555 residential units. In total, Pleasant Valley is expected to be developed with 1,679 residential units of studio/loft, 1, 2, 3 and 4-bedroom unit types.

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

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

Santa Barbara Palms
Las Vegas, Clark County, Nevada

Santa Barbara Palms is a 114-unit, age-restricted, low-income housing apartment project in Las Vegas. The appraisal was prepared under Section 223(f) of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance for Capital One Multifamily Finance, LLC.

City of Dixon Community Facilities District No. 2013-1 (Parklane)
Dixon, Solano County, California

This assignment involved the appraisal of 71.51 gross acres of land approved for the development of 401 single-family homes under construction by Brookefield Homes. The proposed Bond proceeds were to be used to reimburse the developer for infrastructure improvements. The estimate of market value accounted for the impact of the lien of the special taxes securing the proposed Bonds, and the estimated value was subject to a hypothetical condition such improvements were in place and available for use.



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Sample of Appraisal Experience (continued)

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San Mateo, San Mateo County, California

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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.

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Vernalis, San Joaquin County, California

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

HUD 223(f) Apartment Portfolio
San Francisco, San Francisco County, California

This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.

The Parkway & Quinto Ranch
Santa Nella, Merced County, California

This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.



Sample of Appraisal Experience (continued)

Reclamation District No. 17 – Mossdale Tract
(portion)
County of San Joaquin, California

The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.

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

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

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

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

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

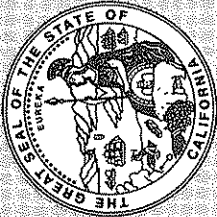
The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared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

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

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

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

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



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2015
Date Expires: February 18, 2017

David S. Martin

Jim Martin, Bureau Chief BREA

3017902

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APPENDIX C

THE ABSORPTION REPORT

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the gregory group

Campus Oaks
Prepared for City of Roseville

Roseville, California

December, 2015

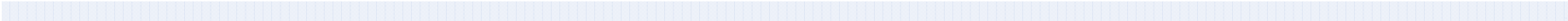


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Potential Future Supply	42
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Objective

This analysis was prepared by The Gregory Group, a market research firm that specializes in providing information and consulting services to the building industry. The Gregory Group provides quarterly market analysis for the nation, the state of California and the MSAs of California; compiles a quarterly new-home database for MSA's within the State of California and performs consulting and feasibility analysis throughout the western United States.

The Gregory Group was commissioned by the City of Roseville to perform this Market Assessment related to Campus Oaks. The primary objective of this analysis was to provide conclusions related to product, pricing and absorption for the eight development types at the Campus Oaks community based on current market conditions within the city of Roseville, Placer County and the Sacramento region.

Campus Oaks is located south of Blue Oaks Boulevard, east of Woodcreek Oaks Boulevard and directly to the west of the current Hewlett-Packard, Cokeva and Sutter Health Facilities. The project is planned to include a 948 units (including 125 apartment units that are not a part of this analysis) on 104.33 residential acres (a residential density of 9.1 units per acre). The project also includes office, retail and tech/business park space as well as parks, open spaces and walking trails. All conclusions, recommendations and projections are provided by The Gregory Group.

Contact Information

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Executive Summary

General Conclusions

- Given the overall strength in the economy and the generally agreed upon prognosis of a continuation in growth, there is becoming clear evidence that housing is finally on secure footing. While some parts of the country have been experiencing growth for some time (i.e. Silicon Valley, Irvine, etc.), greater affordability is causing growth to accelerate to more inland parts of the state. **2015 is experiencing an acceleration in new-home sales activity and those communities that are well positioned and well designed, will produce greater success than average traditional subdivisions. Furthermore, with growth forecast for future housing activity in Sacramento; new-home development at the beginning of the current upward cycle provides an excellent opportunity to take advantage of a rising market.**
- Campus Oaks offers a highly desirable location, a superior and well-designed land plan and a community with a variety of lot sizes and home sizes incorporated with gently varying terrain and consumer segments. Campus Oaks is centrally located and close to job centers and the **integration of the subject project within the greater community and the connectivity and easy access to the walking trails, surrounding businesses, employment, open space and parks will provide for a superior living environment. This combination of factors sets the subject property apart from much of the current development in the area and creates a niche opportunity that offers a marketing environment with very little direct competition.**
- There has been a lot of talk about millennials and their lack of interest and ability to purchase housing. Given the sheer size of the generation (23 year olds are the largest age group in the nation), their engagement for the health of the housing market is vital. While the younger generations have fundamentally changed in some ways (marrying and having children at a later age, etc.), their commitment to housing (and suburban housing and urban living in suburban markets) does not seem to be waning. In fact, it is believed by economists, demographers and housing experts alike, that the millennials will begin to re-engage in the housing market in 2015 and into 2016. **This will provide an opportunity for generation X and baby-boomers to sell their current homes and move into newer housing.**
- There is also increasing evidence that the San Francisco buyer is re-engaging in the Sacramento housing market. It has generally started with the 55+ aged buyer selling a home with a significant amount of equity and looking in areas like El Dorado Hills and Rocklin, but it is believed that this trend will trickle-down to a greater diversity of buyers especially as the Sacramento job market continues to improve and wages continue to increase.

- Finally, it appears that the headwinds that housing (and the economy) have been facing for several years now are finally shifting into tail winds. Good economic growth, job growth and wage increases (the key drivers to housing along with household formations) are growing at the fastest pace since the recession. **With strong housing growth and solid pricing growth projected for Sacramento, there is enough evidence to finally say that 2015 will be the transition to a healthy and vibrant housing market.**

Roseville

- The Sacramento new-home market began 2014 with strong sales and continuing price increases but moderated in the second half of the year. **But December brought a new dynamic to the industry as sales agents began to report strong traffic levels coupled with a superior quality of traffic which ultimately translated into increasing sales. Q1/2015 resulted in 1,036 sales (a 52.4% increase from the previous year) and Q2/2015 resulted in 1,096 sales; a half year total of 2,132 sales. Half way through 2015, new-home sales are up 44% and have the potential to increase 56% for the year.**
- Placer County (and the city of Roseville) continues to be one of the more desirable and popular communities within Sacramento. A great diversity of housing that includes small-lot, large-lot and custom homes and traditional subdivisions as well as infill developments appeals to a wide range of buyers and price points. New-home projects within Roseville have the ability to attract a wide range of potential buyers including first-time buyers, move-up buyers and move-down, empty-nester and retiree buyers.
- The majority of new-home development within Roseville has moved east of Highway 65 and north of Interstate 80 and even further to areas that are west of Fiddymont Road; in fact, there are only four projects within the areas to the east of Fiddymont Road and thirteen projects to the west.
- **It is believed that the subject project offers a tremendous opportunity for success as an infill project with easy ingress-egress, access throughout the community, office, retail and commercial uses and a built-in buyer base of residents within older residential homes and those that work at the adjacent HP facility. Furthermore, local buyers will have the option of remaining within the area that they have lived in for many years with the ability to purchase new housing.**
- There is a greater emphasis on providing higher density in suburban housing markets (“urban living in suburban communities”). Given the substantial shifting demographics (increasing numbers of aging baby-boomers and younger millennials) it is projected that there will be an increased demand for move-down, empty-nester and retiree housing and for entry-level, affordable, first-time and first-time move-up housing. **Campus Oaks meets this demand by providing smaller lot attached and detached housing (five product types situated on lots sized at less than 4,000 square feet) and more traditional housing that can offer age-targeted housing (on 5,000 to 6,600 square foot lots).**

- As the cost of housing increases, buyers are asking for more from their communities. Communities that offer greater planning and integration of housing, terrain, trees, open space, walking trails and parks and superior product offerings that include (superior product designs, features and amenities, etc.) have the greatest opportunity to meet with superior sales and pricing success. **It is believed that Campus Oaks has the potential to price and absorb at the upper end of competing new-home communities in the subject market area.**
- The specific project pricing for the subject project is at the top of the competitive projects and most directly comparable to the four projects located in the Primary Market Area (east of Fiddymont Road). This is believed to be the optimal positioning based on the competitive developments including lot size, product type, land plan and location. In addition, the subject project is position toward the top of the existing home sales in the market place.

Campus Oaks Home Pricing

Based on a review of the Roseville competitive marketplace, the tables on the following two pages outline our pricing and absorption. The base pricing is net of any incentives and the absorption is based on sales per week. **It is believed that the pricing and absorption recommendations are viable and appropriate when considering the Primary and Secondary Market Areas and especially given the following factors:**

- The overall plan of the Campus Oaks project; this includes the infill location that is next to major employment, existing and future retail, office and light industrial uses and the integration of thoroughfares, parks, open space, walking and biking trails and recreation.
- A location that is along major transportation corridors and provides much easier access to employment, retail and conveniences than competitive projects.
- A lack of existing and future new-home product within the sought-after Primary Market Area. There are no substantial new-home projects currently planned within the immediate area of the subject project; Campus Oaks will be the only project available for residents who desire the combination of walkability, easy regional access and livability.
- The expectation of an overall superior community (especially as compared to traditional subdivision, master planned communities) including infrastructure, land planning, homes design and quality of construction. It is believed, in conversations with the developer, that product types and quality of construction will be closer to higher-end production and semi-custom housing than to traditional Sacramento production housing.
- Overall housing market conditions that continue to improve within the Sacramento region, Placer County and the city of Roseville. Both home pricing and sales are increasing at healthy rates.
- A younger and older population that is more diverse, has a greater acceptance of density, is demanding communities that live cleaner, more efficiently, with greater collaboration yet still offer homes that consumers wish to purchase at appropriate prices.

The recommended pricing and absorption is competitive with new-homes in the Primary Market Area due to a similar housing environment and location, but above new-homes in the Secondary Market Area which offers traditional, subdivision housing (with a greater distance to retail and conveniences, a lack of walkability and more traditional suburban land planning and architecture). In addition, it is recommended that the project offer a diversity of product types in phases such as the 5,000 square foot lots and the cluster homes, the 5,250 square foot lots and the paseo homes, the 6,600 square foot lots and the row homes.

Community Details				Product Summary				Recommendations														
Community Location	Builder Master Plan			Home Size	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Add-Ons		Total Price/ Sq. Ft.	Monthly Obligation (Base)			80%					
Product Summary				Sales Summary				Mix	(SF)					Options/ Upgrades	Premiums	Total Price	Monthly HOA	Base Tax	Add Tax	4.00% Mo. Pmt	Req. Income	
	Campus Oaks	BBC Roseville Oaks, LLC			26	1,500	3	2.5	2	2	\$347,000	\$231	\$0	\$0	\$347,000	\$231	\$0	1.09%	0.44%	\$1,767	\$68,403	
	Roseville	Campus Oaks			26	1,650	3/L	2.5	2	2	\$356,000	\$216	\$0	\$0	\$356,000	\$216	\$0	1.09%	0.44%	\$1,813	\$70,178	
	Product Type:	Single-Family	Total Units:	80	28	1,800	4	3	2	2	\$363,000	\$202	\$0	\$0	\$363,000	\$202	\$0	1.09%	0.44%	\$1,849	\$71,558	
	Configuration:	Tow nhome (2 Story)																				
	Lot Dimensions:	26 x 50																				
	Lot Size/Density:	1,300/17.0																				
Rec. Wkly Abs.:	1.25																					
Totals/Averages:					80	1,650					\$355,333	\$216	\$0	\$0	\$355,333	\$216	\$0	1.09%	0.44%	\$1,810	\$70,046	
	Campus Oaks	BBC Roseville Oaks, LLC			47	1,750	3/L	2.5	2	2	\$359,000	\$205	\$0	\$0	\$359,000	\$205	\$0	1.09%	0.42%	\$1,822	\$70,537	
	Roseville	Campus Oaks			47	1,900	4	3.5	3	2	\$368,000	\$194	\$0	\$0	\$368,000	\$194	\$0	1.09%	0.42%	\$1,868	\$72,306	
	Product Type:	Single-Family	Total Units:	191	48	2,000	4	3.5	3	2	\$374,000	\$187	\$0	\$0	\$374,000	\$187	\$0	1.09%	0.42%	\$1,898	\$73,485	
	Configuration:	Tow nhome (2/3 Story)																				
	Lot Dimensions:	21 x 50																				
	Lot Size/Density:	1,050/15.6																				
Rec. Wkly Abs.:	1.25																					
Totals/Averages:					191	1,950					\$371,000	\$191	\$0	\$0	\$371,000	\$191	\$0	1.09%	0.42%	\$1,883	\$72,895	
	Campus Oaks	BBC Roseville Oaks, LLC			32	1,800	4	3	2	2	\$392,000	\$218	\$0	\$0	\$392,000	\$218	\$0	1.09%	0.50%	\$2,016	\$78,033	
	Roseville	Campus Oaks			32	1,900	4	3	2	2	\$398,000	\$209	\$0	\$0	\$398,000	\$209	\$0	1.09%	0.50%	\$2,047	\$79,227	
	Product Type:	Single-Family	Total Units:	96	32	2,100	4/L	3	2	2	\$432,000	\$206	\$0	\$0	\$432,000	\$206	\$0	1.09%	0.50%	\$2,222	\$85,995	
	Configuration:	Cluster (Green)																				
	Lot Dimensions:	30 x 60/55 x 60																				
	Lot Size/Density:	1,800-3,300/10.5																				
Rec. Wkly Abs.:	1.25																					
Totals/Averages:					96	1,933					\$407,333	\$211	\$0	\$0	\$407,333	\$211	\$0	1.09%	0.50%	\$2,095	\$81,085	
	Campus Oaks	BBC Roseville Oaks, LLC			28	1,450	3	2.5	2	2	\$380,000	\$262	\$0	\$0	\$380,000	\$262	\$0	1.09%	0.52%	\$1,960	\$75,889	
	Roseville	Campus Oaks			28	1,650	3/L	2.5	2	2	\$392,000	\$238	\$0	\$0	\$392,000	\$238	\$0	1.09%	0.52%	\$2,022	\$78,286	
	Product Type:	Single-Family	Total Units:	84	28	1,900	4	2.5	2	2	\$407,000	\$214	\$0	\$0	\$407,000	\$214	\$0	1.09%	0.52%	\$2,100	\$81,281	
	Configuration:	Paseo (Stub)																				
	Lot Dimensions:	40 x 60																				
	Lot Size/Density:	2,400/10.0																				
Rec. Wkly Abs.:	1.25																					
Totals/Averages:					84	1,667					\$393,000	\$238	\$0	\$0	\$393,000	\$238	\$0	1.09%	0.52%	\$2,028	\$78,486	
	Campus Oaks	BBC Roseville Oaks, LLC			32	2,200	4	3	2	2	\$445,000	\$202	\$0	\$0	\$445,000	\$202	\$0	1.09%	0.50%	\$2,288	\$88,583	
	Roseville	Campus Oaks			32	2,400	4/L	3	2	2	\$457,000	\$190	\$0	\$0	\$457,000	\$190	\$0	1.09%	0.50%	\$2,350	\$90,972	
	Product Type:	Single-Family	Total Units:	130	33	2,600	4/B	3	2	2	\$469,000	\$180	\$0	\$0	\$469,000	\$180	\$0	1.09%	0.50%	\$2,412	\$93,361	
	Configuration:	Row (Alley)				33	3,150	4/B	3	2	2	\$501,000	\$159	\$0	\$0	\$501,000	\$159	\$0	1.09%	0.50%	\$2,576	\$99,731
	Lot Dimensions:	38 x 100				(3150: Granny Flat)																
	Lot Size/Density:	3,800/7.2																				
Rec. Wkly Abs.:	1.00																					
Totals/Averages:					130	2,588					\$468,000	\$183	\$0	\$0	\$468,000	\$183	\$0	1.09%	0.50%	\$2,407	\$93,162	

The larger sized homes that are situated on larger lots (5,000, 5,250 and 6,600 square foot lots) are priced above the smaller sized lots in the Campus Oaks community and the comparable traditional standard sized lots located further to the east. **This higher pricing position is based on several factors including:**

- **A lack of current and future larger sized lots in the Primary Market Area.**
- **An superior infill location.**
- **A smaller number of units being offered.**
- **The anticipated superior product.**
- **A comparison to the existing home sale communities in the Diamond Creek planned Community and the JMC Homes project Vianza; both of these communities offer a similar location and product type (at between 10 and 15 years old) and it is recommended that the subject project can be positioned higher.**

Community Details				Product Summary					Recommendations												
Community	Builder				Home				Base		Current Add-Ons		Total	Monthly Obligation (Base)			80%				
Location	Master Plan				Size				Base	Price/	Options/		Total	Price/	Monthly	Base	Add	4.00%	Req.		
Product Summary		Sales Summary		Mix	(SF)	Bed	Bath	Levels	Gar	Price	Sq. Ft.	Upgrades	Premiums	Price	Sq. Ft.	HOA	Tax	Tax	Mo. Pmt	Income	
	Campus Oaks	BBC Roseville Oaks, LLC			35	2,400	4	3	2	2	\$514,000	\$214	\$0	\$0	\$514,000	\$214	\$0	1.09%	0.53%	\$2,656	\$102,816
	Roseville	Campus Oaks			35	2,600	4/L	3	2	2	\$526,000	\$202	\$0	\$0	\$526,000	\$202	\$0	1.09%	0.53%	\$2,718	\$105,217
	Product Type:	Single-Family	Total Units:	142	36	2,800	5/B	3	2	2	\$538,000	\$192	\$0	\$0	\$538,000	\$192	\$0	1.09%	0.53%	\$2,780	\$107,617
	Configuration:	Traditional			36	3,000	5/B	3	2	2	\$550,000	\$183	\$0	\$0	\$550,000	\$183	\$0	1.09%	0.53%	\$2,842	\$110,017
	Lot Dimensions:	50 x 100																			
	Lot Size/Density:	5,000/5.9																			
	Rec. Wkly Abs.:	1.00																			
Totals/Averages:				142	2,700					\$532,000	\$198	\$0	\$0	\$532,000	\$198	\$0	1.09%	0.53%	\$2,749	\$106,417	
	Campus Oaks	BBC Roseville Oaks, LLC			12	2,800	4/B	3.5	2	3T	\$553,000	\$198	\$0	\$0	\$553,000	\$198	\$0	1.09%	0.50%	\$2,844	\$110,082
	Roseville	Campus Oaks			12	3,050	5/B	3	2	3T	\$568,000	\$186	\$0	\$0	\$568,000	\$186	\$0	1.09%	0.50%	\$2,921	\$113,068
	Product Type:	Single-Family	Total Units:	36	12	3,300	5/B	3	2	3T	\$583,000	\$177	\$0	\$0	\$583,000	\$177	\$0	1.09%	0.50%	\$2,998	\$116,054
	Configuration:	Traditional			(2800;Master Dow n)																
	Lot Dimensions:	50 x 105																			
	Lot Size/Density:	5,250/5.8																			
	Rec. Wkly Abs.:	1.00																			
Totals/Averages:				36	3,050					\$568,000	\$187	\$0	\$0	\$568,000	\$187	\$0	1.09%	0.50%	\$2,921	\$113,068	
	Campus Oaks	BBC Roseville Oaks, LLC			21	3,300	4/D/B	4	2	3	\$730,000	\$221	\$0	\$0	\$730,000	\$221	\$0	1.09%	0.37%	\$3,675	\$142,255
	Roseville	Campus Oaks			21	3,700	4/D/B	4	2	3	\$753,000	\$204	\$0	\$0	\$753,000	\$204	\$0	1.09%	0.37%	\$3,791	\$146,737
	Product Type:	Single-Family	Total Units:	64	22	4,200	4/D/B	4	2	3	\$782,000	\$186	\$0	\$0	\$782,000	\$186	\$0	1.09%	0.37%	\$3,937	\$152,388
	Configuration:	Traditional			(3700: Guest Suite)																
	Lot Dimensions:	60 x 110																			
	Lot Size/Density:	6,600/3.9																			
	Rec. Wkly Abs.:	1.00																			
Totals/Averages:				64	3,733					\$755,000	\$204	\$0	\$0	\$755,000	\$204	\$0	1.09%	0.37%	\$3,801	\$147,127	

Absorption Analysis

The absorption analysis is based on information provided by the developer which includes when the projects will open for sale based on the location within the community, infrastructure development, grading schedules, marketing considerations and anticipated market conditions. Furthermore, it is believed that there can be several different projects selling within each product type and these projects can be by different builders (i.e. there may be two different projects selling on 5,000 square foot lots at the same time but by different home builders).

In conclusion, it is believed that the subject project can absorb an average of 1.13 units per week for all eight product offerings over the marketing life of the development given the pricing (with home sizes ranging from 1,450 to 4,200 square feet and base prices range from \$347,000 to \$782,000).

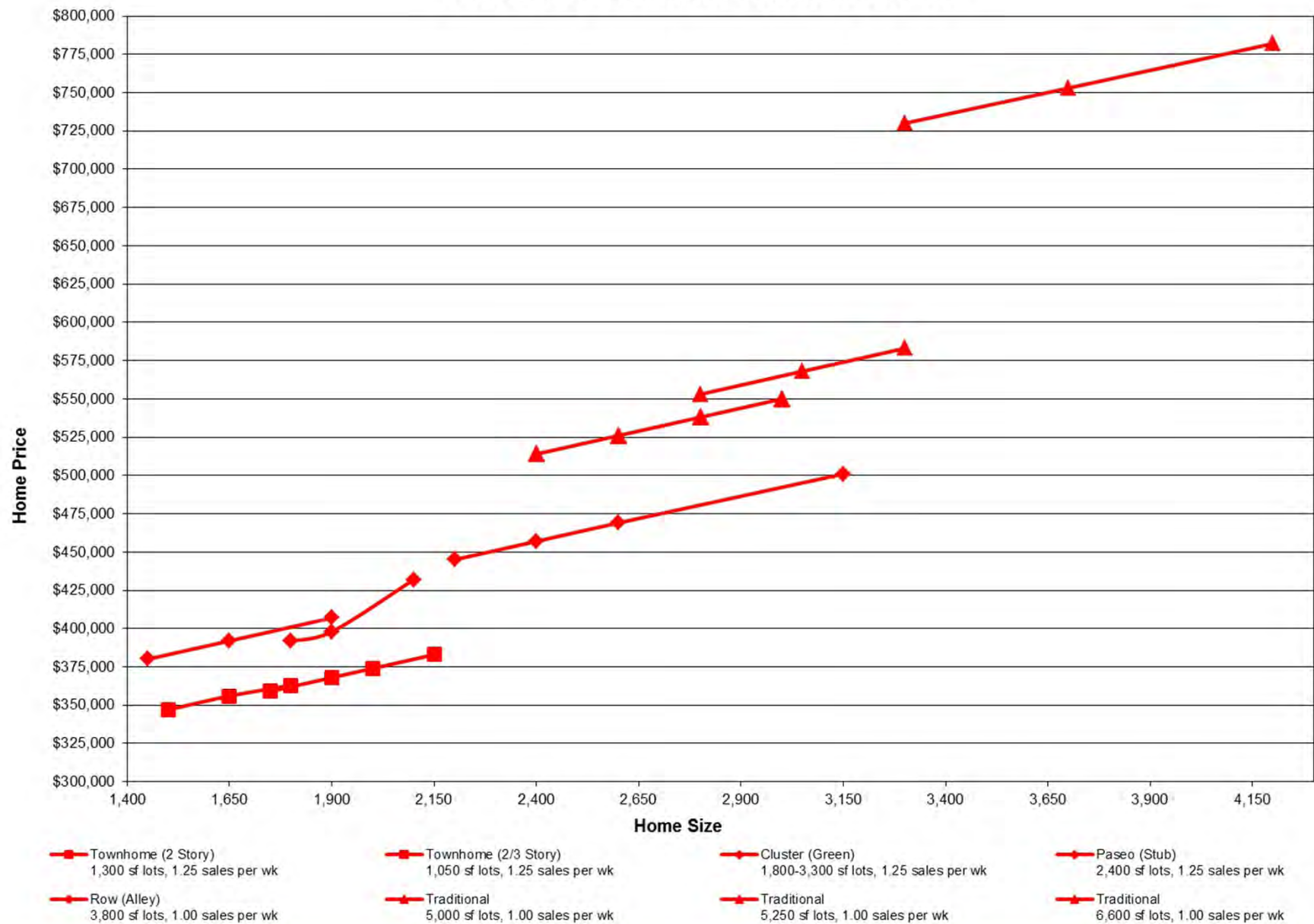
The years to absorb the production homes is estimated to be 3.17 years given the following absorption schedule. However, it should be noted that if there are obstructions to the development of the project (i.e. construction delays in the path of development, extreme weather related delays, litigation, etc.) the absorption rates and years to absorb may be altered.

Product Type	Lot Size/ Density	Total Number of Units	Recommended Absorption	Units Sold Per Year			
				2016	2017	2018	2019
Campus Oaks/Townhome	1,300/17.0	80	1.25	0	20	50	10
Campus Oaks/Townhome	1,050/15.6	191	1.25	20	60	79	32
Campus Oaks/Cluster	1,800-3,300/10.5	96	1.25	20	51	25	0
Campus Oaks/Paseo	2,400/10.0	84	1.25	20	60	4	0
Campus Oaks/Row	3,800/7.2	130	1.00	32	74	24	0
Campus Oaks/Traditional	5,000/5.9	142	1.00	0	48	74	20
Campus Oaks/Traditional	5,250/5.8	36	1.00	0	0	24	12
Campus Oaks/Traditional	6,600/3.9	64	1.00	0	0	24	40
Total Units:		823		92	313	304	114

Years to Absorb Production Homes:	3.17

Project Pricing Position

SUBJECT DEVELOPMENT PRICING POSITION



Community Summary Table

	COMMUNITY	BUILDER	CITY	PRODUCT TYPE	LOT SIZE/ DENSITY	INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION			
						UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSAID RU			HOME SIZE	NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT
						OVERALL		3 MONTH											
Subject	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Townhome	1,300/17.0	80	0	0	80	0	1.25	--	1,650	\$355,333	\$216	\$0	1.09%	0.44%	\$1,810
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Townhome	1,050/15.6	191	0	0	191	0	1.25	--	1,950	\$371,000	\$191	\$0	1.09%	0.42%	\$1,883
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Cluster	1,800-3,300/10.5	96	0	0	96	0	1.25	--	1,933	\$407,333	\$211	\$0	1.09%	0.50%	\$2,095
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Paseo	2,400/10.0	84	0	0	84	0	1.25	--	1,667	\$393,000	\$238	\$0	1.09%	0.52%	\$2,028
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Row	3,800/7.2	130	0	0	130	0	1.00	--	2,588	\$468,000	\$183	\$0	1.09%	0.50%	\$2,407
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	5,000/5.9	142	0	0	142	0	1.00	--	2,700	\$532,000	\$198	\$0	1.09%	0.53%	\$2,749
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	5,250/5.8	36	0	0	36	0	1.00	--	3,050	\$568,000	\$187	\$0	1.09%	0.50%	\$2,921
	Campus Oaks	BBC Roseville Oaks, LLC	Roseville	Single-Family/Traditional	6,600/3.9	64	0	0	64	0	1.00	--	3,733	\$755,000	\$204	\$0	1.09%	0.37%	\$3,801
SUBJECT SITE TOTALS/AVERAGES:					3,388/8.3	823	0	0	823	0	1.13	--	2,409	\$478,519	\$200	\$0	1.09%	0.47%	\$2,462
NH PMA	Eskaton (Age Restricted)	Silverado Homes	Roseville	Single-Family/Traditional	4,000	290	255	255	35	0	0.50	1.85	1,447	\$368,000	\$288	\$354	1.06%	0.57%	\$2,259
	Molly's Walk	Black Pine Communities	Roseville	Single-Family/Small Lot	2,700	84	46	39	45	7	0.27	0.00	1,815	\$354,490	\$199	\$86	1.06%	0.59%	\$1,927
	Paseo Del Norte	K Hovnanian Homes	Roseville	Single-Family/Small Lot	2,475	74	74	70	4	4	0.89	0.62	2,286	\$349,712	\$155	\$104	1.06%	0.18%	\$1,800
	The Village	JMC Homes	Roseville	Single-Family/Traditional	4,275	155	149	145	10	4	0.82	0.85	2,066	\$408,740	\$202	\$116	1.06%	0.34%	\$2,153
NEW-HOME TOTALS/AVERAGES:					3,363	603	524	509	94	15	0.62	0.83	1,963	\$364,992	\$186	\$165	1.06%	0.42%	\$2,035
New-Home (Secondary Market Area)	Aria	KB Home	Roseville	Single-Family/Traditional	4,950	78	74	41	37	33	0.55	0.54	3,092	\$452,875	\$148	\$0	1.06%	0.59%	\$2,352
	Carrington	Lennar Homes	Roseville	Single-Family/Traditional	5,775	65	20	10	55	10	0.53	0.46	2,560	\$468,740	\$186	\$0	1.06%	0.51%	\$2,403
	Legato	KB Home	Roseville	Single-Family/Traditional	7,150	60	39	32	28	7	0.42	0.23	3,357	\$476,714	\$146	\$0	1.06%	0.54%	\$2,455
	Marisol	Lennar Homes	Roseville	Single-Family/Traditional	6,300	146	70	62	84	8	0.65	0.31	2,904	\$498,490	\$174	\$0	1.06%	0.53%	\$2,563
	Merriion Square	Lennar Homes	Roseville	Single-Family/Small Lot	2,508	90	49	43	47	6	0.74	1.77	2,074	\$353,323	\$171	\$94	1.06%	0.33%	\$1,852
	Primrose	Pulte Homes	Roseville	Single-Family/Traditional	4,500	448	142	120	328	22	2.22	3.62	2,859	\$439,390	\$155	\$0	1.06%	0.55%	\$2,267
	Ridgefield	Lennar Homes	Roseville	Single-Family/Traditional	7,350	52	29	21	31	8	1.11	0.46	3,318	\$535,823	\$164	\$0	1.06%	0.44%	\$2,715
	Sierra Commons	Meritage Homes	Roseville	Single-Family/Traditional	6,050	83	50	25	58	25	0.33	0.23	2,754	\$447,950	\$164	\$0	1.06%	0.55%	\$2,311
	Sierra Crossings	Meritage Homes	Roseville	Single-Family/Traditional	6,000	69	40	28	41	12	0.52	0.38	2,366	\$435,450	\$185	\$0	1.06%	0.57%	\$2,254
	Somerville	Lennar Homes	Roseville	Single-Family/Traditional	4,725	50	47	35	15	12	0.49	0.00	2,648	\$432,657	\$164	\$0	1.06%	0.61%	\$2,254
	Taylor Crossing	Lennar Homes	Roseville	Single-Family/Small Lot	2,100	132	108	105	27	3	0.81	0.38	1,423	\$316,240	\$225	\$84	1.06%	0.50%	\$1,702
	The Reserve	JMC Homes	Roseville	Single-Family/Traditional	6,300	75	36	31	44	5	0.46	0.15	3,355	\$551,657	\$168	\$0	1.06%	0.48%	\$2,814
	The Retreat	JMC Homes	Roseville	Single-Family/Traditional	7,700	70	44	36	34	8	0.72	0.77	2,214	\$457,157	\$210	\$0	1.06%	0.58%	\$2,370
NEW-HOME TOTALS/AVERAGES:					5,493	1418	748	589	829	159	0.73	0.72	2,769	\$458,835	\$166	\$14	1.06%	0.52%	\$2,332
	PARAMETERS	DATE RANGE	DOM	YEAR BUILT	LOT SIZE	INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION			
						UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSAID RU			HOME SIZE	NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT
						OVERALL		3 MONTH											
RESALES	Roseville (PMA)	6/11/15 - 9/11/15	25	1997	6,470	--	--	325	--	--	24.46	--	1,961	\$390,677	\$208	--	--	--	--
	< \$300,000	6/11/15 - 9/11/15	22	1986	4,950	--	--	41	--	--	3.09	--	1,163	\$273,321	\$240	--	--	--	--
	\$300,000 - \$500,000	6/11/15 - 9/11/15	25	1999	6,206	--	--	245	--	--	18.44	--	1,916	\$382,595	\$205	--	--	--	--
	> \$500,000	6/11/15 - 9/11/15	27	2000	9,675	--	--	39	--	--	2.94	--	3,083	\$564,825	\$189	--	--	--	--
	YB 2005+	6/11/15 - 9/11/15	27	2009	4,326	--	--	66	--	--	4.97	--	1,956	\$374,685	\$200	--	--	--	--

Locational Assessment

Sacramento

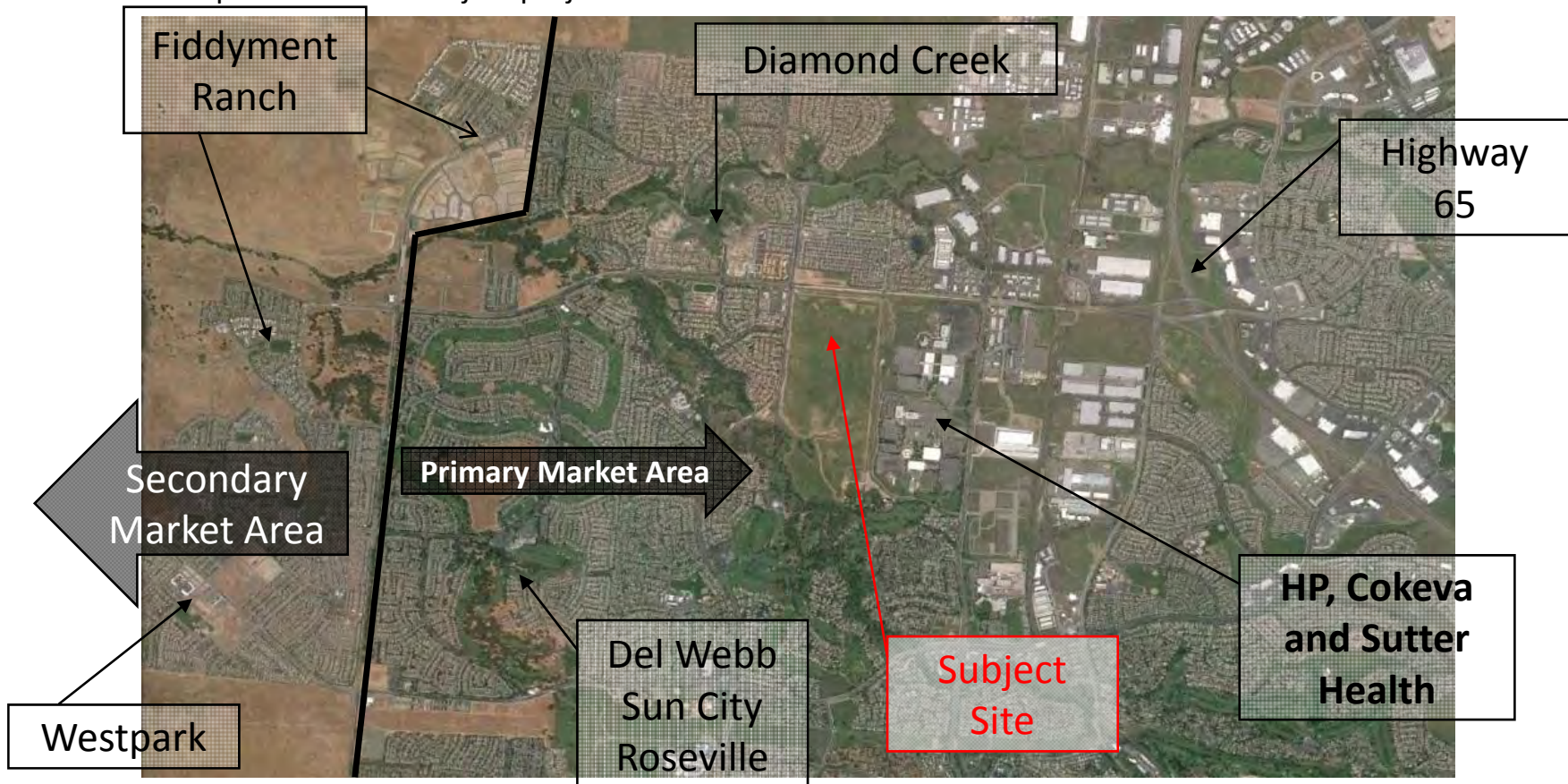
The Sacramento MSA consists of four counties; El Dorado, Placer, Sacramento and Yolo. The MSA is home to 2.215 million residents with Placer County accounting for 367,300 of those residents (16.6%). Placer County is typically one of the fastest growing counties in the state and is considered one of the more desirable places to live in California.

- It is anticipated that **population growth will accelerate in the coming years to greater than 1.0%; with 22,100 new residents in 2015, 24,300 in 2016 and 26,100 people in 2017.**
- Likewise, **job growth is anticipated to accelerate to 2.9% in 2015 and 2.4% in 2016 (25,500 new jobs in 2015 and 22,300 new jobs in 2016).** As a result of increasing job growth, **the unemployment rate in the Sacramento MSA is anticipated to fall to below 5.0% by 2019.**
- More importantly, wages in the Sacramento MSA are approaching a 2.2% increase as of Q2/2015. **This is especially good news considering the lower price of gasoline and an inflation rate that is well below 2.0%.**
- In the coming years, building permits within the Sacramento MSA are anticipated to increase significantly and exceed levels not seen since before the recession. **Building permit growth from 2015 through 2017 is anticipated to be very strong; growth rates of 42.7% (5,586 permits), 18.1% (6,595 permits) and 18.2% (7,798 permits) respectively.**



Roseville

To best analyze the subject project, the market area is segmented into two distinct market areas; the Primary Market Area (generally east of Fiddymont Road and north of Interstate 80) and the Secondary Market Area (generally west of Fiddymont Road). The Primary Market Area includes an area that is nearly fully developed, is closer to job centers and has a more diverse demographic spectrum. These attributes, along with many site specific features and amenities, enhances the uniqueness of the subject project.



The Secondary Market Area includes the majority of new residential development in the Roseville and Placer County area. Most of these homes are situated in large master planned communities, offer traditional suburban housing and are a relatively long distance from services, conveniences, entertainment and employment. In total, there are currently seventeen new-home, for-sale projects in both the Primary Market Area (four projects) and the Secondary Market Area (thirteen projects).

Campus Oaks

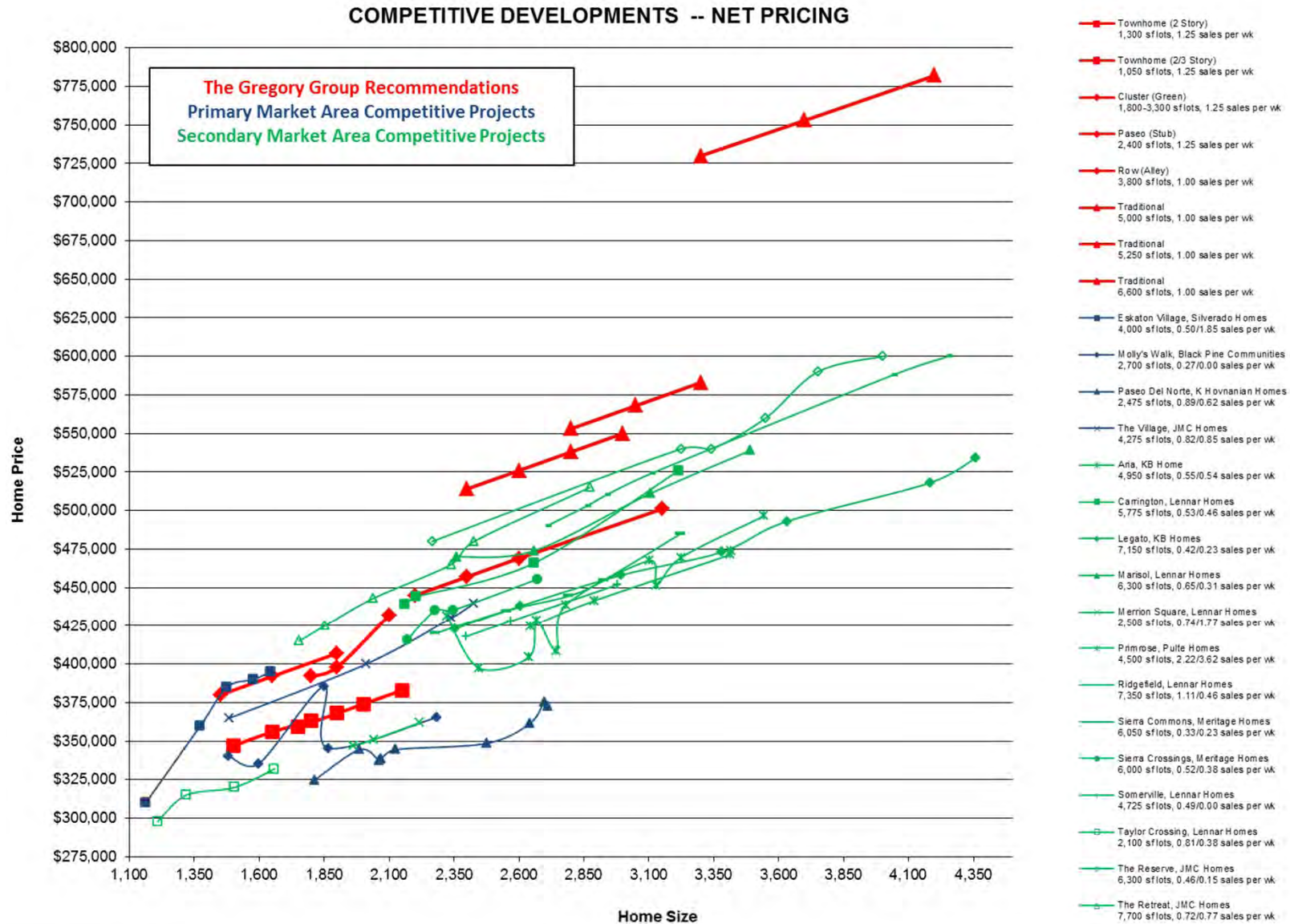
The Subject Project is planned to include 948 units on 104.33 residential acres (a residential density of 9.1 units per acre). The project also includes office, retail and tech/business park (a total of 57.7 acres) as well as parks, open spaces/walking trails and public uses (72.5 acres). Residential uses accounts for 44% of the developable acreage and the office, retail and industrial uses account for 25%.

- The site offers a broad range of product types that are well suited for the diversity of the current demographics in the market area. These uses include attached homes, small lot detached homes (in cluster, paseo and alley configurations) and traditional detached on standard sized lots.
- The Subject Property is centrally located in the city of Roseville and unlike most of the current development further to the west, is closer to a variety of job centers. **In fact, it is estimated that the combined HP, Sutter Health, Cokeva and Save Mart facilities (adjacent to the Campus Oaks site) generate a 6,000 daytime population.** Furthermore, with HP centralizing some of its work force from the Bay Area to Sacramento and the addition of a new FBI facility, the daytime population is estimated to increase to 10,000 daytime employees in the coming years.
- This makes Campus Oaks unique; **it will be integrated with the current commercial, office and retail as well as the future commercial development at the Campus Oaks project.** This connectivity allows for easily accessible walking trails to surrounding businesses, employment, open space and parks within the community.
- **This combination of being closer to job centers as well as offering connectivity within the community sets the Subject Property apart from the majority of current development in the Sacramento Region.**

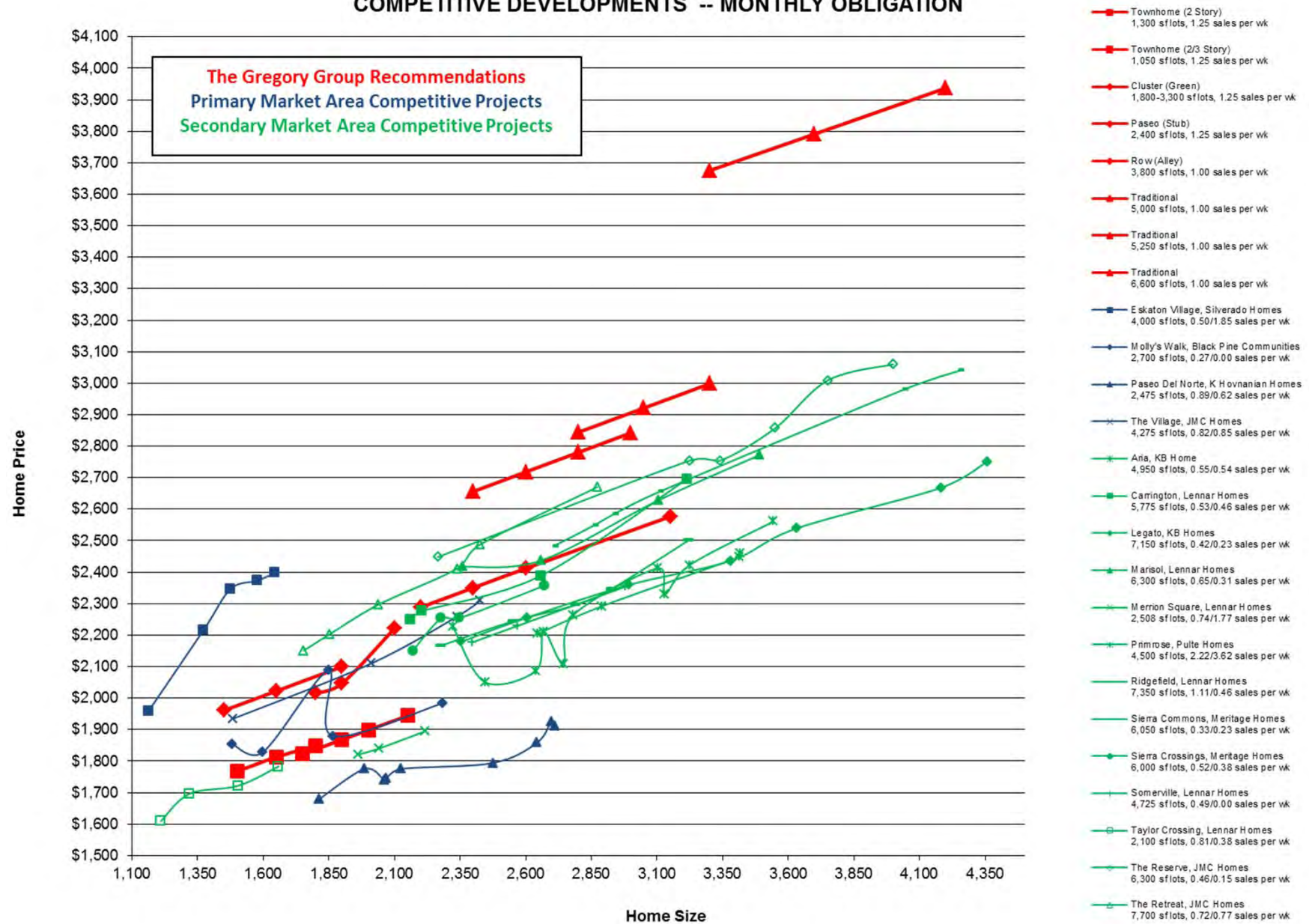


Competitive Housing Analysis

The Subject Project is positioned most comparable to the projects within the Primary Market Area and above the projects within the more traditional subdivision communities in the Secondary Market Area.



COMPETITIVE DEVELOPMENTS -- MONTHLY OBLIGATION



Primary Market Area

The Primary Market Area consists of only four actively selling projects with only 94 remaining units (less than nine months supply). Due to the infill nature of the area, all four projects are situated on lots sized at or less than 4,275 square feet. By comparison, the Secondary Market Area offers 13 actively selling projects with 829 units of remaining inventory (nearly 23-months of supply), in addition to potentially thousands of future units. The Secondary Market Area is selling at 0.72 units per week compared to nearly one-sale per week (0.83) in the Primary Market Area.

Community Details				Product Summary						Market Pricing Summary															
Community Location	Builder Master Plan			Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00% Mo. Pmt	Req. Income	
Product Summary				Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other	Base Price	Price/ Sq. Ft.	Options/ Upgrades	Premiums			Monthly HOA	Base Tax	Add Tax			
Primary Market Area	Esaton Village (Age Restricted)			1,163	2	2	1	2	\$310,000	\$267	\$0	\$0	\$0	\$310,000	\$267	\$0	\$0	\$310,000	\$267	\$354	1.06%	0.57%	\$1,959	\$75,813	
	Roseville Diamond Creek			1,373	2	2	1	2	\$360,000	\$262	\$0	\$0	\$0	\$360,000	\$262	\$0	\$0	\$360,000	\$262	\$354	1.06%	0.57%	\$2,217	\$85,831	
	Product Type:	Single-Family	Total Units:	290	1,476	2	2	1	2	\$385,000	\$261	\$0	\$0	\$0	\$385,000	\$261	\$0	\$0	\$385,000	\$261	\$354	1.06%	0.57%	\$2,347	\$90,840
	Configuration:	Traditional	Units Offered:	255	1,577	2/D	2	1	2	\$390,000	\$247	\$0	\$0	\$0	\$390,000	\$247	\$0	\$0	\$390,000	\$247	\$354	1.06%	0.57%	\$2,373	\$91,841
	Lot Dimensions:	50 x 80	Units Sold:	255	1,645	2/D	2	1	2	\$395,000	\$240	\$0	\$0	\$0	\$395,000	\$240	\$0	\$0	\$395,000	\$240	\$354	1.06%	0.57%	\$2,398	\$92,843
	Lot Size/Density:	4,000	3 Mon Sold:	24																					
	Open Date:	Jan-06	Total RU:	35																					
	Overall Sales Rate:	0.50	Total % R:	12%																					
3 Mon. Sales Rate:	1.85	Unsold RU:	0																						
Averages:				1,447					\$368,000	\$255	\$0	\$0	\$0	\$368,000	\$255	\$0	\$0	\$368,000	\$255	\$354	1.06%	0.57%	\$2,259	\$87,433	
Primary Market Area	Molly's Walk			1,482	2	2.5	2	1	\$344,990	\$233	\$0	\$0	\$4,500	\$340,490	\$230	\$0	\$0	\$340,490	\$230	\$86	1.06%	0.59%	\$1,854	\$71,767	
	Roseville Diamond Creek			1,598	3	2.5	2	2	\$339,990	\$213	\$0	\$0	\$4,500	\$335,490	\$210	\$0	\$0	\$335,490	\$210	\$86	1.06%	0.59%	\$1,828	\$70,762	
	Product Type:	Single-Family	Total Units:	84	1,848	3/D	2.5	2	2	\$389,990	\$211	\$0	\$0	\$4,500	\$385,490	\$209	\$0	\$0	\$385,490	\$209	\$86	1.06%	0.59%	\$2,088	\$80,812
	Configuration:	Small Lot	Units Offered:	46	1,864	4	2.5	2	2	\$349,990	\$188	\$0	\$0	\$4,500	\$345,490	\$185	\$0	\$0	\$345,490	\$185	\$86	1.06%	0.59%	\$1,880	\$72,772
	Lot Dimensions:	45 x 60	Units Sold:	39	2,284	4	2.5	2	2	\$369,990	\$162	\$0	\$0	\$4,500	\$365,490	\$160	\$0	\$0	\$365,490	\$160	\$86	1.06%	0.59%	\$1,984	\$76,792
	Lot Size/Density:	2,700	3 Mon Sold:	0																					
	Open Date:	Jan-13	Total RU:	45																					
	Overall Sales Rate:	0.27	Total % R:	54%																					
3 Mon. Sales Rate:	0.00	Unsold RU:	7																						
Averages:				1,815					\$358,990	\$201	\$0	\$0	\$4,500	\$354,490	\$199	\$0	\$0	\$354,490	\$199	\$86	1.06%	0.59%	\$1,927	\$74,581	
Primary Market Area	Paseo Del Norte			1,811	3/L	2.5	2	2	\$331,990	\$183	\$0	\$0	\$7,500	\$324,490	\$179	\$0	\$0	\$324,490	\$179	\$104	1.06%	0.18%	\$1,678	\$64,956	
	Roseville None			1,985	3/B	3	2	2	\$351,990	\$177	\$0	\$0	\$7,500	\$344,490	\$174	\$0	\$0	\$344,490	\$174	\$104	1.06%	0.18%	\$1,775	\$68,712	
	Product Type:	Single-Family	Total Units:	74	2,060	4	2.5	2	2	\$344,990	\$167	\$0	\$0	\$7,500	\$337,490	\$164	\$0	\$0	\$337,490	\$164	\$104	1.06%	0.18%	\$1,741	\$67,397
	Configuration:	Small Lot	Units Offered:	74	2,069	4/L	2.5	2	2	\$345,990	\$167	\$0	\$0	\$7,500	\$338,490	\$164	\$0	\$0	\$338,490	\$164	\$104	1.06%	0.18%	\$1,746	\$67,585
	Lot Dimensions:	45 x 55	Units Sold:	70	2,123	4/L	2.5	2	2	\$351,990	\$166	\$0	\$0	\$7,500	\$344,490	\$162	\$0	\$0	\$344,490	\$162	\$104	1.06%	0.18%	\$1,775	\$68,712
	Lot Size/Density:	2,475	3 Mon Sold:	8	2,474	3/L/B	2.5	3	2	\$355,990	\$144	\$0	\$0	\$7,500	\$348,490	\$141	\$0	\$0	\$348,490	\$141	\$104	1.06%	0.18%	\$1,794	\$69,463
	Open Date:	Mar-14	Total RU:	4	2,642	4/B	2.5	3	2	\$368,990	\$140	\$0	\$0	\$7,500	\$361,490	\$137	\$0	\$0	\$361,490	\$137	\$104	1.06%	0.18%	\$1,858	\$71,904
	Overall Sales Rate:	0.89	Total % R:	5%	2,697	5/L/B	3.5	3	2	\$382,990	\$142	\$0	\$0	\$7,500	\$375,490	\$139	\$0	\$0	\$375,490	\$139	\$104	1.06%	0.18%	\$1,925	\$74,533
3 Mon. Sales Rate:	0.62	Unsold RU:	4	2,712	5/L/B	3.5	3	2	\$379,990	\$140	\$0	\$0	\$7,500	\$372,490	\$137	\$0	\$0	\$372,490	\$137	\$104	1.06%	0.18%	\$1,911	\$73,969	
Averages:				2,286					\$357,212	\$159	\$0	\$0	\$7,500	\$349,712	\$155	\$0	\$0	\$349,712	\$155	\$104	1.06%	0.18%	\$1,800	\$69,692	
Primary Market Area	The Village			1,486	3	2	1	2	\$374,990	\$252	\$0	\$0	\$10,000	\$364,990	\$246	\$0	\$0	\$364,990	\$246	\$116	1.06%	0.34%	\$1,935	\$74,910	
	Roseville Crocker Ranch			2,011	4	3	2	2	\$409,990	\$204	\$0	\$0	\$10,000	\$399,990	\$199	\$0	\$0	\$399,990	\$199	\$116	1.06%	0.34%	\$2,110	\$81,662	
	Product Type:	Single-Family	Total Units:	155	2,338	5	3	2	2	\$439,990	\$188	\$0	\$0	\$10,000	\$429,990	\$184	\$0	\$0	\$429,990	\$184	\$116	1.06%	0.34%	\$2,259	\$87,450
	Configuration:	Traditional	Units Offered:	149	2,427	5/G	4	2	2	\$449,990	\$185	\$0	\$0	\$10,000	\$439,990	\$181	\$0	\$0	\$439,990	\$181	\$116	1.06%	0.34%	\$2,309	\$89,380
	Lot Dimensions:	45 x 95	Units Sold:	145																					
	Lot Size/Density:	4,275	3 Mon Sold:	11																					
	Open Date:	May-12	Total RU:	10																					
	Overall Sales Rate:	0.82	Total % R:	6%																					
3 Mon. Sales Rate:	0.85	Unsold RU:	4																						
Averages:				2,066					\$418,740	\$207	\$0	\$0	\$10,000	\$408,740	\$202	\$0	\$0	\$408,740	\$202	\$116	1.06%	0.34%	\$2,153	\$83,350	

Secondary Market Area

Community Details				Product Summary				Market Pricing Summary																	
Community Location		Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00%		Req.
Product Summary				Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums			Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income	
Secondary Market Area	Aria Roseville		KB Home Westpark		2,645	4/D/L	2.5	2	2	\$424,500	\$160	\$0	\$0	\$0	\$424,500	\$160	\$0	\$0	\$424,500	\$160	\$0	1.06%	0.59%	\$2,204	\$85,324
					2,891	3/D/L	2.5	2	2	\$441,500	\$153	\$0	\$0	\$0	\$441,500	\$153	\$0	\$0	\$441,500	\$153	\$0	1.06%	0.59%	\$2,292	\$88,741
	Product Type: Single-Family		Total Units: 78		3,413	4/D/L	2.5	2	3	\$471,500	\$138	\$0	\$0	\$0	\$471,500	\$138	\$0	\$0	\$471,500	\$138	\$0	1.06%	0.59%	\$2,448	\$94,771
	Configuration: Traditional		Units Offered: 74		3,418	4/Dell	2.5	2	2	\$474,000	\$139	\$0	\$0	\$0	\$474,000	\$139	\$0	\$0	\$474,000	\$139	\$0	1.06%	0.59%	\$2,461	\$95,274
	Lot Dimensions: 55 x 90		Units Sold: 41																						
	Lot Size/Density: 4,950		3 Mon Sold: 7																						
	Open Date: Apr-14		Total RU: 37																						
	Overall Sales Rate: 0.55		Total % R: 47%																						
	3 Mon. Sales Rate: 0.54		Unsold RU: 33																						
Averages:				3,092					\$452,875	\$148	\$0	\$0	\$0	\$452,875	\$148	\$0	\$0	\$452,875	\$148	\$0	1.06%	0.59%	\$2,352	\$91,027	
Secondary Market Area	Carrington Roseville		Lennar Homes Westpark		2,161	4	3	1	3	\$444,990	\$206	\$0	\$0	\$6,000	\$438,990	\$203	\$0	\$0	\$438,990	\$203	\$0	1.06%	0.51%	\$2,250	\$87,104
					2,204	3/D/L	3	1	3	\$449,990	\$204	\$0	\$0	\$6,000	\$443,990	\$201	\$0	\$0	\$443,990	\$201	\$0	1.06%	0.51%	\$2,276	\$88,096
	Product Type: Single-Family		Total Units: 65		2,658	4/D/L	3	1	3	\$471,990	\$178	\$0	\$0	\$6,000	\$465,990	\$175	\$0	\$0	\$465,990	\$175	\$0	1.06%	0.51%	\$2,389	\$92,461
	Configuration: Traditional		Units Offered: 20		3,215	5/NG/L	4.5	2	3	\$531,990	\$165	\$0	\$0	\$6,000	\$525,990	\$164	\$0	\$0	\$525,990	\$164	\$0	1.06%	0.51%	\$2,696	\$104,366
	Lot Dimensions: 55 x 105		Units Sold: 10																						
	Lot Size/Density: 5,775		3 Mon Sold: 6																						
	Open Date: May-15		Total RU: 55																						
	Overall Sales Rate: 0.53		Total % R: 85%																						
	3 Mon. Sales Rate: 0.46		Unsold RU: 10																						
Averages:				2,560					\$474,740	\$188	\$0	\$0	\$6,000	\$468,740	\$186	\$0	\$0	\$468,740	\$186	\$0	1.06%	0.51%	\$2,403	\$93,007	
Secondary Market Area	Legato Roseville		KB Home Westpark		2,354	3	2	1	2	\$428,000	\$182	\$0	\$0	\$5,000	\$423,000	\$180	\$0	\$0	\$423,000	\$180	\$0	1.06%	0.54%	\$2,179	\$84,340
					2,606	3/D	2	1	2	\$443,000	\$170	\$0	\$0	\$5,000	\$438,000	\$168	\$0	\$0	\$438,000	\$168	\$0	1.06%	0.54%	\$2,256	\$87,331
	Product Type: Single-Family		Total Units: 60		2,991	3/D/L	2.5	2	3	\$463,000	\$155	\$0	\$0	\$5,000	\$458,000	\$153	\$0	\$0	\$458,000	\$153	\$0	1.06%	0.54%	\$2,359	\$91,319
	Configuration: Traditional		Units Offered: 39		3,379	4/D/L	2.5	2	3	\$478,000	\$141	\$0	\$0	\$5,000	\$473,000	\$140	\$0	\$0	\$473,000	\$140	\$0	1.06%	0.54%	\$2,436	\$94,310
	Lot Dimensions: 65 x 110		Units Sold: 32		3,632	4/D/L	2.5	2	3	\$498,000	\$137	\$0	\$0	\$5,000	\$493,000	\$136	\$0	\$0	\$493,000	\$136	\$0	1.06%	0.54%	\$2,539	\$98,297
	Lot Size/Density: 7,150		3 Mon Sold: 3		4,182	4/D/G	3.5	2	3	\$523,000	\$125	\$0	\$0	\$5,000	\$518,000	\$124	\$0	\$0	\$518,000	\$124	\$0	1.06%	0.54%	\$2,668	\$103,282
	Open Date: Apr-14		Total RU: 28		4,357	5/G	4	2	3	\$539,000	\$124	\$0	\$0	\$5,000	\$534,000	\$123	\$0	\$0	\$534,000	\$123	\$0	1.06%	0.54%	\$2,751	\$106,472
	Overall Sales Rate: 0.42		Total % R: 47%																						
	3 Mon. Sales Rate: 0.23		Unsold RU: 7																						
Averages:				3,357					\$481,714	\$148	\$0	\$0	\$5,000	\$476,714	\$146	\$0	\$0	\$476,714	\$146	\$0	1.06%	0.54%	\$2,455	\$95,050	
Secondary Market Area	Marisol Roseville		Lennar Fiddymont Farm		2,361	4	3	1	3	\$475,990	\$202	\$0	\$0	\$6,000	\$469,990	\$199	\$0	\$0	\$469,990	\$199	\$0	1.06%	0.53%	\$2,417	\$93,558
					2,658	4/D	3	1	3	\$479,990	\$181	\$0	\$0	\$6,000	\$473,990	\$178	\$0	\$0	\$473,990	\$178	\$0	1.06%	0.53%	\$2,437	\$94,354
	Product Type: Single-Family		Total Units: 146		3,105	5/L	3	2	3	\$516,990	\$167	\$0	\$0	\$6,000	\$510,990	\$165	\$0	\$0	\$510,990	\$165	\$0	1.06%	0.53%	\$2,628	\$101,720
	Configuration: Traditional		Units Offered: 70		3,491	5/B	4	2	3	\$544,990	\$156	\$0	\$0	\$6,000	\$538,990	\$154	\$0	\$0	\$538,990	\$154	\$0	1.06%	0.53%	\$2,772	\$107,293
	Lot Dimensions: 60 x 105		Units Sold: 62																						
	Lot Size/Density: 6,300		3 Mon Sold: 4																						
	Open Date: Nov-13		Total RU: 84																						
	Overall Sales Rate: 0.65		Total % R: 58%																						
	3 Mon. Sales Rate: 0.31		Unsold RU: 8																						
Averages:				2,904					\$504,490	\$176	\$0	\$0	\$6,000	\$498,490	\$174	\$0	\$0	\$498,490	\$174	\$0	1.06%	0.53%	\$2,563	\$99,231	
Secondary Market Area	Merrion Square Roseville		Lennar Westpark		1,963	3/B	2.5	2	2	\$352,990	\$180	\$0	\$0	\$6,000	\$346,990	\$177	\$0	\$0	\$346,990	\$177	\$94	1.06%	0.33%	\$1,821	\$70,473
					2,041	4	3	2	2	\$356,990	\$175	\$0	\$0	\$6,000	\$350,990	\$172	\$0	\$0	\$350,990	\$172	\$94	1.06%	0.33%	\$1,840	\$71,244
	Product Type: Single-Family		Total Units: 90		2,218	4/L	3	2	2	\$367,990	\$166	\$0	\$0	\$6,000	\$361,990	\$163	\$0	\$0	\$361,990	\$163	\$94	1.06%	0.33%	\$1,895	\$73,362
	Configuration: Small Lot		Units Offered: 49																						
	Lot Dimensions: 38 x 66		Units Sold: 43																						
	Lot Size/Density: 2,508		3 Mon Sold: 23																						
	Open Date: Aug-14		Total RU: 47																						
	Overall Sales Rate: 0.74		Total % R: 52%																						
	3 Mon. Sales Rate: 1.77		Unsold RU: 6																						
Averages:				2,074					\$359,323	\$174	\$0	\$0	\$6,000	\$353,323	\$171	\$0	\$0	\$353,323	\$171	\$94	1.06%	0.33%	\$1,852	\$71,693	

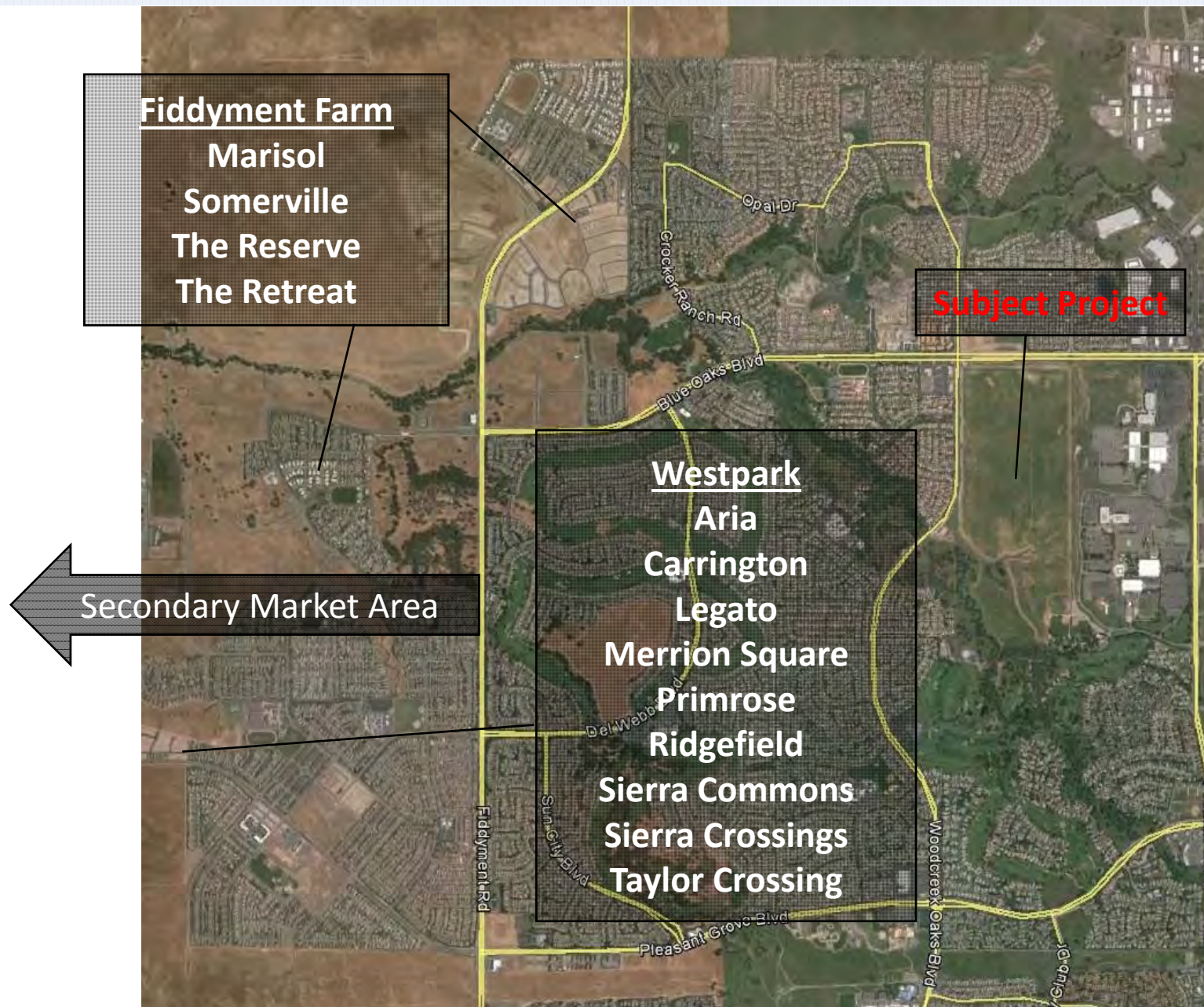
Community Details					Product Summary				Market Pricing Summary																	
Community Location	Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives				Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00%	Req.		
Product Summary			Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums	Price		Monthly HOA	Base Tax	Add Tax	Mo. Pmt	Income			
Secondary Market Area	Primrose Roseville		Pulte Homes Westpark		2,323	4	2.5	1	2	\$438,990	\$189		\$0	\$0	\$7,500	\$431,490	\$186	\$0	\$0	\$431,490	\$186	\$0	1.06%	0.55%	\$2,226	\$86,172
					2,444	3/L	2.5	2	2	\$404,990	\$166		\$0	\$0	\$7,500	\$397,490	\$163	\$0	\$0	\$397,490	\$163	\$0	1.06%	0.55%	\$2,051	\$79,382
	Product Type: Single-Family		Total Units: 448		2,639	4/L	2.5	2	2	\$411,990	\$156		\$0	\$0	\$7,500	\$404,490	\$153	\$0	\$0	\$404,490	\$153	\$0	1.06%	0.55%	\$2,087	\$80,780
	Configuration: Traditional		Units Offered: 142		2,668	4/L	2.5	2	3	\$435,990	\$163		\$0	\$0	\$7,500	\$428,490	\$161	\$0	\$0	\$428,490	\$161	\$0	1.06%	0.55%	\$2,211	\$85,573
	Lot Dimensions: 45 x 100		Units Sold: 120		2,744	4/L	2.5	2	2	\$415,990	\$152		\$0	\$0	\$7,500	\$408,490	\$149	\$0	\$0	\$408,490	\$149	\$0	1.06%	0.55%	\$2,107	\$81,579
	Lot Size/Density: 4,500		3 Mon Sold: 47		2,779	4/L	2.5	2	2	\$445,990	\$160		\$0	\$0	\$7,500	\$438,490	\$158	\$0	\$0	\$438,490	\$158	\$0	1.06%	0.55%	\$2,262	\$87,570
	Open Date: Sep-14		Total RU: 328		3,101	4/L	3.5	2	3	\$474,990	\$153		\$0	\$0	\$7,500	\$467,490	\$151	\$0	\$0	\$467,490	\$151	\$0	1.06%	0.55%	\$2,412	\$93,362
	Overall Sales Rate: 2.22		Total % R: 73%		3,129	4/L	3.5	2	3	\$458,990	\$147		\$0	\$0	\$7,500	\$451,490	\$144	\$0	\$0	\$451,490	\$144	\$0	1.06%	0.55%	\$2,329	\$90,167
	3 Mon. Sales Rate: 3.62		Unsold RU: 306		3,223	4/L	3.5	2	3	\$476,990	\$148		\$0	\$0	\$7,500	\$469,490	\$146	\$0	\$0	\$469,490	\$146	\$0	1.06%	0.55%	\$2,422	\$93,761
					3,544	4	3	2	3	\$503,990	\$142		\$0	\$0	\$7,500	\$496,490	\$140	\$0	\$0	\$496,490	\$140	\$0	1.06%	0.55%	\$2,561	\$99,153
Averages:					2,859					\$446,890	\$158	\$0	\$0	\$7,500	\$439,390	\$155	\$0	\$0	\$439,390	\$155	\$0	1.06%	0.55%	\$2,267	\$87,750	
Secondary Market Area	Ridgefield Roseville		Lennar Homes Westpark		2,707	4	3.5	1	3	\$495,990	\$183		\$0	\$0	\$6,000	\$489,990	\$181	\$0	\$0	\$489,990	\$181	\$0	1.06%	0.44%	\$2,483	\$96,117
					2,861	3	3.5	1	3	\$508,990	\$178		\$0	\$0	\$6,000	\$502,990	\$176	\$0	\$0	\$502,990	\$176	\$0	1.06%	0.44%	\$2,549	\$98,667
	Product Type: Single-Family		Total Units: 52		2,935	4/NG/D	3	1	3	\$515,990	\$176		\$0	\$0	\$6,000	\$509,990	\$174	\$0	\$0	\$509,990	\$174	\$0	1.06%	0.44%	\$2,584	\$100,040
	Configuration: Traditional		Units Offered: 29		3,108	3/O	2.5	1	3	\$529,990	\$171		\$0	\$0	\$6,000	\$523,990	\$169	\$0	\$0	\$523,990	\$169	\$0	1.06%	0.44%	\$2,655	\$102,786
	Lot Dimensions: 70 x 105		Units Sold: 21		4,041	4/B	3.5	2	3	\$593,990	\$147		\$0	\$0	\$6,000	\$587,990	\$146	\$0	\$0	\$587,990	\$146	\$0	1.06%	0.44%	\$2,980	\$115,340
	Lot Size/Density: 7,350		3 Mon Sold: 6		4,253	5/B	4.5	2	3	\$605,990	\$142		\$0	\$0	\$6,000	\$599,990	\$141	\$0	\$0	\$599,990	\$141	\$0	1.06%	0.44%	\$3,040	\$117,694
	Open Date: May-15		Total RU: 31																							
	Overall Sales Rate: 1.11		Total % R: 60%																							
	3 Mon. Sales Rate: 0.46		Unsold RU: 8																							
Averages:					3,318					\$541,823	\$166	\$0	\$0	\$6,000	\$535,823	\$164	\$0	\$0	\$535,823	\$164	\$0	1.06%	0.44%	\$2,715	\$105,107	
Secondary Market Area	Sierra Commons Roseville		Meritage Homes Westpark		2,278	3	2	1	3	\$434,950	\$191		\$0	\$0	\$15,000	\$419,950	\$184	\$0	\$0	\$419,950	\$184	\$0	1.06%	0.55%	\$2,167	\$83,868
					2,551	3/D/G	2.5	2	3	\$449,950	\$176		\$0	\$0	\$15,000	\$434,950	\$171	\$0	\$0	\$434,950	\$171	\$0	1.06%	0.55%	\$2,244	\$86,863
	Product Type: Single-Family		Total Units: 83		2,791	4/D/L	3.5	2	3	\$459,950	\$165		\$0	\$0	\$15,000	\$444,950	\$159	\$0	\$0	\$444,950	\$159	\$0	1.06%	0.55%	\$2,296	\$88,860
	Configuration: Traditional		Units Offered: 50		2,927	4/G	3.5	2	3	\$469,950	\$161		\$0	\$0	\$15,000	\$454,950	\$155	\$0	\$0	\$454,950	\$155	\$0	1.06%	0.55%	\$2,347	\$90,858
	Lot Dimensions: 55 x 110		Units Sold: 25		3,222	4/D/G	3.5	2	3	\$499,950	\$155		\$0	\$0	\$15,000	\$484,950	\$151	\$0	\$0	\$484,950	\$151	\$0	1.06%	0.55%	\$2,502	\$96,849
	Lot Size/Density: 6,050		3 Mon Sold: 3																							
	Open Date: Apr-14		Total RU: 58																							
	Overall Sales Rate: 0.33		Total % R: 70%																							
	3 Mon. Sales Rate: 0.23		Unsold RU: 25																							
Averages:					2,754					\$462,950	\$170	\$0	\$0	\$15,000	\$447,950	\$164	\$0	\$0	\$447,950	\$164	\$0	1.06%	0.55%	\$2,311	\$89,460	
Secondary Market Area	Sierra Crossings Roseville		Meritage Homes Westpark		2,169	3	2.5	1	2	\$427,950	\$197		\$0	\$0	\$12,500	\$415,450	\$192	\$0	\$0	\$415,450	\$192	\$0	1.06%	0.57%	\$2,150	\$83,237
					2,278	3	2	1	3	\$447,950	\$197		\$0	\$0	\$12,500	\$435,450	\$191	\$0	\$0	\$435,450	\$191	\$0	1.06%	0.57%	\$2,254	\$87,244
	Product Type: Single-Family		Total Units: 69		2,347	4	2.5	1	2	\$447,950	\$191		\$0	\$0	\$12,500	\$435,450	\$186	\$0	\$0	\$435,450	\$186	\$0	1.06%	0.57%	\$2,254	\$87,244
	Configuration: Traditional		Units Offered: 40		2,670	4	3.5	1	3	\$467,950	\$175		\$0	\$0	\$12,500	\$455,450	\$171	\$0	\$0	\$455,450	\$171	\$0	1.06%	0.57%	\$2,357	\$91,251
	Lot Dimensions: 60 x 100		Units Sold: 28																							
	Lot Size/Density: 6,000		3 Mon Sold: 5																							
	Open Date: Sep-14		Total RU: 41																							
	Overall Sales Rate: 0.52		Total % R: 59%																							
	3 Mon. Sales Rate: 0.38		Unsold RU: 12																							
Averages:					2,366					\$447,950	\$190	\$0	\$0	\$12,500	\$435,450	\$185	\$0	\$0	\$435,450	\$185	\$0	1.06%	0.57%	\$2,254	\$87,244	
Secondary Market Area	Somerville Roseville		Lennar Fiddymont Farm		2,396	4	3	2	3	\$422,990	\$177		\$0	\$0	\$5,000	\$417,990	\$174	\$0	\$0	\$417,990	\$174	\$0	1.06%	0.61%	\$2,177	\$84,285
					2,567	5/B	3	2	2	\$432,990	\$169		\$0	\$0	\$5,000	\$427,990	\$167	\$0	\$0	\$427,990	\$167	\$0	1.06%	0.61%	\$2,229	\$86,302
	Product Type: Single-Family		Total Units: 50		2,980	5/B	4	2	3	\$456,990	\$153		\$0	\$0	\$5,000	\$451,990	\$152	\$0	\$0	\$451,990	\$152	\$0	1.06%	0.61%	\$2,354	\$91,141
	Configuration: Traditional		Units Offered: 47																							
	Lot Dimensions: 45 x 105		Units Sold: 35																							
	Lot Size/Density: 4,725		3 Mon Sold: 0																							
	Open Date: May-14		Total RU: 15																							
	Overall Sales Rate: 0.49		Total % R: 30%																							
	3 Mon. Sales Rate: 0.00		Unsold RU: 12																							
Averages:					2,648					\$437,657	\$166	\$0	\$0	\$5,000	\$432,657	\$164	\$0	\$0	\$432,657	\$164	\$0	1.06%	0.61%	\$2,254	\$87,243	

Community Details						Product Summary				Market Pricing Summary															
Community Location	Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons		Total Price	Total Price/ Sq. Ft.	Monthly Payment			80% 4.00%			
Product Summary			Sales Summary							Price Reduction	Options/ Upgrades	Closing \$/ Other			Options/ Upgrades	Premiums			HOA	Base Tax	Add Tax	Mo. Pmt	Req. Income		
Secondary Market Area	Taylor Crossing		Lennar		1,210	3	2.5	2	2	\$301,990	\$250	\$0	\$0	\$4,000	\$297,990	\$246	\$0	\$0	\$297,990	\$246	\$84	1.06%	0.50%	\$1,609	\$62,282
	Roseville		Westpark		1,318	3	2	2	2	\$318,990	\$242	\$0	\$0	\$4,000	\$314,990	\$239	\$0	\$0	\$314,990	\$239	\$84	1.06%	0.50%	\$1,696	\$65,650
	Product Type: Single-Family		Total Units: 132		1,505	3	2.5	2	2	\$323,990	\$215	\$0	\$0	\$4,000	\$319,990	\$213	\$0	\$0	\$319,990	\$213	\$84	1.06%	0.50%	\$1,722	\$66,640
	Configuration: Small Lot		Units Offered: 108		1,658	4	2.5	2	2	\$335,990	\$203	\$0	\$0	\$4,000	\$331,990	\$200	\$0	\$0	\$331,990	\$200	\$84	1.06%	0.50%	\$1,783	\$69,017
	Lot Dimensions: 30 x 70		Units Sold: 105																						
	Lot Size/Density: 2,100		3 Mon Sold: 5																						
	Open Date: Apr-13		Total RU: 27																						
	Overall Sales Rate: 0.81		Total % R: 20%																						
3 Mon. Sales Rate: 0.38		Unsold RU: 3																							
Averages:					1,423					\$320,240	\$227	\$0	\$0	\$4,000	\$316,240	\$225	\$0	\$0	\$316,240	\$225	\$84	1.06%	0.50%	\$1,702	\$65,897
Secondary Market Area	The Reserve		JMC Homes		2,265	4	3	1	3	\$489,990	\$216	\$0	\$0	\$10,000	\$479,990	\$212	\$0	\$0	\$479,990	\$212	\$0	1.06%	0.48%	\$2,448	\$94,774
	Roseville		Fiddymont Farm		3,224	4/D/B	3	2	3	\$549,990	\$171	\$0	\$0	\$10,000	\$539,990	\$167	\$0	\$0	\$539,990	\$167	\$0	1.06%	0.48%	\$2,754	\$106,621
	Product Type: Single-Family		Total Units: 75		3,341	4/B	4	2	3	\$549,990	\$165	\$0	\$0	\$10,000	\$539,990	\$162	\$0	\$0	\$539,990	\$162	\$0	1.06%	0.48%	\$2,754	\$106,621
	Configuration: Traditional		Units Offered: 36		3,550	5/B	4	2	3	\$569,990	\$161	\$0	\$0	\$10,000	\$559,990	\$158	\$0	\$0	\$559,990	\$158	\$1	1.06%	0.48%	\$2,857	\$110,609
	Lot Dimensions: 60 x 105		Units Sold: 31		3,750	6/B	4.5	2	3	\$599,990	\$160	\$0	\$0	\$10,000	\$589,990	\$157	\$0	\$0	\$589,990	\$157	\$0	1.06%	0.48%	\$3,009	\$116,494
	Lot Size/Density: 6,300		3 Mon Sold: 2		4,000	5/B	4.5	2	3	\$609,990	\$152	\$0	\$0	\$10,000	\$599,990	\$150	\$0	\$0	\$599,990	\$150	\$0	1.06%	0.48%	\$3,060	\$118,468
	Open Date: Jun-14		Total RU: 44																						
	Overall Sales Rate: 0.46		Total % R: 59%																						
3 Mon. Sales Rate: 0.15		Unsold RU: 5																							
Averages:					3,355					\$561,657	\$171	\$0	\$0	\$10,000	\$551,657	\$168	\$0	\$0	\$551,657	\$168	\$0	1.06%	0.48%	\$2,814	\$108,931
Secondary Market Area	The Retreat		JMC Homes		1,754	3	2	1	3	\$419,990	\$239	\$0	\$0	\$5,000	\$414,990	\$237	\$0	\$0	\$414,990	\$237	\$0	1.06%	0.58%	\$2,151	\$83,279
	Roseville		Fiddymont Farm		1,853	3	2	1	3	\$429,990	\$232	\$0	\$0	\$5,000	\$424,990	\$229	\$0	\$0	\$424,990	\$229	\$0	1.06%	0.58%	\$2,203	\$85,286
	Product Type: Single-Family		Total Units: 70		2,039	3	3	1	3	\$447,990	\$220	\$0	\$0	\$5,000	\$442,990	\$217	\$0	\$0	\$442,990	\$217	\$0	1.06%	0.58%	\$2,297	\$88,898
	Configuration: Traditional		Units Offered: 44		2,338	4	3	2	2	\$469,990	\$201	\$0	\$0	\$5,000	\$464,990	\$199	\$0	\$0	\$464,990	\$199	\$0	1.06%	0.58%	\$2,411	\$93,313
	Lot Dimensions: 70 x 110		Units Sold: 36		2,427	4	4	2	2	\$484,990	\$200	\$0	\$0	\$5,000	\$479,990	\$198	\$0	\$0	\$479,990	\$198	\$0	1.06%	0.58%	\$2,488	\$96,323
	Lot Size/Density: 7,700		3 Mon Sold: 10		2,872	5	4	2	3	\$519,990	\$181	\$0	\$0	\$5,000	\$514,990	\$179	\$0	\$0	\$514,990	\$179	\$0	1.06%	0.58%	\$2,670	\$103,346
	Open Date: Oct-14		Total RU: 34																						
	Overall Sales Rate: 0.72		Total % R: 49%																						
3 Mon. Sales Rate: 0.77		Unsold RU: 8																							
Averages:					2,214					\$462,157	\$212	\$0	\$0	\$5,000	\$457,157	\$210	\$0	\$0	\$457,157	\$210	\$0	1.06%	0.58%	\$2,370	\$91,741

Primary Market Area -- Competitive Projects

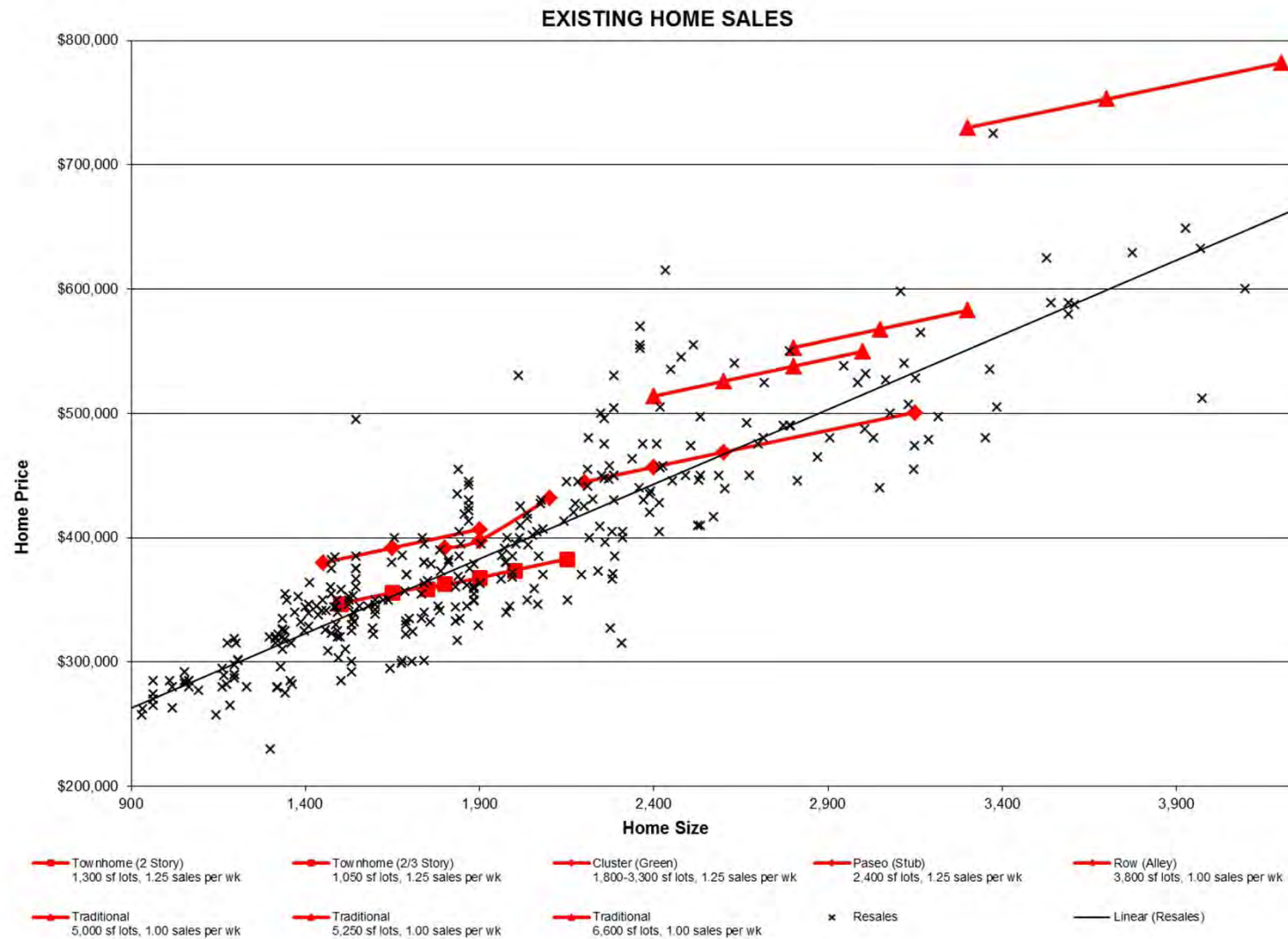


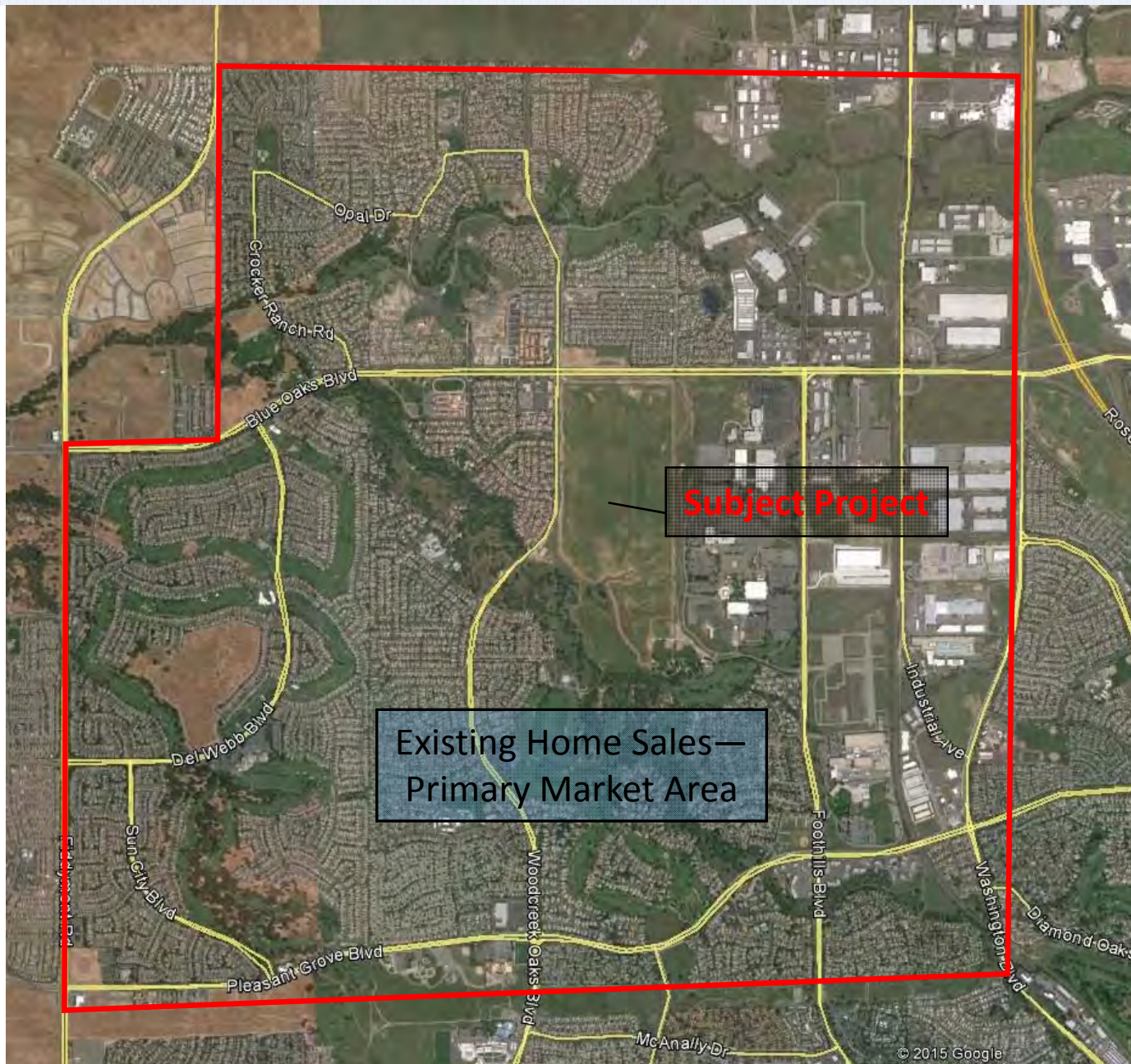
Secondary Market Area -- Competitive Projects



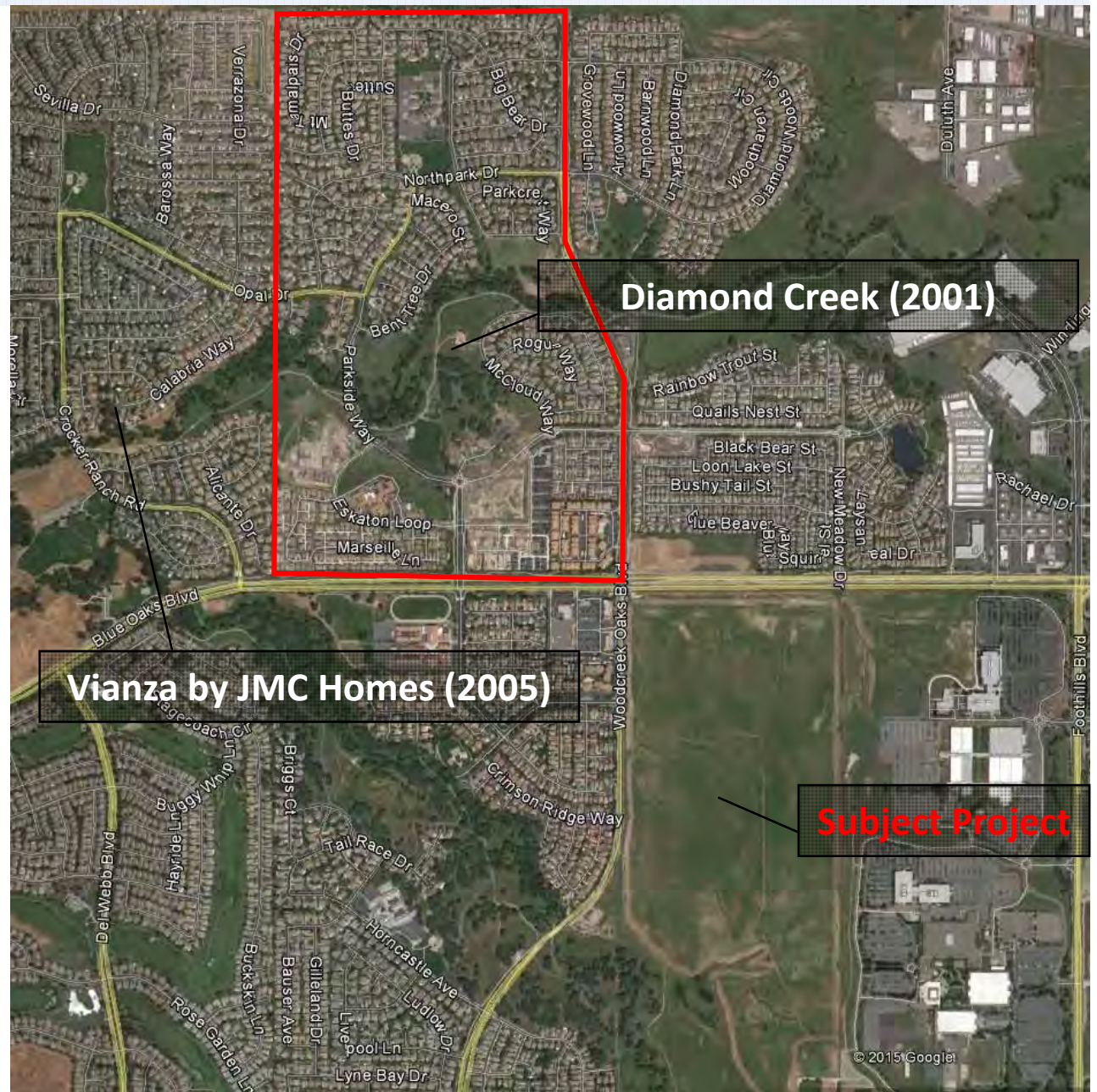
Resales

The average price of an existing home in the Primary Market Area is \$390,677 (\$208 per square foot) with a total of 325 sales (an average of 24 sales per week). 75% of the sales were for homes priced between \$300,000 and \$500,000 and twelve-percent were priced at greater than \$500,000. For all resales, the number of Days on Market average is an exceptionally low 25.





- Traditional Homes within Diamond Creek (built in 2000 and 2001) sold for an average price of \$551,750 (\$157 per square foot) and were on the market of only an average of 21 days. In addition, there were only four of these homes recorded.
- Homes within the JMC Home community of Vianza (built in 2005 offering semi-custom homes in a gated community) sold for an average price of \$707,333 (\$205 per square foot). Homes within Vianza are very popular with only three sales and an average Days on Market of only 19.
- These two communities are the most relevant existing home communities as comparables to the subject project given their location, community plan and product type.



Sacramento Housing

Sacramento New-Housing

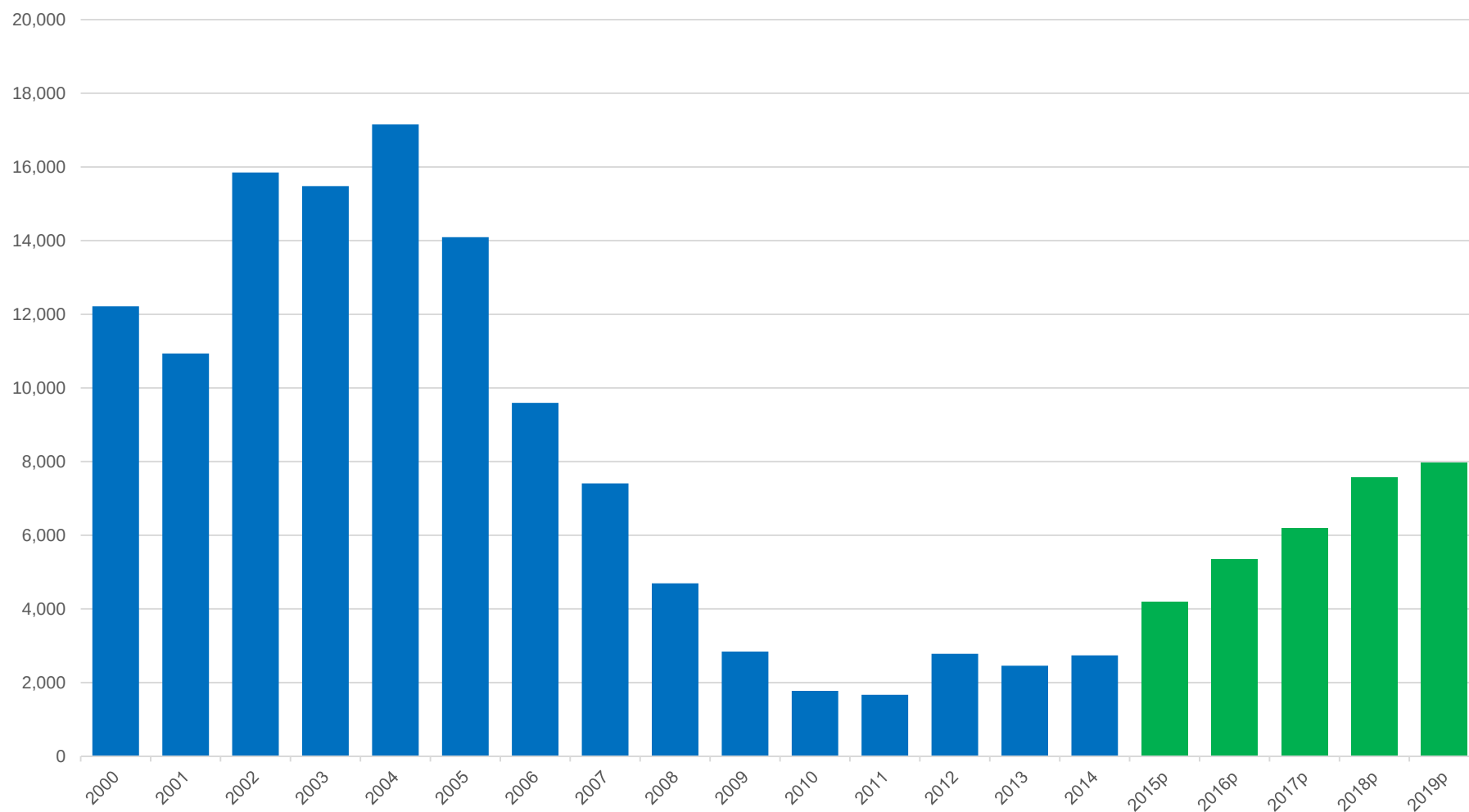
After disappointing sales in the summer and fall of 2014 in the Sacramento region, there was little hope for a strong rebound in the fourth quarter. However, a robust December and early 2015 that saw an increase in traffic and ultimately sales, resulted in a surprisingly greater number of sales than initially anticipated. **In fact, there were 1,036 sales in the First Quarter and 1,096 in the Second Quarter (a mid-year total of 2,132 total sales in the region; an increase of 42.7% from a year earlier).** It is possible that the Sacramento region could post a total of more than 4,000 new-home sales for all of 2015; this would be the first time sales have surpassed 4,000 units since 2008.

Pricing in Sacramento moderated early in the year due primarily to a lack of affordability (primarily a result of slow to moderate wage growth). As a result, new-home prices are up only 5.3% from a year earlier.

Inventory has been increasing during the last year (up 36.6%), and importantly, the number of projects has increased from 98 to 128. An increase in the number of projects and the resulting increase in inventory is a very positive sign; especially considering that as more projects enter the market there are more sales resulting in a greater sales rate.

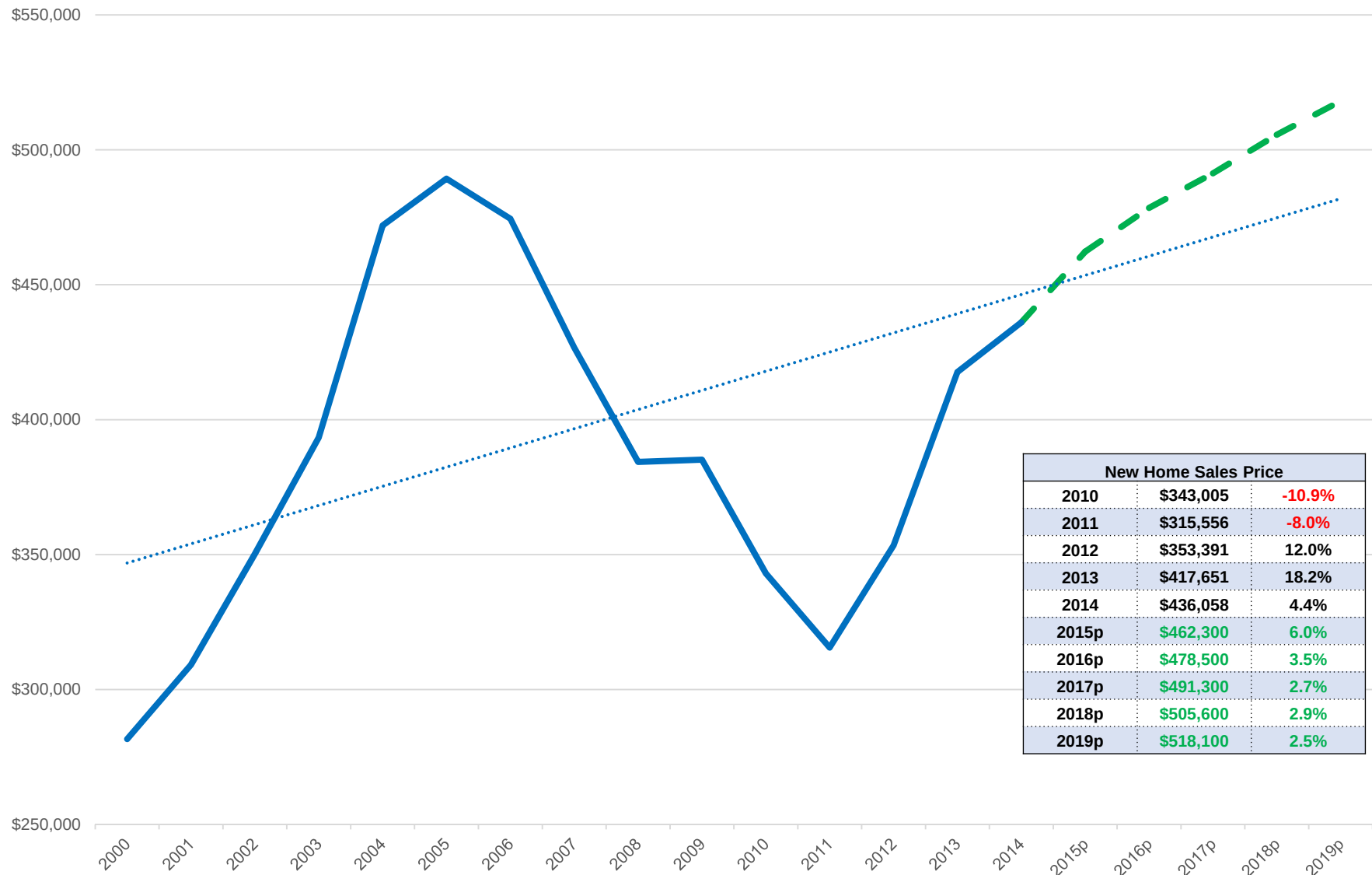
Sacramento MSA and Yuba MSA									
	2011	2012	2013	2014	2nd Qtr 2014	1st Qtr 2015	2nd Qtr 2015	Previous Qtr % Change	Year Ago % Change
Average Price	\$315,556	\$353,391	\$417,651	\$436,058	\$439,685	\$454,431	\$463,180	1.9%	5.3%
Median Price	\$299,450	\$332,990	\$413,271	\$418,990	\$415,000	\$425,990	\$435,945	2.3%	5.0%
Average Home Size	2,170	2,233	2,342	2,487	2,437	2,563	2,583	0.8%	6.0%
Average Pr/Sq Ft	\$149.41	\$161.78	\$183.86	\$180.51	\$187.35	\$181.94	\$184.22	1.3%	-1.7%
Ttl Weekly Sales Rate	0.38	0.53	0.60	0.57	0.67	0.61	0.74	21.3%	10.4%
Homes Sold	1,668	2,782	2,458	2,739	808	1,036	1,096	5.8%	35.6%
Qtr Weekly Sales Rate	0.30	0.64	0.39	0.49	0.63	0.65	0.66	1.5%	4.8%
Unsold Inventory	631	442	412	973	771	814	1,053	29.4%	36.6%

Sacramento New Home Sales

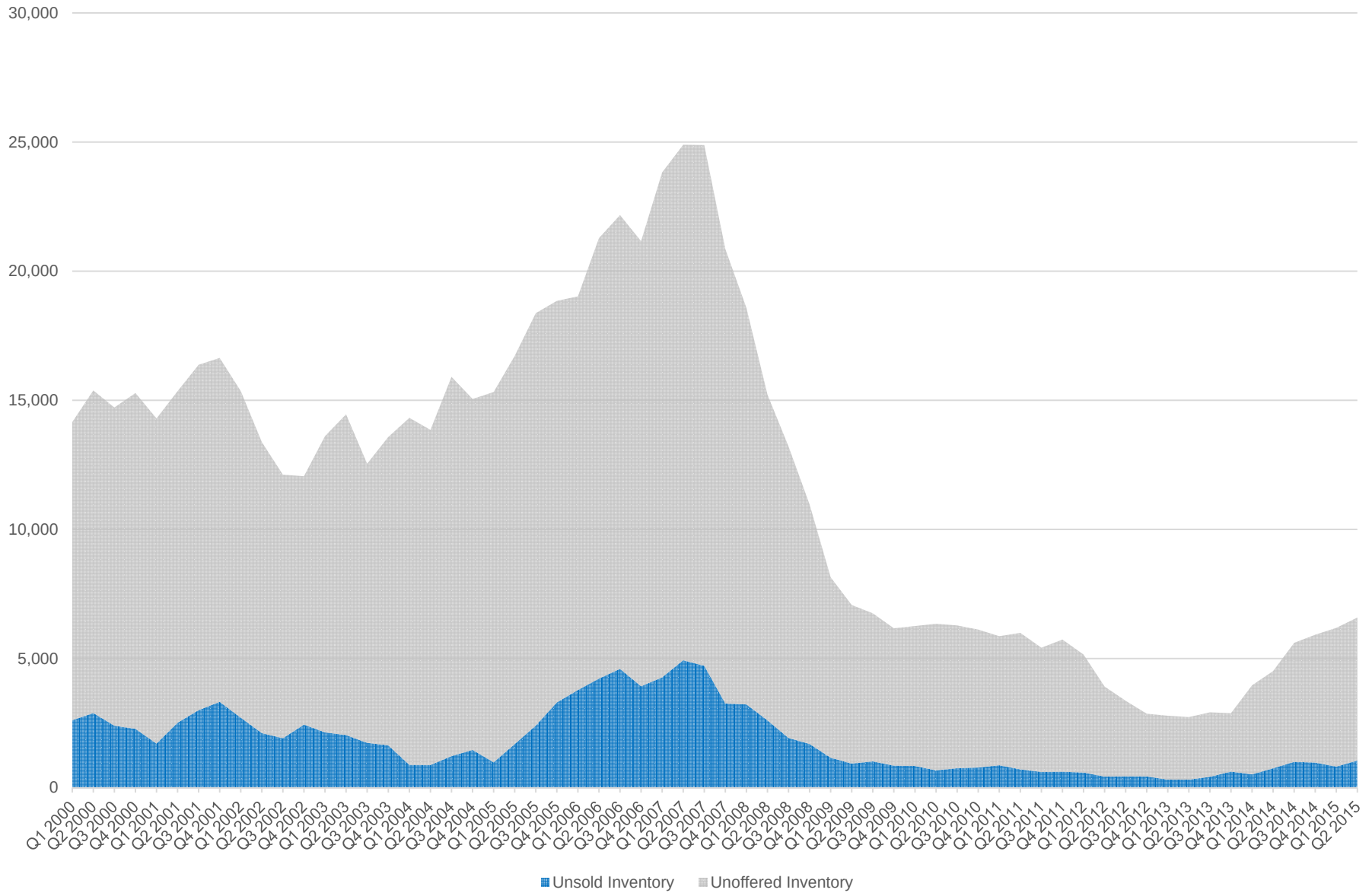


New Home Sales	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
No. of Sales	1,776	1,668	2,782	2,458	2,739	4,178	5,344	6,189	7,561	7,967
% Change YOY	-37.5%	-6.1%	66.8%	-11.6%	11.4%	52.5%	27.9%	15.8%	22.2%	5.4%

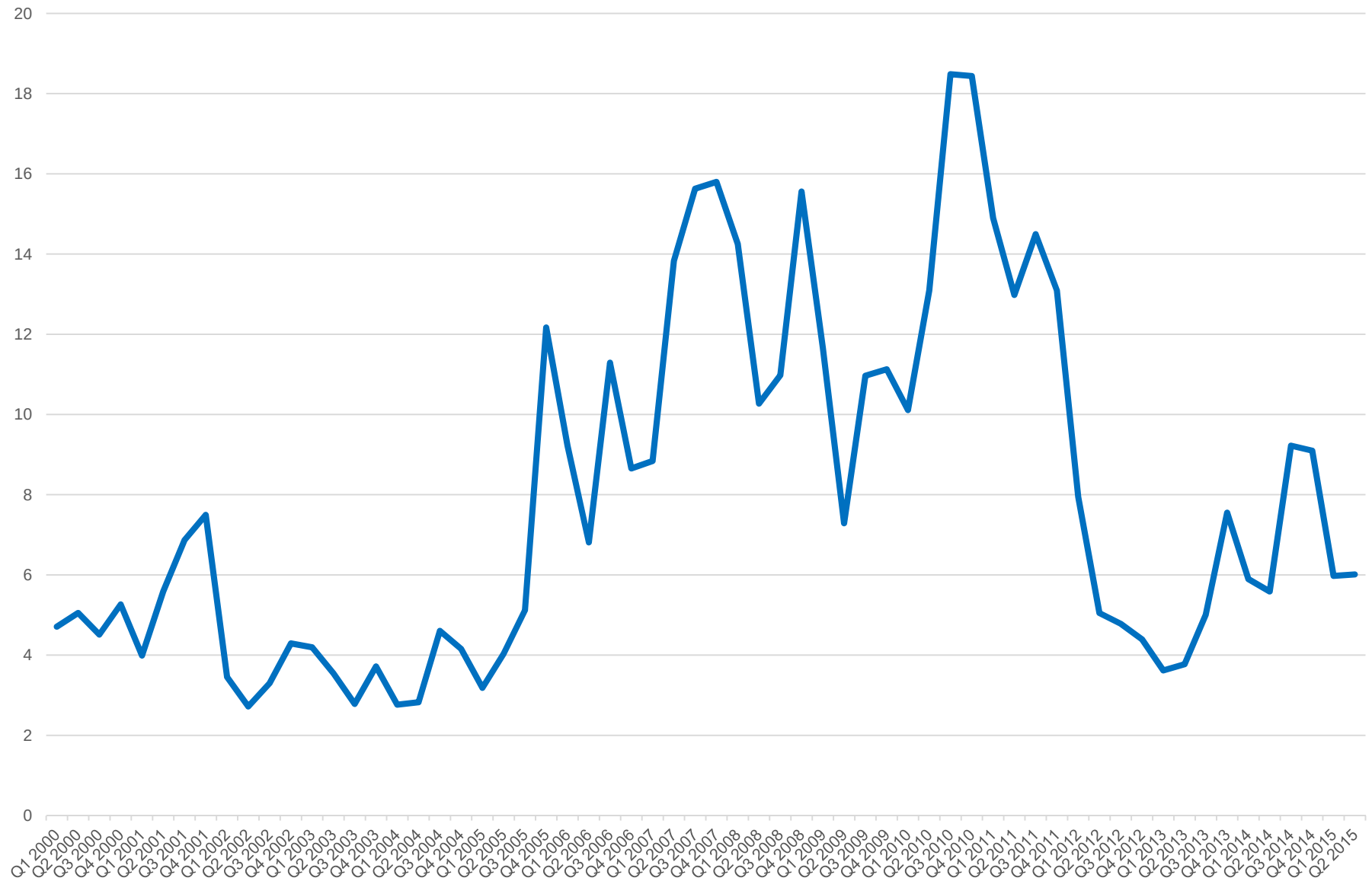
Sacramento Average New Home Price (Not Adjusted for Inflation)



Sacramento Total Inventory



Sacramento Months of Total Inventory



Roseville New-Housing

- Currently, Placer County accounts for 39.3% of all new-home sales in Sacramento. **Given the amount of developable land and the high desire for people to re-locate to the area, the percent capture of Placer County is expected to stay elevated (above the long-term trend of 28.1%).**
- Roseville accounted for 62.9% of sales in Placer County for year-to-date 2015; up from the past two years. Roseville (and Placer County) was one of the brighter spots during the recession, attracting new-home buyers despite economic hardships. **As the economy gathers steam and the new-home market continues to improve, it is anticipated that Roseville will return to the long-term trend of a 46% capture rate in Placer County.**

Year	City of Roseville Sales	Placer County Sales	Roseville Percent of Sales	Placer County Sales	Sacramento Region Sales	Placer Percent of Sales
2000	1,326	3,923	33.8%	3,923	12,216	32.1%
2001	1,133	3,282	34.5%	3,282	10,936	30.0%
2002	2,296	4,914	46.7%	4,914	16,062	30.6%
2003	1,718	4,164	41.3%	4,164	15,858	26.3%
2004	1,398	3,309	42.2%	3,309	17,155	19.3%
2005	1,126	2,609	43.2%	2,609	14,094	18.5%
2006	876	2,600	33.7%	2,600	9,607	27.1%
2007	1,096	2,147	51.0%	2,147	7,416	29.0%
2008	833	1,317	63.2%	1,317	4,695	28.1%
2009	718	1,112	64.6%	1,112	2,841	39.1%
2010	603	863	69.9%	863	1,776	48.6%
2011	449	663	67.7%	663	1,668	39.7%
2012	770	1,087	70.8%	1,087	2,782	39.1%
2013	498	889	56.0%	889	2,458	36.2%
2014	506	1,048	48.3%	1,048	2,739	38.3%
2015e	972	1,546	62.9%	1,546	3,929	39.3%
Avg's:	1,020	2,217	46.0%	2,217	7,890	28.1%

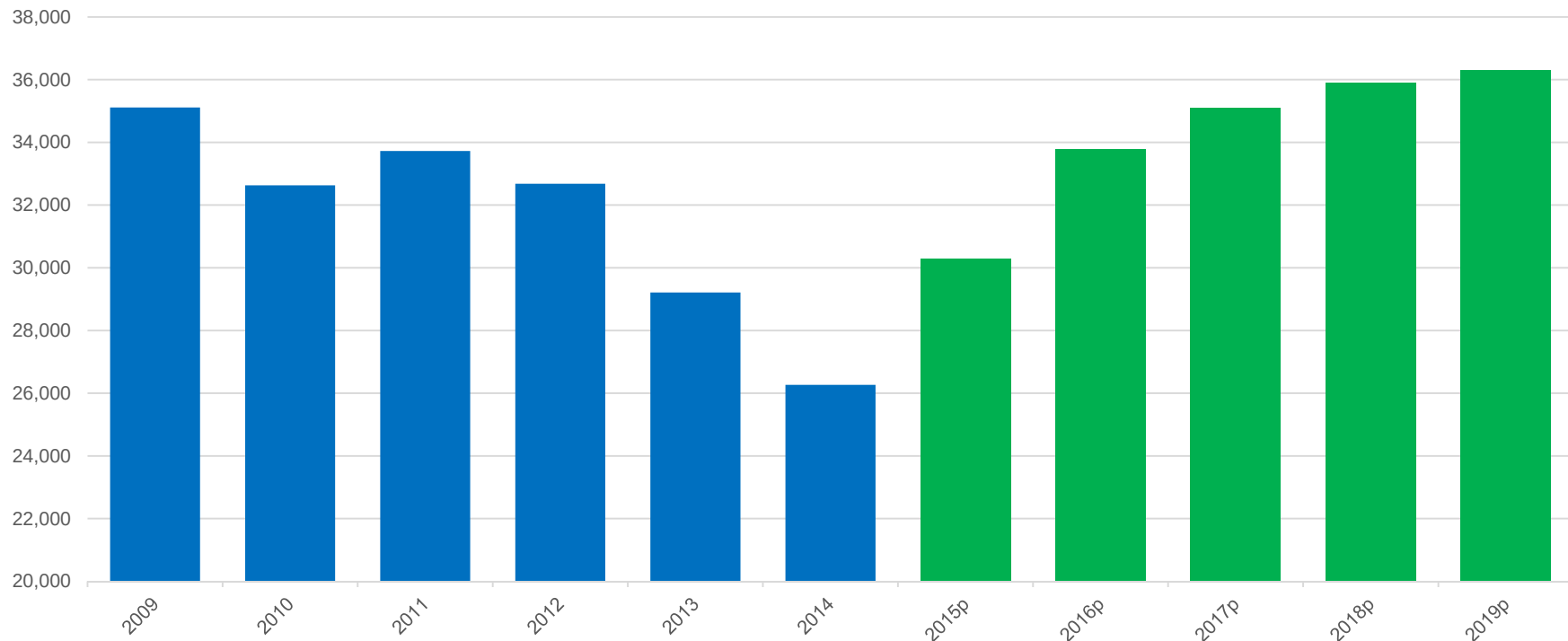
Top Ten Sales By Community						
Community	YTD 2015	YTD % Share	2014 Sales	2014 % Capture	2013 Sales	2013 % Capture
Roseville	515	24.2%	506	19.0%	498	20.8%
Laguna	357	16.7%	339	12.8%	327	13.6%
El Dorado Hills	177	8.3%	183	6.7%	166	6.8%
Rancho Cordova	166	7.8%	229	8.6%	212	8.8%
Rocklin	157	7.4%	203	7.6%	78	3.3%
Lincoln	149	7.0%	290	10.9%	266	11.1%
Elk Grove	136	6.4%	273	10.3%	192	8.0%
Folsom	127	6.0%	231	8.7%	210	8.8%
Woodland	58	2.7%	128	4.8%	90	3.8%
West Sacramento	20	0.9%	37	1.4%	73	3.0%

- Roseville is once again the top selling community in Sacramento; 24.2% of all new-home sales (YTD 2015) are in Roseville (19.0% in 2014). Given the desirability of Roseville and Placer County, it is **not anticipated that Roseville will relinquish the lead anytime in the near future and overall sales are expected to increase.**
- Within Roseville and as of Q3/2015, the average overall sales pace is of 0.66 sales per week and the Quarter sales pace is 0.61 sales per week. **Improving economic conditions, more affordable housing options and a greater supply of housing will ultimately lead to higher average sales rates per project.**
- A new-home in Roseville averaged 2,509 square feet and \$443,673 in Q3/2015 with an average price per square foot value of \$185. Currently there are an average of \$6,290 in incentives and the lot sizes range from 1,900 to 11,200 square feet.
- There are only 1,356 units of total inventory and 272 units of unsold inventory.

Sacramento Existing Homes

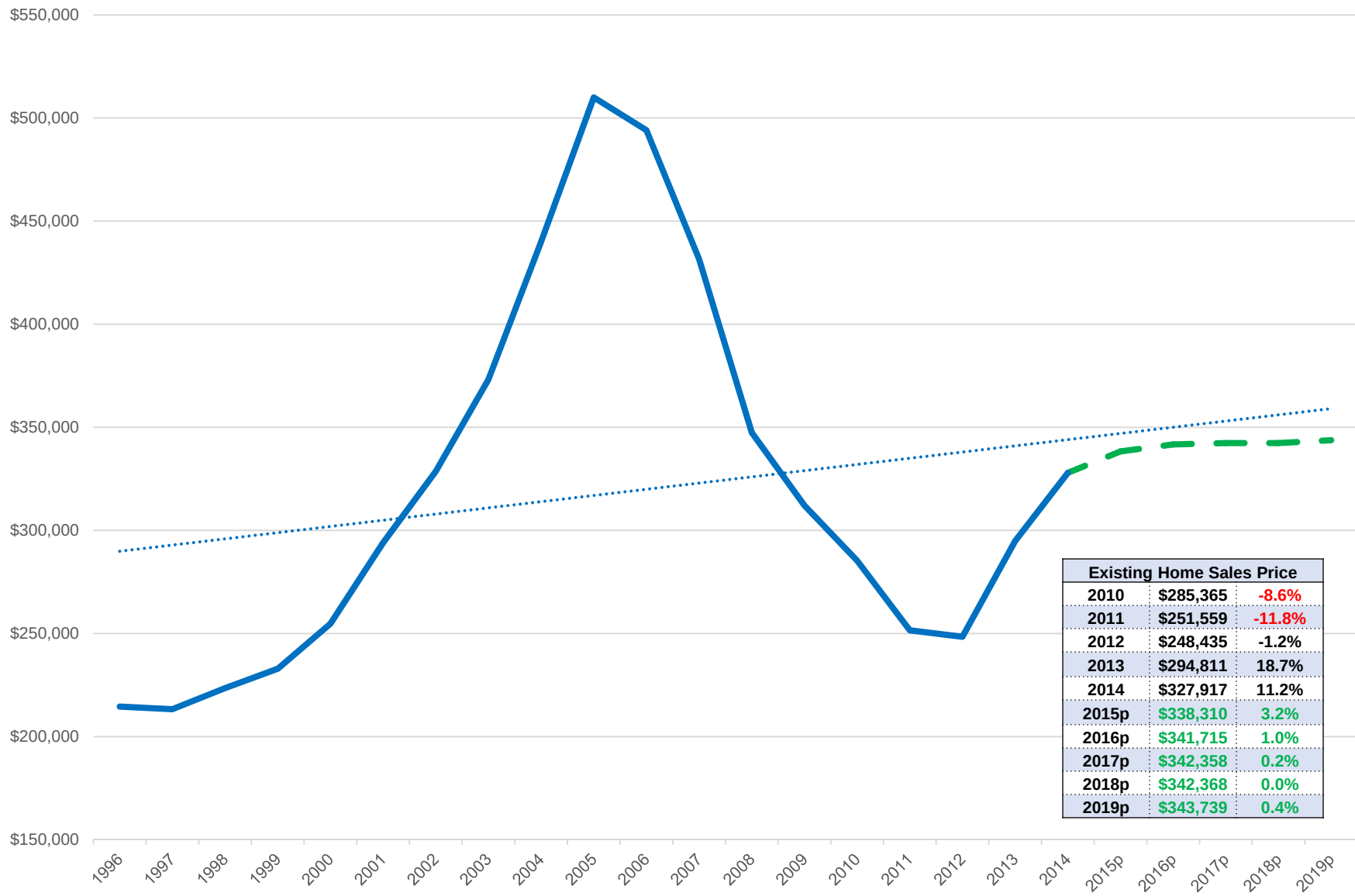
Total resales in 2014 were down from the previous year (a decline of 10.1% to 26,266 sales), but pricing increased 11.2% (adjusted for inflation) and Months of Inventory is only slightly above two-months. With only 12.5% distressed sales (and much of that concentrated in selected communities), the resale market is returning to healthy levels of activity. Resale agents and brokers are stating that the number of open houses and the traffic levels to these open houses are increasing.

Existing Home Sales

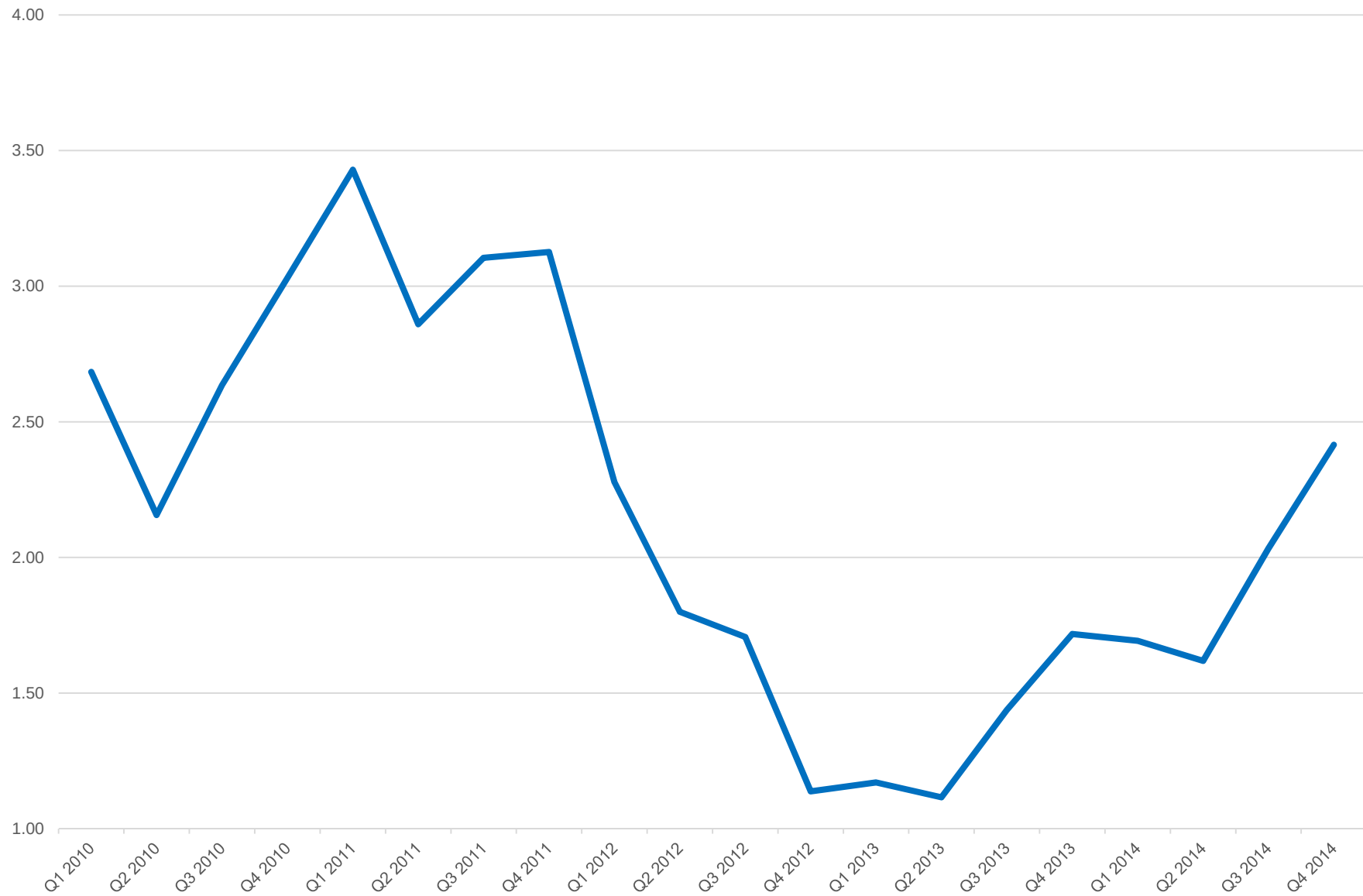


New Home Sales	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
	32,628	33,722	32,680	29,211	26,266	30,288	33,775	35,100	35,900	36,300
% Change YOY	-7.07%	3.35%	-3.09%	-10.62%	-10.08%	15.31%	11.51%	3.92%	2.28%	1.11%

Sacramento Existing Home Price (Adjusted for Inflation)



Sacramento Existing Home Months of Inventory



Potential Future Supply

Within the greater Subject Property market area there are currently a total of 64,292 units planned for future development. These totals include a multitude of larger master planned communities located in west Roseville and west Placer County. In fact, within the Primary Market Area there are a total of 4,318 units planned for future development (948 at the subject property and 3,370 at Placer Ranch east of Fiddymont Boulevard). There are an additional, 53,373 units planned in the Secondary market Area and 6,601 units planned in Placer County.

It terms of the timing of market entry, it is estimated that approximately 8,331 units can enter the market between 2016 and 2018, 8,660 units between 2017 and 2019, 6,756 units between 2018 and 2020 and 40,545 units between 2020 and 2024. Not all of those units will enter the market during the specified time frames, but is it reasonable that some of the units will be available to consumers in the coming years.

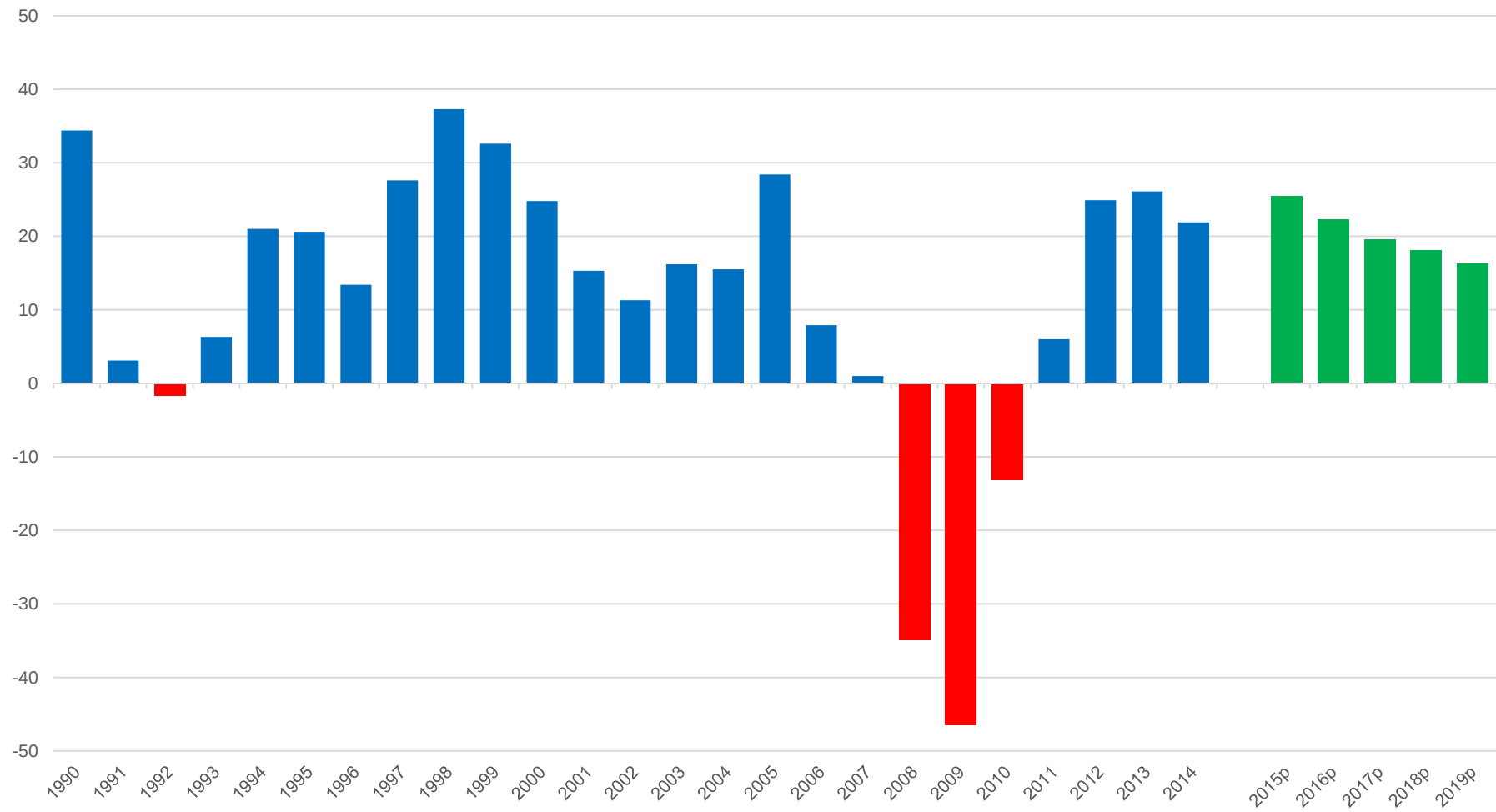
Finally, it is worth noting that there are very few projects in the Primary Market Area and other than the Subject Project, no units are anticipated to enter the market before 2020. Based on this analysis, the subject project has a significant opportunity to offer new units in a highly desirable market area with relatively limited competition.

Project Name	Community	Developer	Number of Units	Five-Year Market Entry "Window"
Primary Market Area				
HP	Roseville	Diamond Creek Equities	948	2016 - 2018
Placer Ranch (E/Fiddymment Road)	Unincorporated Placer	--	3,370	2020 - 2024
Total Units Proposed:			4,318	
Secondary Market Area				
Creekview	Roseville	GBD Communities	2,011	2018 - 2020
Fiddymment Farm	Roseville	Wells Fargo Bank	2,530	2016 - 2018
Fiddymment Farm	Roseville	GBD Communities	419	2016 - 2018
Sierra Vista	Roseville	Various	4,745	2018 - 2020
Westbrook	Roseville	Westpark Communities	2,029	2016 - 2018
Westpark	Roseville	Westpark Communities	1,032	2016 - 2018
Amoruso Ranch	Unincorporated Placer	Brookfield	2,785	2020 - 2024
Curry Creek	Unincorporated Placer	--	15,000	2020 - 2024
Placer Ranch (W/Fiddymment Road)	Unincorporated Placer	--	3,370	2020 - 2024
Placer Vineyards	Unincorporated Placer	Various	14,132	2020 - 2024
Regional University	Unincorporated Placer	AKT Development	4,387	2017 - 2019
Riolo Vineyards	Unincorporated Placer	--	933	2016 - 2018
Total Units Proposed:			53,373	
"Other Placer County" Market Area				
Lincoln Ranch	Lincoln	Lewis Operating Corp.	2,266	2017 - 2019
Twelve Bridges	Lincoln	Placer Holdings	440	2016 - 2018
Whitney Ranch	Rocklin	IHP Capital Partners	2,007	2017 - 2019
Bickford Ranch	Unincorporated Placer	Lehman Brothers	1,888	2020 - 2024
Total Units Proposed:			6,601	
Total Market Area Proposed:			64,292	

Economics and Demographics

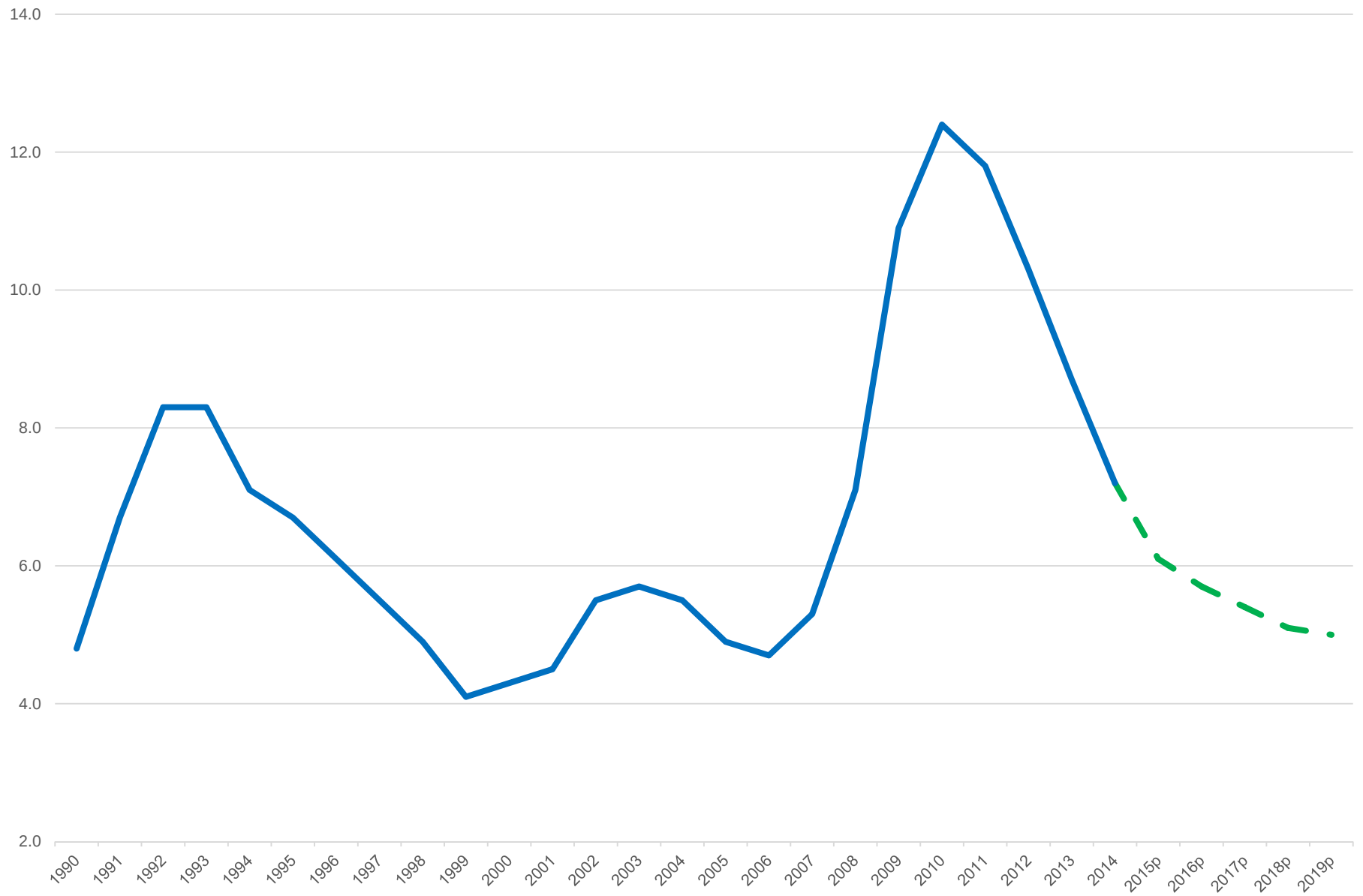
Sacramento Economics

Sacramento MSA Job Growth

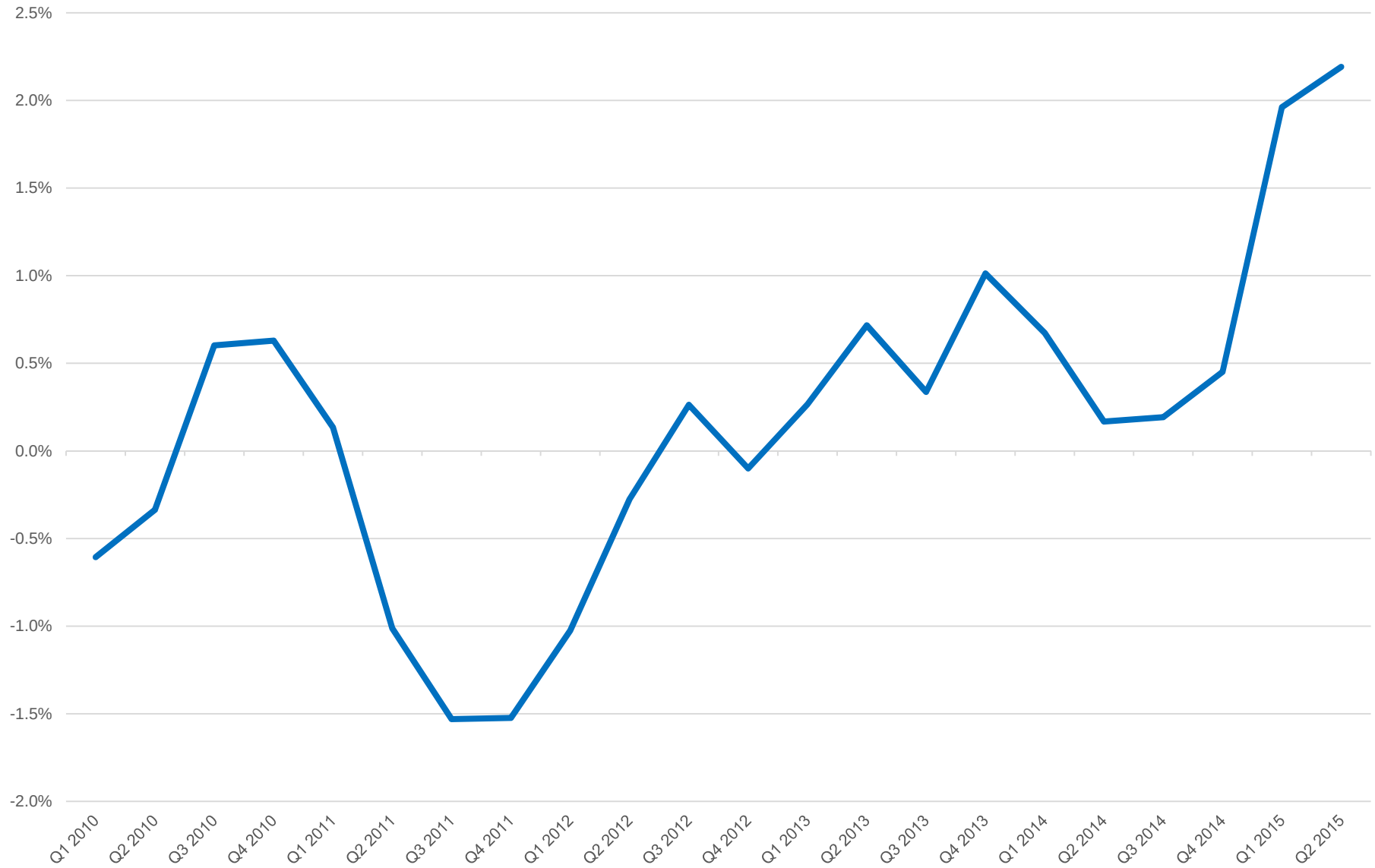


Job Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
(Thousands)	-13.1	6.0	24.9	26.1	21.9	25.5	22.3	19.5	18.1	16.3
% YOY	-1.5%	0.7%	3.0%	3.1%	2.5%	2.9%	2.4%	2.1%	1.9%	1.7%

Sacramento Unemployment Rate

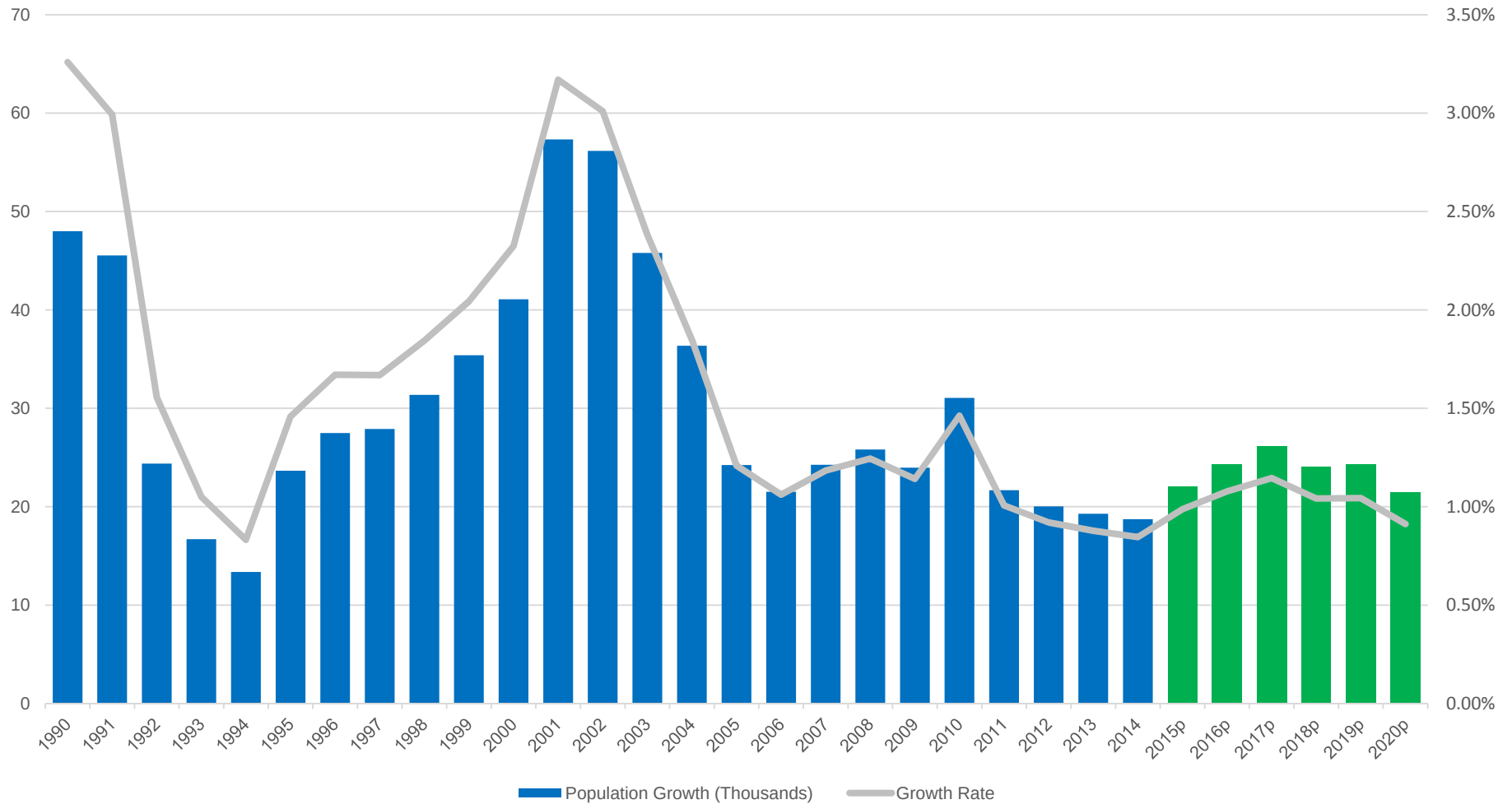


Sacramento Hourly Wages Percentage Change from Last Year (Adjusted for Inflation)



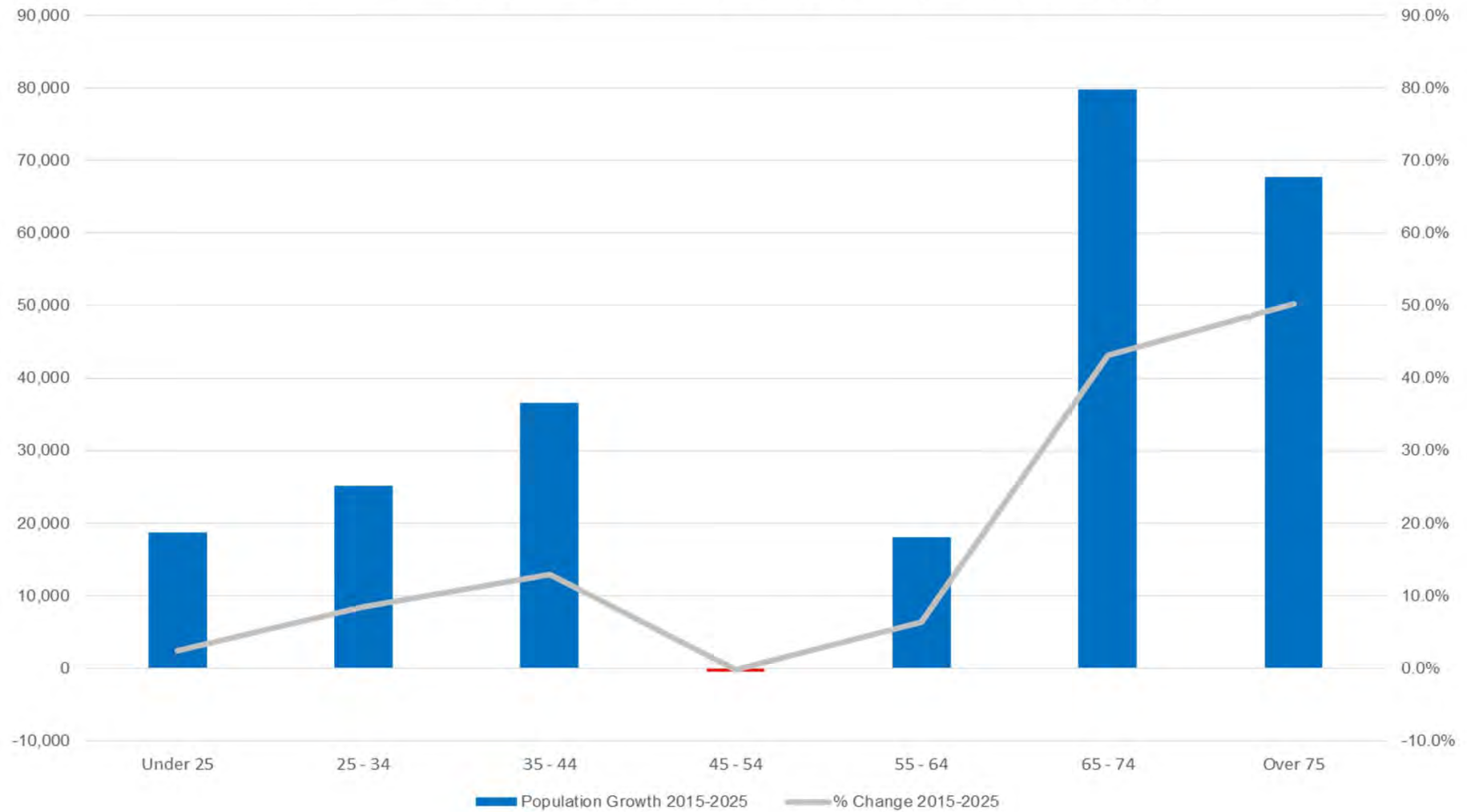
Sacramento Demographics

Sacramento Population Growth



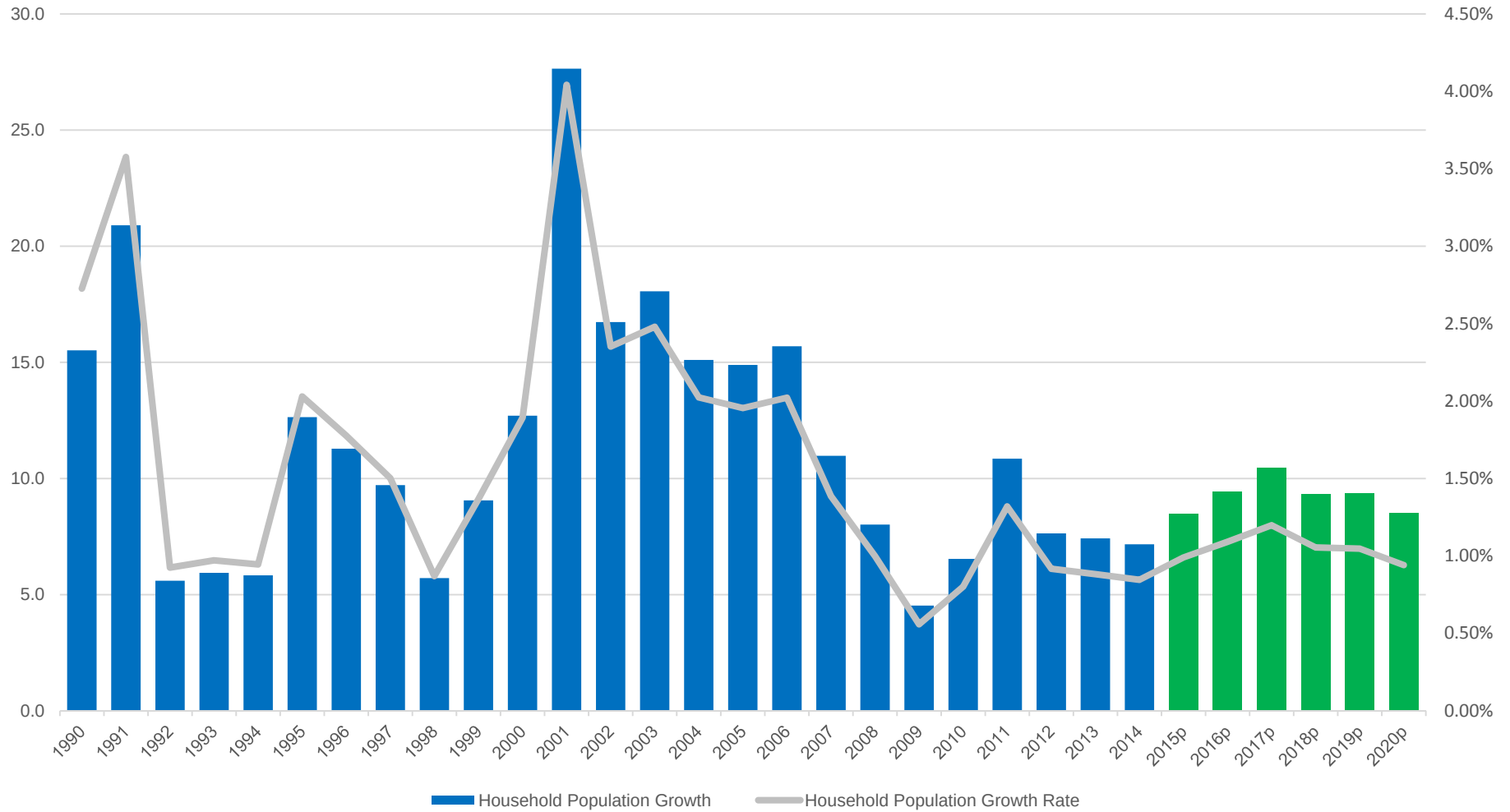
Population Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

Sacramento MSA Population Change and Percentage Change 2015-2025



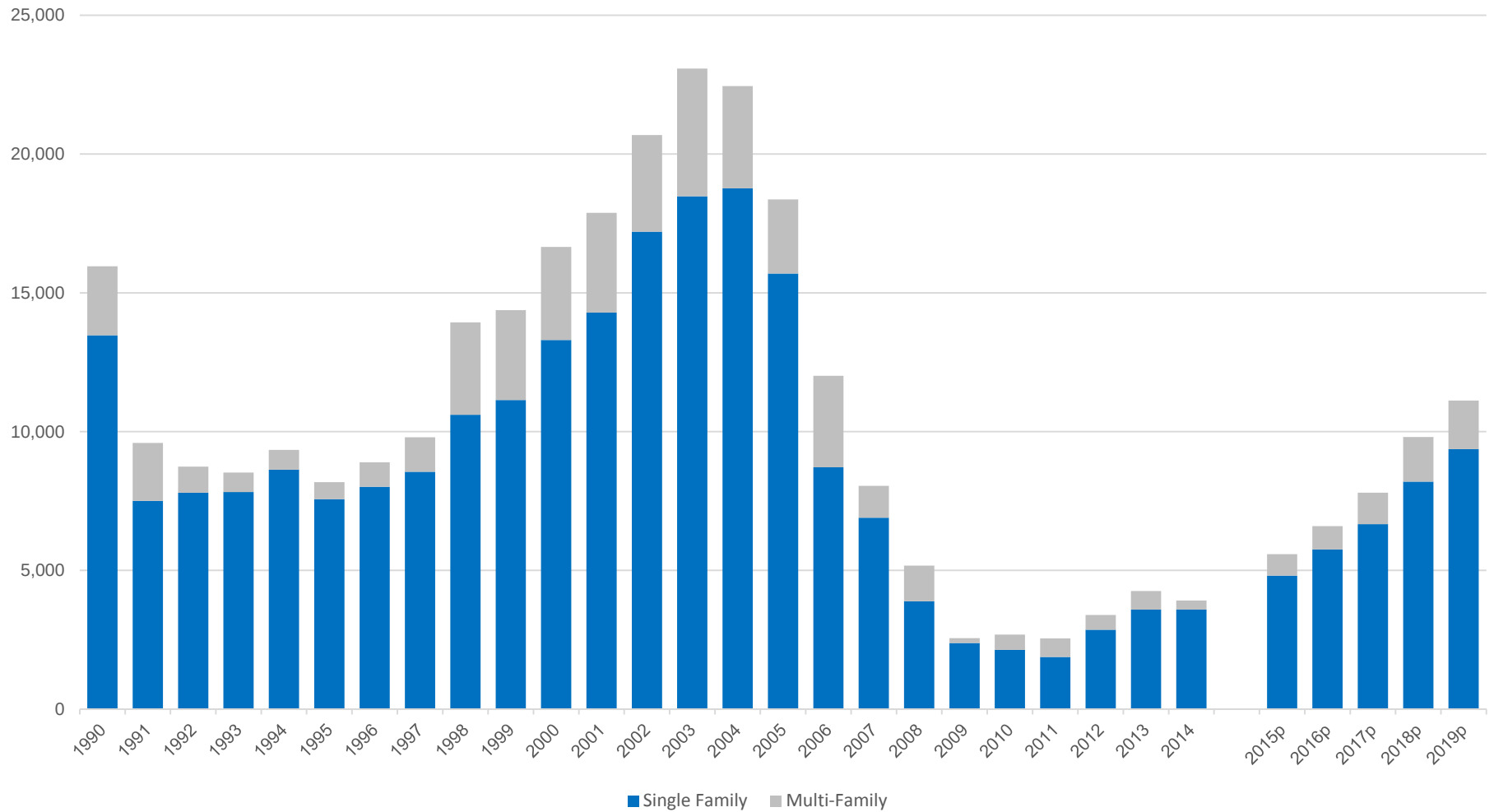
Population Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

Sacramento Household Population Growth



Household Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	6.5	10.9	7.6	7.4	7.2	8.5	9.4	10.5	9.3	9.3	8.5
% YOY	0.80%	1.32%	0.92%	0.88%	0.85%	0.99%	1.09%	1.20%	1.05%	1.05%	0.94%

Sacramento MSA Building Permits



Total Permits	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
	2,685	2,547	3,393	4,255	3,915	5,586	6,595	7,798	9,807	11,118
% YOY	4.9%	-5.1%	33.2%	25.4%	-8.0%	42.7%	18.1%	18.2%	25.8%	13.4%

Notes

The Sacramento MSA includes the four counties of El Dorado, Placer, Sacramento and Yolo

The Sacramento Region includes the six counties of El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba

All conclusions, recommendations and projections are provided by The Gregory Group

Sources include US Bureau of Economic Analysis, US Bureau of Labor Statistics, US Bureau of Census, Thomson Reuters/University of Michigan, Board of Governors of the Federal Reserve, NAHB/Wells Fargo Bank, National Association of Realtors, Zillow Real Estate Research, California Association of Realtors, Federal Reserve Bank of St. Louis, California Department of Finance, Google Maps, The Gregory Group

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APPENDIX D

THE CITY OF ROSEVILLE AND PLACER COUNTY

The District is located in the City of Roseville (the "City"), which is located in southwestern Placer County (the "County"), California (the "State"). Certain financial and economic data for the City, County and State are presented in this appendix for information purposes only. The Bonds are not a debt or obligation of the City, County or State, but are a limited obligation of the City secured solely by the Special Tax Revenues generated in the District and certain other funds held pursuant to the Fiscal Agent Agreement, all as described in more detail in this Official Statement.

General

The City is located in the County, which is located in the Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City presently occupies 42.26 square miles in the southwestern part of the County and is the largest city in the County as well as the residential and industrial center of the County. It is bordered by Sacramento County to the south, the City of Rocklin to the north and un-incorporated Placer County to the east and west. The estimated population of the City as of January 2015 was approximately 128,382.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

The City is predominately comprised of residential housing, small and large businesses, as well as numerous retail centers, the latter of which play a vital role in the economy of the City and contribute significantly to City and County sales tax receipts. The City has the thirteenth highest retail sales of all cities in the State, and the City is considered a regional shopping destination. The Westfield Galleria at Roseville is the main shopping center in the City and the second largest shopping mall in Northern California. Across from the Westfield Galleria lies the "Fountains at Roseville," a 330,000 square foot retail center, containing additional stores and several recreation centers. Plans call for future construction of hotel, additional retail, and office buildings in connection with the Fountains at Roseville project. In addition to the Westfield Galleria and Fountains at Roseville, the City has many shopping plazas surrounding the Westfield Galleria and the Douglas Boulevard financial corridor. The City is also home to one of the largest auto malls in the United States and a popular water park, Roseville Golf and SunSplash.

Municipal Government

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

Population

The City's population has increased approximately 1% to 2% per year over the past five years. The following table sets forth population estimates for the City, County and State for the past five years.

POPULATION ESTIMATES City, County and State 2011 through 2015

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2011	120,307	351,463	37,427,946
2012	122,104	355,455	37,668,804
2013	124,673	360,802	37,984,138
2014	127,153	366,678	38,357,121
2015	128,382	369,454	38,714,725

Source: California State Department of Finance.

Effective Buying Income

Effective buying income ("EBI") is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the County, the State and the United States.

The table on the following page summarizes the total effective buying income for the City, County, State and the United States as of January 1, 2009 through 2013. Effective buying income data is not yet available for calendar year 2014 or 2015.

EFFECTIVE BUYING INCOME (EBI)
City, County, State and United States
As of January 1, 2009 through 2013

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	City of Roseville	\$ 3,164,495	\$58,526
	Placer County	9,911,191	59,331
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Roseville	\$ 3,073,595	\$55,878
	Placer County	9,455,123	56,109
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Roseville	\$ 3,030,070	\$56,309
	Placer County	9,797,178	55,993
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Roseville	\$ 3,308,060	\$55,367
	Placer County	9,955,120	55,173
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Roseville	\$ 3,327,535	\$56,270
	Placer County	9,811,843	56,393
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which is comprised of El Dorado, Placer, Sacramento and Yolo Counties) was 6.6 percent in September 2014, down from a revised 6.9 percent in August 2014, and below the year-ago estimate of 8.1 percent. This compares with an unadjusted unemployment rate of 6.9 percent for the State and 5.7 percent for the nation during the same period. The unemployment rate was 6.2 percent in El Dorado County, 5.8 percent in Placer County, 6.9 percent in Sacramento County, and 6.4 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento-Arden Arcade-Roseville MSA for the years 2009 through 2013.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Sacramento-Arden Arcade-Roseville MSA
(El Dorado, Placer, Sacramento, and Yolo Counties)
March 2013 Benchmark
(Annual Averages)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Civilian Labor Force ⁽¹⁾	1,051,500	1,048,900	1,039,400	1,051,600	1,046,600
Employment	934,800	918,000	916,200	942,900	956,400
Unemployment	116,600	130,900	123,200	108,700	90,200
Unemployment Rate	11.1%	12.5%	11.9%	10.3%	8.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	8,300	8,100	8,200	8,600	8,800
Mining and Logging	400	400	500	400	500
Construction	43,500	38,400	36,900	38,400	42,900
Manufacturing	34,400	32,800	33,200	33,900	33,700
Wholesale Trade	24,100	22,800	23,600	25,100	25,000
Retail Trade	87,600	88,000	89,400	91,800	93,900
Transportation, Warehousing and Utilities	23,200	21,700	21,100	21,900	23,200
Information	18,300	17,200	16,300	15,600	15,000
Finance and Insurance	40,200	36,100	34,600	35,700	36,600
Real Estate and Rental and Leasing	12,700	12,200	12,000	12,400	13,000
Professional and Business Services	101,100	102,200	104,200	110,800	114,300
Educational and Health Services	116,600	115,000	116,900	121,300	127,700
Leisure and Hospitality	82,000	80,200	81,700	84,500	88,000
Other Services	28,800	28,100	28,000	28,500	28,900
Federal Government	13,300	14,600	14,000	13,700	13,500
State Government	111,900	110,900	109,600	108,200	109,800
Local Government	110,200	104,700	100,900	99,600	98,700
Total, All Industries	856,500	833,500	831,200	850,400	873,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of 2014.

LARGEST EMPLOYERS County of Placer 2014 (In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Agilent Technologies Inc.	Roseville	Instruments-Measuring (Mfrs)
Alpine Meadows	Alpine Meadows	Resorts
AT&T	Auburn	Telephone Companies
C-Tech Systems Inc.	Roseville	Computers-Service & Repair
Composite Engineering Inc.	Roseville	Engineers-Professional
Kaiser Roseville Medical Ctr.	Roseville	Hospitals
Northstar At Tahoe Resort	Truckee	Resorts
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Fire Dept.	Auburn	County Government-Fire Protection
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County of Education	Auburn	Schools
Placer County Sheriff	Auburn	Sheriff
Progressive Technology	Rocklin	Machine Shops (Mfrs)
Resort At Squaw Creek	Alpine Meadows	Hotels & Motels
Ritz-Carlton-Lake Tahoe	Truckee	Hotels & Motels
Roseville Golfand-Sun Splash	Roseville	Water Parks
Roseville Toyota & Scion	Roseville	Automobile Dealers-New Cars
Sheriff's Training	Auburn	Sheriff
Sutter Roseville Medical Ctr.	Roseville	Hospitals
Tami Saner & Assoc.	Roseville	Real Estate
Thunder Valley Casino	Lincoln	Casinos
Unfi Western Region Div.	Rocklin	Food Products (Whls)
Union Pacific Railroad Co	Roseville	Railroads
Wal-Mart Supercenter	Roseville	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

The following table sets forth the largest manufacturing and non-manufacturing employers in the City as of 2014.

**LARGEST EMPLOYERS
City of Roseville
2014**

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employees</u>
Kaiser Permanente	3,231	1	4.55%
Hewlett-Packard	2,132	2	3.00%
Sutter Roseville Medical Center	1,654	3	2.33%
Roseville Joint Union High School District	1,434	4	2.02%
Union Pacific Railroad Company Adventist Health System West	1,286	5	1.81%
Roseville City School District	1,137	6	1.60%
Wal-Mart Superstore (PG)	1,019	7	1.44%
LB Construction, Inc.	1,000	8	1.41%
NEC Electronics	460	9	0.65%
Surewest Communications	404	10	0.57%
Subtotal	13,757		19.38%
Total Employment	70,969 ⁽¹⁾		

(1) Total Employment as used above represents the total employment of all employees located within the City limits.

Source: City of Roseville-City Manager's Office, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2014.

Construction

The County's 2015-2016 assessment roll totaled \$63,448,690,201, as compared to the prior year's assessment roll of \$58,267,146,115, which reflected a 8.89% increase. This large increase contrasts with the real estate decline years of 2008 and after, when the County assessment roll experienced declines.

The following table shows residential and non-residential building permits issued within the City for calendar years 2010 through 2014. Annual figures are not yet available for 2015.

BUILDING PERMIT VALUATION City of Roseville (Valuation in Thousands of Dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Permit Valuation</u>					
New Single-family	\$133,206.3	\$91,310.0	\$249,559.2	\$118,547.9	\$154,499.7
New Multi-family	0.0	0.0	0.0	6,632.0	15,360.5
Res. Alterations/Additions	<u>2,808.4</u>	<u>7,329.2</u>	<u>3,082.0</u>	<u>3,395.0</u>	<u>4,967.8</u>
Total Residential	\$136,014.7	\$98,639.2	\$252,641.2	\$128,575.0	\$174,828.0
 New Commercial	 \$ 1,625.8	 \$ 707.9	 \$16,280.4	 \$26,058.9	 \$19,546.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	5,026.5	0.0	0.0	2,627.4	10,935.2
Com. Alterations/Additions	<u>46,534.4</u>	<u>67,245.2</u>	<u>31,868.5</u>	<u>45,489.0</u>	<u>62,138.9</u>
Total Nonresidential	\$53,186.7	\$67,953.1	\$48,148.9	\$74,175.4	\$29,620.7,
 <u>New Dwelling Units</u>					
Single Family	635	411	663	528	644
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>224</u>	<u>164</u>
Total New Dwelling Units	635	411	663	752	808

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows residential and non-residential building permits issued within the County for calendar years 2010 through 2014. Annual figures are not yet available for 2015.

BUILDING PERMIT VALUATION
County of Placer
(Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$272,263.0	\$230,831.8	\$431,611.6	\$378,286.0	\$523,638.2
New Multi-family	11,385.1	6,549.5	11,368.0	7,078.5	48,645.5
Res. Alterations/Additions	<u>50,586.8</u>	<u>62,155.8</u>	<u>35,481.3</u>	<u>50,358.2</u>	<u>59,428.5</u>
Total Residential	\$334,234.9	\$299,537.1	\$478,460.9	\$435,722.7	\$631,712.2
 New Commercial	 \$ 5,551.8	 \$ 7,014.3	 \$ 44,303.0	 \$70,876.0	 \$38,343.5
New Industrial	0.0	860.0	164.0	1,092.0	199.8
New Other	29,303.2	12,112.3	414.5	25,673.5	44,159.8
Com. Alterations/Additions	<u>73,789.4</u>	<u>88,639.9</u>	<u>55,512.0</u>	<u>73,037.0</u>	<u>101,977.7</u>
Total Nonresidential	\$108,644.4	\$108,626.5	\$100,393.5	\$170,678.5	\$184,680.8
 <u>New Dwelling Units</u>					
Single Family	1,090	802	1,209	1,249	1,620
Multiple Family	<u>79</u>	<u>28</u>	<u>111</u>	<u>227</u>	<u>376</u>
Total New Dwelling Units	1,169	830	1,320	1,476	1,996

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

Total taxable transactions reported in the City during the first two quarters of calendar year 2014 amounted to \$2,035,982,000, a 2.36% increase over the total taxable transactions of \$1,989,006,000 that was reported during the first two quarters of calendar year 2013. A summary of historic taxable sales within the City is shown in the following table. Annual figures are not yet available for 2014.

TAXABLE TRANSACTIONS
City of Roseville
Calendar Years 2009 through 2013
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	3,400	\$2,708,864	4,441	\$3,104,840
2010	3,640	2,814,546	4,698	3,251,045
2011	3,405	3,024,189	4,476	3,499,616
2012	3,765	3,332,827	4,861	3,772,583
2013	3,757	3,558,765	4,819	4,171,738

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable transactions reported in the County during the first two quarters of calendar year 2014 amounted to \$3,841,963,000, a 4.19% increase over the total taxable transactions of \$3,687,336,000 that was reported during the first two quarters of calendar year 2013. A summary of historic taxable sales within the County is shown in the following table. Annual figures are not yet available for 2014.

TAXABLE TRANSACTIONS
Placer County
Calendar Years 2009 through 2013
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	7,819	\$4,453,186	11,135	\$5,796,644
2010	8,110	4,678,785	11,439	6,017,542
2011	7,803	5,112,781	11,120	6,568,195
2012	8,272	5,613,981	11,621	7,065,597
2013	8,487	6,050,198	11,713	7,724,406

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Transportation

The County's transportation network is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the County, connecting San Francisco to New York. Highway 65 runs north from I-80 to Lincoln and Marysville. Interstate 5, which is west of the County, runs north to Seattle and south to Los Angeles. In the City, the major highways in the area are Interstate 80 and Interstate 5, and State Highways 65, 50, and 99.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in the City, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air-freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the County, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

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APPENDIX E
FORM OF OPINION OF BOND COUNSEL

March 24, 2016

City Council
City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: \$23,000,000 City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2016

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Roseville (the "City") of \$23,000,000 City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2016 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of March 1, 2016 (the "Fiscal Agent Agreement") by and between the City for and on behalf of the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities), and The Bank of New York Mellon Trust Company, N.A., as fiscal agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds (the "Resolution"), enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein, and issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE CERTIFICATE (City)

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated as of March 24, 2016 is executed and delivered by the CITY OF ROSEVILLE (the “City”), for and on behalf of the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (the “District”), in connection with the execution and delivery of its City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2015 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of March 1, 2016 (the “Fiscal Agent Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Fiscal Agent”).

The City covenants and agrees, for and on behalf of the District, as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means January 15th.

“Dissemination Agent” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation in accordance with Section 8 of this Disclosure Certificate.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” means any of the original underwriters of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 15, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

- (i) Principal amount of all outstanding bonds of the District.
- (ii) Balance in the improvement fund or construction account.
- (iii) Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
- (iv) Balance in other funds and accounts held by the City or fiscal agent related to the Bonds, including the surplus account of the special tax fund.
- (v) Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
- (vi) The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years. In addition, the Special Tax levy and Maximum Special Tax by land use category for the fiscal year in which the Annual Report is delivered. The land use categories include LDR, MDR, HDR, Commercial, Office and Light Industrial (if any).
- (vii) Notwithstanding the June 30th reporting date for information provided as of the end of the City's most recent fiscal year in the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report for which such data is available (i.e., as of December 31st) as well as for the most recent June 30th fiscal year end for which such data is available: The Identity of each delinquent taxpayer responsible for 5% or more of total special tax levied, and for each such taxpayer, the applicable assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, a summary of results of foreclosure sales or transfers shall be provided. To the extent not included in the foregoing or item (vi) above, delinquency rates for the previous fiscal year, showing special tax levy, delinquent amount and delinquency rate.
- (viii) Most recently available total assessed value of all parcels subject to the special tax and for each of the previous five fiscal years. In addition, building permits and certificates of occupancy issued for parcels subject to the special tax as of September 30th for the most recent year and aggregate for the District since inception.
- (ix) List of landowners and assessor's parcel number of parcels subject to 20% or more of the Special Tax levy, including the following information: development status to the extent shown in City records, land use classification, and assessed value (land and improvements).
- (x) Updated debt service schedule.
- (xi) For so long as the Development Agreement Action or the CEQA Action (as such terms are defined in the Official Statement) are pending, a brief description of procedural developments within such litigation since the previous Annual Report, substantially in the form of (and with no requirement for greater detail than) the disclosure under "LITIGATION" of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary

course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

- (14) Appointment of a successor or additional fiscal agent or the change of name of the fiscal agent, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor

Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City. The initial Dissemination Agent shall be Willdan Financial Services.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save harmless the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence, willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the holders and beneficial owners from time to time of the Bonds or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all reasonable and documented expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

CITY OF ROSEVILLE, for and on behalf of
City of Roseville HP Campus Oaks
Community Facilities District No. 1 (Public
Facilities)

By: _____
Authorized Officer

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$23,000,000 City of Roseville HP Campus Oaks Community
Facilities District No. 1 (Public Facilities) Special Tax Bonds Series
2016

Date of Issuance: March 24, 2016

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City"), on behalf of City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities), has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of March 1, 2016 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

[Dissemination Agent]

By: _____
Authorized Officer

cc: City of Roseville

CONTINUING DISCLOSURE CERTIFICATE (Developer)

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated as of March 24, 2016, is executed and delivered by BBC Roseville Oaks, LLC (the “Developer”) in connection with the execution and delivery by the City of Roseville, for and on behalf of the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (the “District”), of its City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2016 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of March 1, 2016 (the “Fiscal Agent Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Fiscal Agent”).

The Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the holders and beneficial owners of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the District owned by such Major Owner and its Affiliates and, at the option of the Developer or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

“Dissemination Agent” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Developer, and which has filed with the Developer, the City and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Major Owner” means, as of any Report Date, an owner of land in the District that is responsible in the aggregate for 20% or more of the Special Taxes in the District anticipated to be levied at any time during the then-current fiscal year.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” means any of the original Underwriter of the Bonds.

“Periodic Report” means any Periodic Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the property owned by the Developer in the District.

“Report Date” means April 1 and October 1 of any fiscal year.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Special Taxes” means the special taxes of the District levied on taxable property within the District.

Section 3. Provision of Periodic Reports.

(a) The Developer shall, or, upon written direction of the Developer the Dissemination Agent shall, not later than the Report Date, commencing October 1, 2016, file or cause to be filed with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Developer shall provide the Periodic Report to the Dissemination Agent (if different from the Developer). The Developer shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Developer), the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as

separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Developer that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Developer does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the City and the Participating Underwriter.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Developer's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Developer's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the City and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All the Developer's obligations hereunder shall commence on the date hereof and terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds;

(ii) at such time as property owned by the Developer is no longer responsible for payment of 20% or more of the Special Taxes;

(iii) the date on which the Developer prepays in full all of the Special Taxes attributable to the Property; or

(iv) the date on which (A) the Developer has completed construction of all buildings to be constructed within property it owns in the District and (B) each such building constructed by the Developer and intended for lease by the Developer has been, since completion of construction, at least 80% occupied at one time or another.

The Developer shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the property in the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and if so assumed the Developer's obligations hereunder with respect to such portion of the Property will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter. If not so assumed, the Developer shall report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 7. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist the Developer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without

appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days' written notice to the City, the Developer and the Fiscal Agent. The initial Dissemination Agent shall be Willdan Financial Services.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

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

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Developer agrees to indemnify and save harmless the

Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence, willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Developer hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Developer, the holders and beneficial owners from time to time of the Bonds or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by or on behalf of the Developer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all reasonable and documented expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Developer: BBC Roseville Oaks, LLC

Attn: _____

To the Dissemination Agent: Willdan Financial Services

Attn: _____

To the City or District:

City of Roseville
311 Vernon Street
Roseville, CA 95678
Attn: CFD Administrator

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Developer (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Developer hereunder shall be assumed by any legal successor to the obligations of the Developer as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

BBC Roseville Oaks, LLC,
an Illinois limited liability company

By: _____
Authorized Officer

Willdan Financial Services,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE PERIODIC REPORT

Name of Issuer: City of Roseville

Name of Bond Issue: \$23,000,000 City of Roseville, HP Campus Oaks Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2016

Date of Issuance: March 24, 2016

NOTICE IS HEREBY GIVEN that BBC Roseville Oaks, LLC (the "Developer") has not provided a Periodic Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Periodic Report will be filed by _____.

Dated: _____

[Dissemination Agent]

By: _____

Its: _____

cc: Developer

EXHIBIT B

PERIODIC REPORT

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated _____, 20__ executed by the undersigned (the "Developer") in connection with the issuance by the City of Roseville (the "City"), for and on behalf of the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) (the "District"), of its City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2016 (the "Bonds").

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Developer in the District (the "Property"):

Development name: _____

Number of lots (acreage): _____

B. Status of land development or construction activities:

C. Status of building permits and any significant amendments to land use or development entitlements:

D. Aggregate property sold, optioned or leased by the Developer to end users or merchant builders:

Since the Date of
Issuance of the Bonds

Since the Last Periodic
Report

Acres* _____
Lots _____
Bldg. Sq. Ft. _____

Acres* _____
Lots _____
Bldg. Sq. Ft. _____

* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Developer or sales of land in the District to other

property owners, distinguishing between (i) end users (e.g., condominiums), (ii) developers and (iii) merchant builders.

F. With respect to occupied buildings owned and leased by Developer, (i) occupancy percentage and (ii) a rent roll consisting solely of (A) term of lease and (B) number of square feet subject to the lease.

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" that would materially and adversely interfere with the Developer's ability to develop and sell the Property as described in the Official Statement.

V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

The undersigned Developer hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Developer under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

BBC Roseville Oaks, LLC

By: _____

APPENDIX G

THE BOOK ENTRY SYSTEM

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "**Direct Participants**" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "THE BONDS – Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "THE BONDS – Transfer or Exchange of Bonds" above.

APPENDIX H

FORM OF INVESTOR LETTER

City of Roseville, HP Campus
Oaks CFD No. 1

Bank of New York Mellon

Piper Jaffray & Co.

Re: City of Roseville, HP Campus Oaks Community Facilities District No. 1
Special Tax Bonds, Series 2016

Ladies and Gentlemen:

The City of Roseville (the “Issuer”) has issued the above-referenced bonds (the “Bonds”). Capitalized terms used in this letter but not defined have the meaning given them in the Fiscal Agent Agreement, dated as of March 1, 2016, relating to the Bonds (the “Fiscal Agent Agreement”).

In connection with our purchase on the date hereof of the Bonds, the undersigned (the “Bond Purchaser”) hereby represents, warrants and agrees as follows:

(a) The Bond Purchaser states that: (i) it is an entity with total assets of at least \$50 million as of the date of this Letter; and is capable of evaluating investment risks and market value independently, both in general and with regard to transactions and investment strategies in municipal securities; and (ii) it is exercising independent judgment in evaluating the recommendation of Piper Jaffray, if any, or its associated persons in connection with its purchase of the Bonds.

(b) The Bond Purchaser understands that the Bonds (i) have not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required, (ii) have not been registered under the “Blue Sky” laws and regulations of any state, (iii) will not be listed in any stock or other securities exchange, and (iv) will not carry a rating from any rating service. The Bond Purchaser represents to you that it is purchasing the Bonds for investment in its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of the Bonds, except as permitted by law and in compliance with, and subject to, all applicable federal and state securities laws and regulations.

(c) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there may be no established market for the Bonds and that the Bond Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(d) The Bond Purchaser acknowledges that the obligation of the Issuer to pay debt service on the Bonds is a special, limited obligation payable solely from Special Taxes (as defined in the Fiscal Agent Agreement) and moneys in certain funds and accounts established in the Fiscal Agent Agreement, and that the Issuer is not obligated to use any other moneys or assets of the Issuer to pay debt service on the Bonds.

(e) The Bond Purchaser acknowledges that it has been supplied with or been given access to financial and other information, including but not limited to a Preliminary Official Statement dated March 3, 2016, as supplemented, including an Appraisal dated February 22, 2016 and an Update Appraisal Report dated March 2, 2016. The Bond Purchaser acknowledges the description of the pending litigation in the POS and the risk that the pending litigation could result in a delay of development of the District, which could cause the Bondholder to rely solely on the Developer, as the single owner of the property, to pay the special taxes.

(f) The Bond Purchaser understands that the Issuer and the Underwriter, and their respective counsel and Bond Counsel will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

(g) The signatory of this Certificate is a duly authorized representative of the Bond Purchaser with the authority to sign this Certificate on behalf of the Bond Purchaser, and this Certificate has been duly authorized, executed and delivered.

Very truly yours,

[BOND PURCHASER NAME]

By: _____

Name: _____

Title: _____

APPENDIX I

SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT

Certain definitions and provisions of the Fiscal Agent Agreement not otherwise defined or summarized in the main body of the Official Statement are set forth below. *This summary of certain provisions of the Fiscal Agent Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Fiscal Agent Agreement, available at the Principal Office of the Fiscal Agent, for the complete terms thereof.*

Definitions

"Additional Bonds" means any series of bonds other than the 2016 Bonds issued pursuant to the Agreement.

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Agreement.

"Agreement" means the Fiscal Agent Agreement, dated as of March 1, 2016, related to the Bonds, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year and each Series of Outstanding Bonds, the sum of (i) the interest due on the respective Series of Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the respective Series of Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

"Authorized Officer" means the City Manager, Treasurer, Chief Financial Officer, Finance Director, City Attorney or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Fund" means the fund by that name established pursuant to the Agreement.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2016.

"Bonds" means the 2016 Bonds and any Additional Bonds.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"Capitalized Interest Account" means the account within the Bond Fund by that name established pursuant to the Agreement.

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

"City" means the City of Roseville, California, and any successor thereto.

"Closing Date" means March 24, 2016, the date upon which there is a physical delivery of the 2016 Bonds in exchange for the amount representing the purchase price of the 2016 Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated as of the Closing Date, by and between the City and Willdan Financial Services, in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent, including its first annual administration fee, and expenses and fees of counsel to the Fiscal Agent, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Agreement.

"DTC" means the Depository Trust Company, New York, New York, and its successors and assigns.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Agreement.

"Developer" means BBC Roseville Oaks, LLC, an Illinois limited liability company, and its successors and assigns.

"Development Agreement" means the Development Agreement, dated August 1, 1996, by and between the City and Hewlett-Packard Company, as and to the extent amended and applicable to land in the District.

"District" means the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) formed pursuant to the Resolution of Formation.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term *"Fair Market Value"* means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the duly acting Finance Director of the City, or if the City has no Finance Director, such officer of the City serving a similar role.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Improvement Fund" means the fund by that name established pursuant to the Agreement.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing September 1, 2016.

"Letter of Credit Amount" has the meaning set forth in the Agreement.

"Maximum Annual Debt Service" means, for each Series of Outstanding Bonds, the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of the respective Series of Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or *"Bondowner"* means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent is entitled to rely upon investment direction from the City as a certification that such investment constitutes a Permitted Investment):

- (i) Federal Securities;
- (ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and (d) bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;
- (iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent and its affiliates), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated at the time of purchase in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to the Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above, such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to the Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper which at the time of purchase is of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

"Prepayment" means moneys received by the City from the prepayment of Special Taxes as provided in the "Rate, Method of Apportionment, and Manner of Collection of Special Tax" applicable to the District.

"Prepayment Account" means the account within the Bond Fund by that name established pursuant to the Agreement.

"Principal Office" means the corporate trust office of the Fiscal Agent set forth in the Agreement, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Formation, including Administrative Expenses related thereto.

"QIP" means, collectively, Quality Investment Properties Roseville, LLC, Quality Investment Properties Roseville II, LLC and Quality Investment Properties Roseville Land Company, LLC, and their respective successors and assigns.

"QIP Litigation Settlement Date" means the first date on which an Authorized Officer, in his or her sole discretion, determines that both of the following litigations have been conclusively and finally settled, brought to final (non-appealable) judgment or otherwise disposed of by the City on terms favorable to the City (as determined by the Authorized Officer, in his or her sole discretion):

(i) the litigation related to the Petition for Writ of Mandate served on the City on September 10, 2015 by QIP, which litigation was filed in Placer County Superior Court on September 3, 2015 and names the City and the City Council as co-defendants, and the Developer and Hewlett-Packard Company as the real parties in interest (the "CEQA Action"); and

(ii) the litigation related to the Complaint for Declaratory Relief, Breach of Contract and Petition for Writ of Mandamus filed by QIP and served on the City on November 2, 2015 that names the City and Developer as co-defendants and alleges that by approving the HP Campus Oaks project, and related 2nd, 3rd, and 4th amendments to the Development Agreement, the City and Developer committed a breach of contract with respect to the Development Agreement and Developer committed a breach of contract with respect to certain private development agreements (the "Development Agreement Action").

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent pursuant to the Agreement, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is rated at the time of issuance in the "AA"

category or higher by S&P or Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Agreement; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Agreement or the amount to be restored to the Reserve Fund if not timely renewed or extended.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date whether or not such day is a Business Day.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund" means the fund by that name established pursuant to the Agreement.

"Reserve Requirement" means, as of the date of any calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service on the respective Outstanding Bonds covered by the Reserve Fund, (b) 125% of the average Annual Debt Service on the respective Outstanding Bonds covered by the Reserve Fund, or (c) ten percent (10%) of the original principal amount of the respective Bonds covered by the Reserve Fund (or the issue price of the respective Bonds excluding accrued interest, if the net original issue discount or premium is less than 98% or more than 102% of the principal amount of the respective Bonds), as calculated by the City; provided, that (1) in no event shall the City, in connection with the issuance of Additional Bonds covered by the Reserve Fund pursuant to a Supplemental Agreement be obligated to deposit an amount in the Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Fund is so limited, the Reserve Requirement shall, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit as permitted by the Code, and (2) the District may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Fund Credit Instrument in the Reserve Fund in accordance with the Agreement.

"Resolution" means Resolution No. 15-447 adopted by the City Council of the City on September 22, 2015, which resolution, among other matters, authorized the issuance of the Bonds.

"Resolution of Formation" means Resolution No. 15-443, adopted by the City Council of the City on September 22, 2015, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

"Securities Depositories" means The Depository Trust Company, New York, New York; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Series" means a series of Bonds issued under this Fiscal Agent Agreement.

"Special Tax Fund" means the fund by that name established by the Agreement.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, net of the administration charge of the County (currently 1% of the annual tax levy).

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Agreement.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

"Term 2016 Bonds" means the 2016 Bonds maturing on September 1, 2021, September 1, 2026, September 1, 2031, September 1, 2036 and September 1, 2046.

"Treasurer" means the duly acting Treasurer of the City, or if the City has no Treasurer, the Chief Financial Officer, the Finance Director or other officer of the City serving a similar role.

"2016 Bonds" means the City of Roseville HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds, Series 2016.

"2016 Reserve Account" means the account within the Reserve Fund by that name established pursuant to the Agreement.

Costs of Issuance Fund

Establishment of Costs of Issuance Fund. There is established under the Agreement as a separate fund to be held by the Fiscal Agent, the HP Campus Oaks Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Costs of Issuance Fund, to the credit of which a deposit will be made as required by the Agreement. Moneys in the Costs of Issuance Fund will be held in trust by the Fiscal Agent and will be disbursed as provided in the Agreement for the payment or reimbursement of Costs of Issuance of the Bonds.

Disbursements. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees, signed by an Authorized Officer or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall pay all Costs of Issuance of the Bonds upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date of the Bonds. Each such Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 3 months, from the Closing Date of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Finance Director for payment from amounts on deposit in the Special Tax Fund.

Investment. Moneys in the Costs of Issuance Fund will be invested and deposited in accordance with the Agreement. Interest earnings and profits resulting from said investment will be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Certain Covenants of the City

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in certain funds created hereunder as, and to the extent, set forth in the Agreement.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds will be incontestable by the City.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Private Activity Bond Limitation. The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The City will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Finance Director with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Finance Director shall in no way affect the obligations of the Treasurer or Finance Director under the following two paragraphs. Upon receipt of such notice, the Treasurer and Finance Director shall communicate with each other and/or their designees to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Finance

Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, the Special Taxes may be collected in such other manner as the City shall prescribe if necessary to pay the debt service on the Bonds.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Investments; Disposition of Investment Proceeds

Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent, shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (vii) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate specifying a specific money market fund and, if no such Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested. Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Treasurer shall be invested by the Treasurer in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent, Treasurer or Finance Director may act as principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent, the Treasurer or the Finance Director shall incur any liability for losses arising from any investments made pursuant to this section. Any losses arising from any investments made pursuant to this section shall be offset against interest earnings and profits retained in the same fund.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by the Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued by the City at their present value (within the meaning of Section 148 of the Code). For purposes of any Fair Market Value determination hereunder, the Fiscal Agent shall be entitled to conclusively rely on an Officer's Certificate of the City and shall be fully protected in relying thereon.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

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

Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code. The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to the Agreement, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments under the Agreement, the Fiscal Agent shall notify the Finance Director in writing of the amount of the shortfall and the Finance Director shall make such payment from any amounts available in the Special Tax Fund. Any fees or expenses incurred by the Fiscal Agent or the City under or pursuant to this provision shall be Administrative Expenses. The Fiscal Agent may rely conclusively upon the City's determinations, calculations and certifications required by this section. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the City's calculations hereunder. In order to provide for the administration of this provision, the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate.

Limited Obligation. The City's obligations under the Agreement are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund created thereunder.

The Fiscal Agent

Appointment, Removal and Resignation of Fiscal Agent. The Bank of New York Mellon Trust Company, N.A., at its Principal Office, is appointed Fiscal Agent for the Bonds. The Fiscal Agent

undertakes to perform such duties, and only such duties, as are specifically set forth in the Agreement, and no implied covenants or obligations will be read into the Agreement against the Fiscal Agent.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor will be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City will promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent will become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent has been made within thirty (30) days after the Fiscal Agent has given to the City written notice or after a vacancy in the office of the Fiscal Agent will have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Liability of Fiscal Agent. The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained will be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, or will incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent will not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. The Fiscal Agent has no liability regarding the use of the proceeds from the purchase of the Bonds deposited in funds held by the City.

Miscellaneous

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument, which the Agreement may require or permit to be executed by Owners, may be in one or more instruments of similar tenor, and will be executed by Owners in person or by their attorneys appointed in writing. Except as otherwise expressly provided in the Agreement, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Except as otherwise expressly provided in the Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same will be proved by the registry books. Any request, consent, declaration or other instrument or writing of the Owner of any Bond will bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Waiver of Personal Liability. No member, officer, agent or employee of the City will be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained will relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Unclaimed Moneys. Anything contained in the Agreement to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when

the payments of such principal, interest and premium have become payable, if such moneys was held by the Fiscal Agent at such date, will be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the City for the payment of the principal of, and interest and any premium on, such Bonds.

Conclusive Evidence of Regularity. Bonds issued pursuant to the Agreement will constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to the Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest will accrue for the period from and after such date.

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