

In the opinion of Jones Hall, A Professional Corporation, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the 2007 Bonds. See "TAX MATTERS" herein.



\$13,485,000
CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1
SPECIAL TAX BONDS
SERIES 2007

Dated: Date of Delivery

Due: September 1, as shown below

The \$13,485,000 Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds, Series 2007 (the "2007 Bonds"), are being issued by the City of Rancho Cordova (the "City") by and through its Sunridge Park Area Community Facilities District No. 2004-1 (the "District"). The 2007 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 "Mello-Roos Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of September 1, 2007 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") thereunder. The 2007 Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) establish a reserve fund, and (iii) pay the costs of issuance of the 2007 Bonds. Interest on the 2007 Bonds is payable March 1, 2008, and thereafter semiannually on March 1 and September 1 of each year.

The 2007 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 the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G – DTC AND THE BOOK-ENTRY SYSTEM."

The 2007 Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the City on taxable real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. The taxable real property within the District consists of undeveloped land planned primarily for single family residential development. **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 such Special Tax even though financially able to do so.** To provide funds for payment of the 2007 Bonds and the interest thereon as a result of any delinquent installments, the City will establish a Reserve Fund from 2007 Bond proceeds, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Property in the District subject to the Special Tax is comprised of land in the City of Rancho Cordova, Sacramento County, California, planned for development of approximately 1,319 single-family homes and to a lesser extent supporting commercial uses, as well as public and quasi-public uses, parks and open space not subject to the Special Tax. All the property in the District, other than approximately 99 homes owned by homeowners, is owned by five merchant homebuilder entities; four merchant homebuilders have construction of homes underway. See "THE DISTRICT."

The 2007 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE 2007 BONDS — Redemption."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2007 BONDS. THE 2007 BONDS DO NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING 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 2007 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 2007 Bonds.

MATURITY SCHEDULE

Maturity (Sept. 1)	Principal Amount	Interest Rate	Price/ Yield	CUSIP* (75211R)	Maturity (Sept. 1)	Principal Amount	Interest Rate	Price/ Yield	CUSIP* (75211R)
2008	\$ 30,000	4.250%	99.951%	DB0	2016	\$155,000	4.875%	98.465%	DK0
2009	20,000	4.250	99.812	DC8	2017	180,000	5.000	98.916	DL8
2010	35,000	4.250	99.311	DD6	2018	205,000	5.100	98.841	DM6
2011	55,000	4.375	99.191	DE4	2019	235,000	5.125	98.114	DN4
2012	70,000	4.500	98.903	DF1	2020	265,000	5.250	98.246	DP9
2013	90,000	4.625	98.844	DG9	2021	295,000	5.300	98.161	DQ7
2014	115,000	4.750	98.889	DH7	2022	330,000	5.375	98.234	DR5
2015	135,000	4.800	98.568	DJ3	2023	365,000	5.400	97.904	DS3

\$850,000 5.500% Term 2007 Bonds Due September 1, 2025 — Price 97.767%; CUSIP: 75211R DV6
 \$10,055,000 6.125% Term 2007 Bonds Due September 1, 2037 — Price 101.900% c; CUSIP: 75211R DT1

c – Priced to call at par on September 1, 2017.

* CUSIP Copyright 2007, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

The 2007 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall as Disclosure Counsel. Certain legal matters will be passed upon for the City by Meyers Nave Riback Silver & Wilson, Sacramento, California. It is anticipated that the 2007 Bonds will be available for delivery to DTC on or about September 13, 2007 in New York, New York.

PiperJaffray

CITY OF RANCHO CORDOVA

City Council

David Sander, Mayor
Linda Budge, Vice Mayor
Ken Cooley, Councilmember
Bob McGarvey, Councilmember
Daniel Skoglund, Councilmember

Staff

Ted Gaebler, City Manager
Joe Chinn, Assistant City Manager
Donna Silva, Finance Director
Anna Olea-Moger, City Clerk
Adam Lindgren of Meyers Nave Riback Silver & Wilson, City Attorney

Special Services

Bond Counsel

Jones Hall, A Professional Corporation
San Francisco, California,

Fiscal Agent

U.S. Bank National Association
Seattle, Washington

Appraiser

Seevers Jordan Ziegenmeyer
Rocklin, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Financial Advisor

Public Financial Management Group
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 2007 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 2007 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 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 2007 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 2007 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 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.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2007 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2007 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2007 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 2007 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

SECURITIES PRODUCTS AND SERVICES ARE OFFERED THROUGH PIPER JAFFRAY & CO., MEMBER SIPC AND NYSE, INC.

PIPER JAFFRAY & CO. SINCE 1895. MEMBER SIPC AND NYSE.

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OFFICIAL STATEMENT

\$13,485,000
CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1
SPECIAL TAX BONDS
SERIES 2007

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 Rancho Cordova (the "**City**") for its Sunridge Park Area Community Facilities District No. 2004-1 (the "**District**") of its Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds, Series 2007 (the "**2007 Bonds**" or 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 shall have the meaning set forth in the 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.

Creation of the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$42,000,000 at a special election in the District held on July 19, 2004 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the "**Mello-Roos Act**"). The authorization was subsequently reduced to \$34,200,000 due to changes in the development plans of Cresleigh Home Corporation, and the 2007 Bonds represent the first series of such authorized bonds and additional bonds are contemplated to be issued in the future.

The 2007 Bonds. The 2007 Bonds are issued pursuant to the provisions of the Mello-Roos Act and a Fiscal Agent Agreement dated as of September 1, 2007 (the “**Fiscal Agent Agreement**”) between the City and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”) and a resolution (the “**Resolution**”) adopted on August 6, 2007 by the City Council of the City which authorized the issuance of the 2007 Bonds.

Registration of Ownership of 2007 Bonds. The 2007 Bonds are 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**”), without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page hereof. Interest on the 2007 Bonds is payable on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing March 1, 2008. Ultimate purchasers of 2007 Bonds will not receive physical certificates representing their interest in the 2007 Bonds. So long as the 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2007 Bonds. Payments of the principal, premium, if any, and interest on the 2007 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 2007 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 – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Use of Proceeds. Proceeds of the 2007 Bonds and any Additional Bonds defined herein will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the “**Facilities**,” as described herein). The Facilities consist generally of road and related improvements, including drainage, water, sanitary sewer, joint trench utilities, street lighting, landscaping, masonry walls, traffic signals, park improvements and other miscellaneous infrastructure improvements necessary for development of property within the District. Proceeds of the 2007 Bonds will also be used to establish a reserve fund for the 2007 Bonds and to pay cost of the issuance of the 2007 Bonds. Proceeds of the 2007 Bonds will not be sufficient to finance all of the Facilities; a portion of the Facilities are expected to be financed by Additional Bonds (described herein) and a portion will need to be financed from contributions of the developers. A portion of the Facilities has been completed and homebuilding activity is underway. See “THE FACILITIES.”

Source of Payment of the Bonds. The 2007 Bonds are payable from the levy, according to a methodology approved by the City, of special taxes (the “**Special Tax**” or “**Special Taxes**”) on taxable real property within the boundaries of the District. The 2007 Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the City, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the application of the rate and method of apportionment of Special Tax for the District (the “**Special Tax Formula**”). The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent fixed liens on the parcels of land subject to a Special Tax of the District and failure to pay the Special Taxes could result in proceedings to foreclose title to the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels and no proceedings to collect directly from an owner are permitted. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology” and “APPENDIX A — RATE AND METHOD OF APPORTIONMENT

OF SPECIAL TAX.” The maximum authorized indebtedness for the District is \$34.2 million; the 2007 Bonds are the first series of bonds being issued by the District and additional bonds are expected to be issued in the future in accordance with the conditions set forth in the Fiscal Agent Agreement (the 2007 Bonds and any such additional bonds are collectively referred to herein as the “Bonds”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.”

In connection with the issuance of the 2007 Bonds, the City will direct the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from 2007 Bond proceeds in the amount of the Reserve Requirement, which amount is available for payment of the Bonds in the event of delinquencies in the payment of the Special Taxes to the extent of such delinquencies. The Reserve Fund will be available for payment of the Bonds. See "SECURITY AND SOURCES OF PAYMENT 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.

Property Subject to the Special Tax. The District is located in the eastern portion of Sacramento County (the "**County**") and is comprised of what are commonly known as “Sunridge Park” and “Sunridge Lot J”, which are a part, but not all, of the Sunridge Specific Plan (the "**Sunridge Specific Plan**"), a land use plan which was adopted by the County of Sacramento in 2002 (the City was incorporated on July 1, 2003). Sunridge Park, LLC is the master developer of the Sunridge Park portion (Phases 1 and 2 of the development) of the District and has sold all of such property in the District subject to the Special Tax to merchant homebuilders, as described herein. Cresleigh Home Corporation is the master developer for Sunridge Lot J (Phase 3). Sunridge Park, LLC and Cresleigh Home Corporation are collectively referred to herein as the “Master Developers.” Property in the District is planned for development in three phases as 1,319 detached residential lots with typical lot sizes ranging from 1,465 to 3,533 square feet.

The District consists of two contiguous projects identified as “Sunridge Park” and “Sunridge - Lot J.” Sunridge Park comprises what the Master Developers refer to as Phase 1 and Phase 2 of the overall development (and comprises “Zone 1” and “Zone 2” in the Special Tax Formula, as described herein) and Lot J comprises Phase 3 (and Zone 3). Sunridge Park is a master planned community being developed by four builders— Woodside Homes (“**Woodside**”), Kimball Hill Homes (“**Kimball**”), Beazer Homes (“**Beazer**”), and Syncon Homes (“**Syncon**”), with Phase 1 consisting of 799 lots and Phase 2 comprising 151 lots. As of late July 2007, the Phase 1 lots were finished and the Phase 2 lots were unimproved. Sunridge - Lot J (Phase 3) is to be developed by Cresleigh Homes Corporation (“**Cresleigh**”), and is proposed for subdivision into 369 single family residential lots; site development has not commenced as of July 2007. Final map approval has been received for Phase 1 and a portion of Phase 2, and tentative map approval has been received for Phase 3. Woodside, Kimball, Beazer, Syncon and Cresleigh are referred to collectively herein as the “**Merchant Builders**.” All the property in the District subject to the Special Tax, other than approximately 99 homes owned by homeowners, is owned by the five Merchant Builders, and construction of homes is underway in Phase 1 as described herein. See “THE DISTRICT.” See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax.” See also “THE DISTRICT – Property Within the District.”

Potential Impediment to Development. The adequacy of the environmental impact report (“EIR”) for the Sunridge Specific Plan area has been challenged in a lawsuit which was accepted for review by the California Supreme Court. Such review resulted in a decision finding that the County’s EIR did not meet required standards and has resulted in a remanding of the case back to the Court of Appeal for further proceedings consistent with the opinion. Further disposition of the case is expected by the end of 2007. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Litigation Regarding Development in the District” below.

No action has been taken to stop development in the Sunridge Specific Plan area from continuing as a result of the lawsuit, and to date, construction planned and underway has not been affected by the lawsuit. At this time it is impossible for the City, the Master Developers or any person, entity or attorney to determine the outcome of the impact, if any, of the Supreme Court decision on future development in the Sunridge Specific Plan area. The value of property in the District could be significantly and materially reduced as a result of the litigation. See “SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation” below.

In connection with the issuance of the 2007 Bonds, and in response to the litigation, the City has required that the owner (or the Master Developer) of parcels in Phase 1 in the District (other than property owned by individual homeowners) provide a letter of credit (or cash or other security acceptable to the City) covering approximately three years of debt service on the 2007 Bonds attributable to their parcels in the District that have not been fully developed for so long, in the opinion of the City, as such litigation may have an adverse effect on the repayment of the 2007 Bonds. The City is authorized to draw on the letter of credit if a Special Tax is not paid on the parcels to which the letter of credit relates. See “THE DISTRICT - Letter of Credit Applicable to Certain Parcels” below. The Phase 2 parcel owners are not required to furnish a letter of credit at this time because Special Taxes on property in Phase 1 are sufficient to pay debt service on the 2007 Bonds.

Security for the Bonds. Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which appraisal sets forth a hypothetical value of property in the District of \$140,430,000 as of July 6, 2007. The valuation assumes completion of the Facilities funded by the 2007 Bonds and accounts for the impact of the lien of the Special Tax securing the 2007 Bonds. The valuation is of the land only and does not include any homes completed or under construction. 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 affected the estimates as to value, in addition to the assumption of completion of the Facilities. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” and Appendix B. The principal amount of the 2007 Bonds is \$13,485,000. Consequently, the appraised value, subject to the Special Tax lien, of the real property within the District, is approximately 10.4 times the principal amount of the 2007 Bonds.

Bond Structure for Coverage From Special Taxes. Application of the Special Tax Formula results in the levy of the Special Tax to developed property prior to undeveloped property. Currently, all of the land in Zone 1 (Phase 1) and Zone 2 (Phase 2) of the District is designated as "Developed Property" for purposes of the Special Tax Levy. For purposes of structuring the principal amount of the 2007 Bonds, the City notes that Maximum Special Taxes on property in Zone I alone are expected to be sufficient to provide 125% coverage for payment of debt service on the 2007 Bonds.

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 2007 Bonds.

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 in the Special Tax Fund (described herein) 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 within the meaning of any constitutional or statutory debt limitation or restrictions and neither the City Council, the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Taxes and the money in the Special Tax Fund, as provided in the Fiscal Agent Agreement.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement, the 2007 Bonds and certain other documents are included herein. 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 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 shall 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.

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. For definitions of certain terms used herein and not defined herein, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."

THE 2007 BONDS

Authority for Issuance

The 2007 Bonds are issued pursuant to the Fiscal Agent Agreement, approved by a resolution adopted by the City Council on August 6, 2007, and the Mello-Roos Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$42,000,000 at a special election in the District held on July 19, 2004 pursuant to the Mello-Roos Act. Under the provisions of the Mello-Roos Act, since there were fewer than 12 registered voters residing within the District at any point during the 90-day period preceding the adoption of the City's Resolution on July 19, 2004 (the "**Resolution of Formation**"), the qualified electors were the Beazer Homes Holdings Corp., Cresleigh Home Corporation, Rancho 80, LLC (Syncon Homes), Sunridge Investors, Sunridge Park, LP (Kimball Hill Homes), and Woodside Sunridge (Woodside Homes), who were each entitled to cast one vote for each acre or portion of an acre of land owned within the District. The landowners voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Facilities, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. The authorization was subsequently reduced to \$34,200,000 in April 2007 due to changes in the development plans of Cresleigh. The 2007 Bonds represent the first series of such authorized bonds for the District; after issuance of the 2007 Bonds, the City will have a remaining authorization to issue approximately \$20,715,000 of additional bonds secured on a parity with the 2007 Bonds. The City expects to issue one or more additional series of bonds secured by the Special Tax of the District as development progresses, subject to the conditions set forth in the Fiscal Agent Agreement, to finance Facilities not financed with proceeds of the 2007 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

Description of the 2007 Bonds

The 2007 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 the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2007 Bonds will not receive physical certificates representing their interest in the 2007 Bonds. So long as the 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2007 Bonds. Payments of the principal, premium, if any, and interest on the 2007 Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank National Association, as the fiscal agent, registrar and transfer agent (the "**Fiscal Agent**") for the 2007 Bonds, so long as DTC or Cede & Co. is the registered owner of the 2007 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 – DTC AND THE BOOK-ENTRY ONLY SYSTEM" below.

The 2007 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. The principal of the 2007 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 Seattle, Washington, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the 2007 Bonds.

Interest on the 2007 Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing March 1, 2008. Interest on the 2007 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Dates 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 calendar month preceding the Interest Payment Date (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 2007 Bonds; provided that so long as any 2007 Bonds are in book-entry form, payments with respect to such 2007 Bonds shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to DTC. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM" below.

Each 2007 Bond shall 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 shall 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 shall 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 shall bear interest from the dated date; provided, however, that if at the time of authentication of a 2007 Bond, interest is in default thereon, such 2007 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2007 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 – DTC AND THE BOOK-ENTRY ONLY SYSTEM" below.

Redemption

Optional Redemption: Serial Bonds and 2025 Term Bond. The 2007 Bonds other than the 2037 Term Bond shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date on or after March 1, 2008, at the following respective redemption prices (expressed as percentages of the principal amount of the 2007 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2008 through March 1, 2015	103%
September 1, 2015 through and March 1, 2016	102
September 1, 2016 through and March 1, 2017	101
September 1, 2017 and any Interest Payment Date thereafter	100

Optional Redemption: 2037 Term Bond. The 2037 Term Bond shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2017, at the a redemption price equal to the principal amount of the 2037 Term Bond to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Redemption From Prepayments. The 2007 Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among maturities as shall be 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 2007 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2008 through March 1, 2015	103%
September 1, 2015 through and March 1, 2016	102
September 1, 2016 through and March 1, 2017	101
September 1, 2017 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Term 2007 Bonds maturing September 1, 2025 and September 1, 2037 are subject to mandatory sinking payment redemption in part on September 1, 2024 and September 1, 2026, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

2025 Term Bond Sinking Fund Payments

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2024	\$405,000
2025 (maturity)	445,000

2037 Term Bond Sinking Fund Payments

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2026	\$490,000
2027	540,000
2028	595,000
2029	650,000
2030	710,000
2031	775,000
2032	845,000
2033	920,000
2034	1,000,000
2035	1,085,000
2036	1,175,000
2037 (maturity)	1,270,000

The amounts in the foregoing table shall be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the 2007 Bonds.

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2007 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 2007 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 shall 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 2007 Bonds designated for redemption, at their addresses appearing on the 2007 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2007 Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2007 Bonds are to be called for redemption, shall designate the CUSIP numbers and bond numbers of the 2007 Bonds to be redeemed by giving the individual CUSIP number and number of each 2007 Bond to be redeemed or shall state that all 2007 Bonds between two stated numbers, both inclusive, are to be redeemed or that all of the 2007 Bonds of one or more maturities have been called for redemption, shall state as to any 2007 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2007 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2007 Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of 2007 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the

CUSIP number identifying, by issue and maturity, the 2007 Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2007 Bonds of any maturity, the Fiscal Agent shall select the 2007 Bonds to be redeemed, from all 2007 Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate. Upon surrender of 2007 Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new 2007 Bond or 2007 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2007 Bond or 2007 Bonds.

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 2007 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2007 Bonds so called shall 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 shall accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of 2007 Bonds

So long as the 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2007 Bonds shall be made in accordance with DTC procedures. See "Appendix G" below. Any 2007 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 2007 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2007 Bond or 2007 Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new 2007 Bond or 2007 Bonds, for a like aggregate principal amount of 2007 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 shall be paid by the City. The Fiscal Agent shall 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 2007 Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2007 Bonds for redemption or (ii) with respect to a 2007 Bond after such 2007 Bond has been selected for redemption.

2007 Bonds Mutilated, Lost, Destroyed or Stolen

If any 2007 Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new 2007 Bond of like tenor and principal amount in exchange and substitution for the 2007 Bond so mutilated, but only upon surrender to the Fiscal Agent of the 2007 Bond so mutilated. Every mutilated 2007 Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the City. If any 2007 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent shall be given, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new 2007 Bond of like tenor and principal amount in lieu of and in substitution for the 2007 Bond so

lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new 2007 Bond delivered and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery.

ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the 2007 Bonds follows:

Estimated Sources of Funds:	
Principal Amount of 2007 Bonds	\$13,485,000.00
Plus: Net Original Issue Premium	<u>131,617.10</u>
Total	\$13,616,617.10
Estimated Uses of Funds:	
Deposit to Improvement Fund	\$11,671,342.36
Deposit to Reserve Fund	1,315,252.24
Costs of Issuance ⁽¹⁾	<u>630,022.50</u>
Total	\$13,616,617.10

(1) Includes initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, Underwriter's discount, fees of Bond Counsel and Disclosure Counsel, and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The 2007 Bonds are secured by and payable from a first pledge of the proceeds of the **"Special Tax Revenues,"** defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments and prepayments thereof, interest and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said interest, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure. The Special Tax Revenues and all moneys deposited into said funds are pledged to the payment of the principal of, and interest and any premium on, the 2007 Bonds, and any Additional Bonds, as provided in the Fiscal Agent Agreement and in the Mello-Roos Act until all of the 2007 Bonds and Additional Bonds have been paid and retired or until moneys or Federal Securities (as defined in the Fiscal Agent Agreement) have been set aside irrevocably for that purpose.

Amounts in the Costs of Issuance Fund and the Improvement Fund established under the Fiscal Agent Agreement are not pledged to the repayment of the 2007 Bonds. The Facilities are not in any way pledged to pay the debt service on the 2007 Bonds. Any proceeds of condemnation, destruction or other disposition of any Facilities are not pledged to pay the debt service on the 2007 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 taxable parcel in the District will be levied and collected according to the tax liability determined by the City through the application of the Special Tax Formula prepared by Goodwin Consulting Group, Inc., Sacramento, California (the "**Special Tax Consultant**") and set forth in APPENDIX A hereto, for all taxable properties in the District. Interest and principal on the 2007 Bonds is payable from the annual Special Taxes to be levied and collected on such property within the District, from amounts held in certain funds and accounts established under the Fiscal Agent Agreement and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California 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 Mello-Roos Act in a maximum 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 Special Tax**" in the Special Tax Formula, which is comprised of the Maximum Facilities Special Tax and the Maximum Services Special Tax. 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 Special Tax. The Special Taxes and any interest earned on the Special Taxes shall constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the amount levied for principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Facilities Special Tax Requirement and the Services Special Tax Requirement (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See "Special Tax Methodology" below. See also "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Proceeds of the 2007 Bonds will not be sufficient to finance all of the Facilities; a portion of the Facilities are anticipated to be financed in part with additional bonds of the District to be issued in the future secured on a parity with the 2007 Bonds, as well as from contributions of the Master Developers and others and, the pay-as-you-go moneys intended to be collected as part of the Special Tax levy until fiscal year 2013-14. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds" below.

The City may levy the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require and the City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Facilities Special Tax Requirement and the Services Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the Maximum Special Tax rates authorized 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 Special Tax Requirement will in fact be collected in any given year. See "SPECIAL RISK FACTORS —

Insufficiency of Special Taxes" herein. The Special Taxes are collected for the City by the County of Sacramento in the same manner and at the same time as *ad valorem* property taxes.

The City and the Merchant Builders contemplate that additional bonds secured by the Special Tax in the District on a parity with the Bonds will be issued as development progresses.

Special Tax Methodology

The Special Tax authorized under the Mello-Roos 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 appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The Special Tax will be levied each year from parcels within the District in an amount at least sufficient to pay debt service on outstanding Bonds and administrative expenses of the District. The Special Tax is expected to be collected at the same time and in the same manner as *ad valorem* property taxes. The City reserves the right to collect the taxes in another manner if required to meet annual obligations of the District.

Each year, the City will determine the Facilities Special Tax Requirement of the District for the upcoming fiscal year. The "**Facilities Special Tax Requirement**" is defined in the Special Tax Formula as the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds issued for the District which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in any prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected (iv) to pay Administrative Expenses that have not been included in the Services Special Tax Requirement, and (v) to pay a portion of the costs, as determined by the City, of authorized facilities that will be paid directly from Special Tax proceeds in the Fiscal Year in which the Special Taxes will be collected. The Facilities Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Fiscal Agent Agreement and any supplements thereto, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator. The Special Tax Requirement 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 Special Tax identified for each parcel in the Special Tax Formula.

The City will also levy the "**Maximum Services Special Tax**" (as defined in the Special Tax Formula) on each parcel of Developed Property, which tax is authorized to be used for police services of benefit to property in the District. The Maximum Services Special Tax is (for 2006-07) \$263.42 per residential unit in Zone 1 and \$450 per residential unit in Zones 2 & 3, subject to annual escalation by the increase, if any, in a local consumer price index. The Special Tax Formula provides that the Services Special Tax may be used to pay debt service on the Bonds at the election of the City. See Appendix A.

Parcels Subject to the Special Tax. The City will prepare a list of the parcels subject to the Special Tax using the records of the City and the County Assessor. The City has the authorization to tax all parcels within the District except tax-exempt parcels as described in the

Special Tax Formula. Taxable parcels that are acquired by a public agency after the District is formed will remain subject to the Special Tax unless a "trade" resulting in no loss of Special Tax revenue can be made, as described in the Special Tax Formula.

Assignment of Maximum Special Tax. *Defined terms in this subsection have the meaning ascribed to them in the Special Tax Formula.* The Special Tax Formula describes in detail the precise method for assigning the Maximum Special Tax to parcels within the District, which generally provides that each year the City will use the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable.

Three separate Zones have been established within the District for purposes of allocating the Special Tax obligation; the Zones are identified in Attachment 1 to the Special Tax Formula. Upon recording of "large-lot" subdivision maps, the actual boundary of each Zone may change slightly from that shown in the Special Tax Formula. The Special Tax Formula provides that such change shall have no impact on the Expected Maximum Facilities Special Tax Revenues for each Zone unless the total number of Buildable Lots, Acres of Multi-Family Property, Acres of Townhome Property or Acres of Non-Residential Property (as defined in the Special Tax Formula) are changed. If such a change occurs, the Administrator will follow procedures set forth in the Special Tax Formula to recalculate the Expected Maximum Facilities Special Tax Revenues within each Zone.

Within each Zone, multiple villages have been designated, which generally correspond to the land uses expected on large lots that have been created within the District upon recordation of a large-lot subdivision map. Based on these anticipated land uses, a maximum special tax obligation was assigned to each Village and the Special Tax Formula provides that, regardless of changes in land uses within Villages, the maximum special tax revenues that will be generated within the District will never be reduced to a point that debt service coverage requirements cannot be met. With certain exceptions that may result from steps outlined in the Special Tax Formula, there will be six base year (2003-04) maximum annual special tax rates that apply to the bulk of the single family detached lots--\$475 for the smallest lots, \$575 for the medium lots, \$650 for the large-sized lots in Zone III, and \$1,055 for the smallest, \$1,155 for the medium lots and \$1,255 for the largest lots within Zones I & II. These rates will escalate each fiscal year by 2% of the amount in effect in the prior fiscal year. Prior to issuance of the last series of Bonds for the District, if there is a reduction in the number of lots within any Village, any reduction in the maximum tax revenues will lead to a downsizing of the final Bond issue. After the last series of Bonds is issued, if the number of lots are reduced due to a builder-initiated remapping the property, the builder will be required to either make a prepayment that makes up for the lost revenues or increase the maximum special tax on unmapped property within the Village. If the reduction in lots is due to a public requirement, such as increased setbacks or easements, or because the number of expected lots is determined to be too great for the area when it is mapped, the reduction will either be absorbed by the CFD Buffer (defined in the Special Tax Formula) that was established or, if the CFD Buffer has been exhausted, the builder will be required to make a prepayment or increase the maximum tax rate. Section C of the Special Tax Formula outlines the steps involved in determining the maximum special tax for parcels in the District. The steps require the District Administrator to determine the maximum special tax separately for each final map when the final map is submitted to the City for approval.

Once the Special Tax Requirement has been determined for a particular fiscal year, the special tax will be levied according to the following order of priority (provided that a landowner can elect to have its land taxed at the Maximum Special Tax rate):

(1) First, the Facilities Special Tax will be levied on all parcels of “Developed Property”, which is defined in the Special Tax Formula as: (i) all parcels of Taxable Property in Zone 1, (ii) all parcels in Zones 2 and 3 that were included in a final map that was recorded prior to June 1 of the prior fiscal year, and (iii) all parcels in Zones 2 and 3 for which a Redesignation Request was submitted to the City prior to June 1 of the prior fiscal year.

(2) After applying revenues from (1) above, and after applying capitalized interest, if any, that was set aside from a bond issue, a Facilities Special Tax will be levied on Undeveloped Property up to the maximum tax rate for such property.

(3) In each year, the Maximum Services Special Tax will be levied on Developed Property in the District unless the City determines that the revenues generated will exceed the Services Special Tax Requirement for that Fiscal Year.

The following table shows the Base Maximum Facilities Special Tax Rates for Fiscal Year 2003-04 set forth in the Special Tax formula. On July 1, 2004 and each July 1 thereafter, the Base Maximum Facilities Special Tax Rates are to be increased by 2% of the amount in effect in the previous fiscal Year.

Designation	Proposed Land Use	Base Maximum Facilities Special Tax Rate Per Unit
Zone 1		
Villages 1A, 11A	Single-Family	\$1,055
Villages 2A, 3, 5A, 5B, 6, 7, 8A, 8B, 9A, 10A	Single-Family	\$1,155
Villages 4A, 4B	Single-Family	\$1,255
Zone 2		
Villages 1B, 11B, 12	Single-Family	\$1,055
Villages 2B, 5C, 5D, 8C, 9B, 10B	Single-Family	\$1,155
Villages 4C, 4D	Single-Family	\$1,255
Zone 3		
Villages 1, 3	Single-Family	\$650
Village 2	Single-Family	\$575
Village 4	Single-Family	\$475

In addition to the above Special Tax, the total Special Tax allocable to each parcel of developed property in the District will include a police services component, in the amount (for fiscal year 2006-07) of \$263.42 per residential unit in Zone 1 and \$450 per residential unit in Zones 2 & 3. The amount is subject to annual escalation by the increase, if any, in a local consumer price index. Such amount is available to pay debt service on the 2007 Bonds on an annual basis prior to its application to the intended services on or about September 15th of each year.

The City and the Master Developers contemplate that a shortfall will occur between the anticipated cost of the Facilities and the amount of proceeds of the Bonds and any Additional Bonds to pay for such Facilities. To cover the shortfall, the Master Developers and the City have agreed in the Acquisition Agreement that the Master Developers will be reimbursed shortfall costs of the Facilities from Special Tax levies in excess of the amounts required to pay

required debt service and City administration costs associated therewith. To generate moneys for such shortfall reimbursement, the City has agreed to assess the Special Tax at the maximum rate permitted under the Special Tax Formula, commencing with the levy of special taxes for fiscal year 2004 in Zones 1 & 2 and to pay to the Master Developers on a semi-annual basis payments towards such shortfall until the shortfall is paid in full or until 10 years from the date of the 2007 Bonds, whichever comes first. After the expiration of such period, City may, but is not required to, continue levying at the maximum rate and use excess Special Taxes for continued pay-as-you-go payments to the Master Developer.

Termination of the Special Tax. The Special Tax will be levied until all Bonds have been repaid and all authorized facilities have been funded, however, Special Taxes cannot be levied under any circumstance after fiscal year 2040-41.

Prepayment of the Special Tax. The special tax obligation assigned to a particular parcel within the District can be prepaid, which will release the parcel making the prepayment from the Mello-Roos special tax lien. Section H of the Special Tax Formula sets forth a detailed formula by which the prepayment for a parcel can be calculated. Proceeds of such prepayment will be used to redeem a portion of the Bonds. See "THE 2007 BONDS – Redemption."

Special Tax Fund

When received, the Special Taxes are required under the Fiscal Agent Agreement 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. Within the Special Tax Fund, the City will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds. From time to time, the City may withdraw from the Debt Service Account or the Surplus Account of the Special Tax Fund amounts needed to pay the City administrative expenses; provided that such transfers will not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than 10 Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund 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 on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year. If there has been no levy for pay-as-you-go expenditures it is unlikely there will be amounts to be transferred to the Surplus Account other than the annual services component of the Special Tax levy.

Moneys in the Surplus Account may, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Facilities on a pay-as-you-go basis (including reimbursements to the Master Developer), 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. See "Assignment of Maximum Special Tax" above."

Deposit and Use of Proceeds of 2007 Bonds

The 2007 Bonds are additionally secured by amounts generated from proceeds of the 2007 Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the initial purchase of the 2007 Bonds shall be paid to the Fiscal Agent, who shall deposit such proceeds in the Improvement Fund, Reserve Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

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. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Mello-Roos Act to order institution of an action in superior court to foreclose the lien therefore.

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 of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (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; *provided*, that if the City determines on the basis of such review that (a) 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 (b) that 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 against each such property owner.

Under the Mello-Roos 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. Additionally, it is possible that no bids are received at a foreclosure sale. Provided that it is not levying the Special Tax at the Maximum Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Special Tax) 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 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his 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 Mello-Roos 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 "APPRAISAL OF PROPERTY WITH THE DISTRICT- Priority of Lien."

Reserve Fund

In connection with the issuance of the 2007 Bonds, the City will direct the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from 2007 Bond proceeds in the amount of the Reserve Requirement, which amount is available for payment of the 2007 Bonds in the event of delinquencies in the payment of the Special Taxes to the extent of such delinquencies. The "**Reserve Requirement**," is the lesser of 10% of the original principal amount of the 2007 Bonds, 100% of maximum annual debt service on the 2007 Bonds, or 125% of average annual debt service on the 2007 Bonds. 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 2007 Bonds are outstanding. All amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent, on a pro-rata basis among all series of Bonds, solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City. If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the 2007 Bonds or supplement the Reserve Fund. The Reserve Fund will be increased (or a separate additional reserve fund will be established) from proceeds of any Additional Bonds and be available on a parity basis with any Additional Bonds, for payment of the 2007 Bonds and such Additional 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.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. 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 Facilities have not been completed, or if the Facilities 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.

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.

Improvement Fund

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held and withdrawn by the Fiscal Agent to pay the costs of the Facilities. Before any payment from the Improvement Fund shall be made, the City shall file or cause to be filed with the Fiscal Agent a written request of the City for disbursement of moneys from such fund. Such withdrawals shall be implemented by the City pursuant to the terms and requirements of the Acquisition Agreement (described below). The Fiscal Agent need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment. The Fiscal Agent shall not incur any liability for any disbursement from the Improvement Fund made in reliance upon any requisition. When the City determines that all of the costs of the Facilities to be financed with proceeds of the 2007 Bonds have been paid, the City shall provide written notification of such determination to the Fiscal Agent and direct the Fiscal Agent to transfer any remaining balance in any Improvement Fund into the Bond Fund. See "THE FACILITIES – Acquisition by the City."

Additional Bonds

The District is authorized to issue up to \$34,200,000 of bonds, of which the 2007 Bonds represent the first series. In addition to the 2007 Bonds, the City expects that it will, by a Supplemental Fiscal Agent Agreement, authorize the issuance of one or more additional series of bonds ("**Additional Bonds**") payable from Special Taxes and secured by the Special Taxes on a parity with the Bonds and other Additional Bonds previously issued, upon compliance by the City with the conditions set forth in the Fiscal Agent Agreement, which include the following:

(i) The amount on deposit in the Reserve Fund shall be increased (or a separate reserve fund established) to an amount at least equal to the Reserve Requirement with respect to the Outstanding Bonds and the Additional Bonds.

(ii) Projected Maximum Special Taxes plus projected investment earnings on amounts held in the Reserve Fund to be transferred to the Bond Fund pursuant to the terms of the Fiscal Agent Agreement for each Fiscal Year are equal to or greater than one hundred ten percent (110%) of maximum Debt Service for each Fiscal Year that the Bonds and Additional Bonds will be outstanding; provided that such projection of investment earnings on amounts held in the Bond Reserve Account may assume an investment rate equal to the City's average portfolio rate available to the City at the time of determination.

(iii) The aggregate value of all parcels in the District subject to the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the proposed series of bonds, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon (and improvements to be financed from proceeds of the bonds proposed to be issued) as shown on the then current County tax roll, or by a combination of both methods is at least 4.00 times the sum of (i) the aggregate principal amount of all bonds then outstanding plus (ii) the aggregate principal amount of the series of bonds proposed to be issued, plus (iii) the aggregate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (iv) a portion of the aggregate principal amount of all Mello-Roos bonds, other than bonds then outstanding, and payable at least partially from special taxes to be levied on parcels of land subject to the Special Tax within the District (the "**Other Mello-Roos Bonds**") equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on parcels of land within the District subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos Bonds (such fraction to be determined based upon the special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available fiscal year.

(iv) The aggregate value of parcels in the District subject to 90% of the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the proposed series of bonds, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon (and improvements to be financed from proceeds of the bonds proposed to be issued) as shown on the then current County tax roll, or by a combination of both methods is at least 3.00 times 90% of the sum of (i) the aggregate principal amount of all bonds then outstanding plus (ii) the aggregate principal amount of the series of bonds proposed to be issued, plus (iii) the aggregate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (iv) a portion of the aggregate principal amount of all Other Mello-Roos bonds equal to the aggregate principal amount of the Other Mello-Roos bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos bonds on parcels of land within the District subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-

Roos bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos bonds (such fraction to be determined based upon the special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos bonds occurs), based upon information from the most recent available fiscal year.

Any shortfall in the value to lien coverages described in subsections (iii) and (iv) above may be satisfied by the deposit with the Fiscal Agent cash or a letter of credit from a reputable bank which is acceptable to the City, in an amount (the "**Letter of Credit Amount**") equal to the shortfall in the valuation of the property in the District to meet the value-to-lien requirement set forth in the preceding paragraph, the Letter of Credit Amount shall be excluded from the debt computation in such subsections. Any such letter of credit deposited with the Fiscal Agent shall remain in effect, and the Letter of Credit Amount shall not be reduced or the letter of credit thereafter terminated, until satisfaction of the preceding subsections with respect to the amount by which the letter of credit is proposed to be reduced, or with respect to the Letter of Credit Amount in connection with the proposed termination of the letter of credit.

Subordinate Bonds. The District may issue bonds that are junior and subordinate to the payment of the principal, premium, interest, and reserve fund requirements for the bonds and which subordinated obligations are payable as to principal, premium, interest, and reserve fund requirements, if any, from Special Taxes only after the prior payment of all amounts then due required to be paid hereunder from Special Taxes for principal, premium, interest and reserve fund requirements for the bonds, as the same become due and payable and at the times and in the manner as required in the Fiscal Agent Agreement.

DEBT SERVICE SCHEDULE

The annual debt service on the 2007 Bonds based on the interest rates and maturity schedule set forth on the cover of this Official Statement is set forth below, followed by a table showing projected debt service coverage.

Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Series 2007 Debt Service

Period Ending (September 1)	2007 Bonds Principal	2007 Bonds Interest	2007 Bonds Total
2008	\$30,000	\$767,477.75	\$797,477.75
2009	20,000	792,667.50	812,667.50
2010	35,000	791,817.50	826,817.50
2011	55,000	790,330.00	845,330.00
2012	70,000	787,923.76	857,923.76
2013	90,000	784,773.76	874,773.76
2014	115,000	780,611.26	895,611.26
2015	135,000	775,148.76	910,148.76
2016	155,000	768,668.76	923,668.76
2017	180,000	761,112.50	941,112.50
2018	205,000	752,112.50	957,112.50
2019	235,000	741,657.50	976,657.50
2020	265,000	729,613.76	994,613.76
2021	295,000	715,701.26	1,010,701.26
2022	330,000	700,066.26	1,030,066.26
2023	365,000	682,328.76	1,047,328.76
2024	405,000	662,618.76	1,067,618.76
2025	445,000	640,343.76	1,085,343.76
2026	490,000	615,868.76	1,105,868.76
2027	540,000	585,856.26	1,125,856.26
2028	595,000	552,781.26	1,147,781.26
2029	650,000	516,337.50	1,166,337.50
2030	710,000	476,525.00	1,186,525.00
2031	775,000	433,037.50	1,208,037.50
2032	845,000	385,568.76	1,230,568.76
2033	920,000	333,812.50	1,253,812.50
2034	1,000,000	277,462.50	1,277,462.50
2034	1,085,000	216,212.50	1,301,212.50
2036	1,175,000	149,756.26	1,324,756.26
2037	1,270,000	77,787.50	1,347,787.50

**Sunridge Park Area Community Facilities District No. 2004-1
Special Tax Bonds Series 2007
Projected Debt Service Coverage Table**

Year	Series 2007 Debt Service	Maximum Special Tax*	Debt Service Coverage
2008	\$797,478	\$1,412,715	177%
2009	812,668	1,440,969	177
2010	826,818	1,469,788	178
2011	845,330	1,499,184	177
2012	857,924	1,529,168	178
2013	874,774	1,559,751	178
2014	895,611	1,590,946	178
2015	910,149	1,622,765	178
2016	923,669	1,655,220	179
2017	941,113	1,688,325	179
2018	957,113	1,722,091	180
2019	976,658	1,756,533	180
2020	994,614	1,791,664	180
2021	1,010,701	1,827,497	181
2022	1,030,066	1,864,047	181
2023	1,047,329	1,901,328	182
2024	1,067,619	1,939,355	182
2025	1,085,344	1,978,142	182
2026	1,105,869	2,017,704	182
2027	1,125,856	2,058,059	183
2028	1,147,781	2,099,220	183
2029	1,166,338	2,141,204	184
2030	1,186,525	2,184,028	184
2031	1,208,038	2,227,709	184
2032	1,230,569	2,272,263	185
2033	1,253,813	2,317,708	185
2034	1,277,463	2,364,062	185
2035	1,301,213	2,411,344	185
2036	1,324,756	2,459,570	186
2037	1,347,788	2,508,762	186

*Based on 2% annual increase in Special Tax – Net of CFD Buffer (defined in the Special Tax Formula).

THE SUNRIDGE SPECIFIC PLAN AREA

Property in the District includes only a portion of the land contained in the Sunridge Specific Plan. The remainder of the land within the Sunridge Specific Plan area is not in the District, and will not serve as security for the Bonds.

The District comprises a portion of the north central area of the Sunridge Specific Plan Area (the “**Specific Plan Area**”) approved by the Sacramento County Board of Supervisors by adoption of Ordinance SZC-2002-0014 on July 17, 2002. The Specific Plan Area encompasses 2,605 acres and is currently projected for development of approximately 8,800 dwelling units and is presently comprised of a combination of recently occupied homes, subdivisions in various stages of construction, and undeveloped land with relatively poor agricultural soils. The terrain encompasses slightly rolling alluvial terraces created by the American River. Annual grasslands are interspersed with occasional groups of non-native trees and seasonal wetlands and drainages typical of eastern Sacramento County.

Lands to the south and east of the Specific Plan Area are used for grazing and other limited farming purposes. A rendering plant is located to the west of the Specific Plan Area. The 11,000-acre Aerojet facility (see “Environmental Matters” below) and other industrial and commercial facilities along the Highway 50 corridor and just north of the Specific Plan Area make up a major employment center within the greater Sacramento region. Presently, Aerojet uses the property in a non-intensive manner and has previously sold approximately 1,100 acres to the north of the Specific Plan Area to Elliott Homes for residential development. The Sunridge Specific Plan is intended to provide a location for new housing to meet the demand generated by job development existing, approved or planned nearby in the Highway 50 Corridor. Since 1980, the communities of Folsom and Rancho Cordova have experienced intense housing demand and rapid employment growth. The Sacramento Area Council of Governments (SACOG) projects employment in Rancho Cordova will reach 125,954 jobs in 2020. The Sunridge Specific Plan contains the following primary features:

Neighborhoods. The neighborhood is the fundamental organization structure of the Specific Plan land use. A definite physical boundary, the mix of uses, and the organization of land uses define the character of each neighborhood. The land use in each neighborhood is predominantly residential, but includes a mixture of complementary uses, such as commercial or office zones. The objective is to encourage convenience retail and services within neighborhoods to encourage walking and provide a diverse, lively community.

Trail Systems. The usefulness of the bike and pedestrian system depends on providing reasonably direct routes to the primary activity centers within the Specific Plan Area. Each village will facilitate pedestrian and bicycle access to homes, shopping, schools, parks and jobs. All residences are to be approximately 1/2 mile from an activity center, and connected by the bikeway and pedestrian system. The routing of the collector streets in each neighborhood provides a continuous loop so residents can use the adjacent sidewalk for recreational walks or biking.

Private Transit (Shuttle System). The Specific Plan proposes the creation of a private transit (shuttle) system specifically designed to serve the Specific Plan Area and its residents. The shuttle system will have the capability for evolving into then-current technology as the community matures. This system would complement the design concept of pedestrian and bicycle accessibility included in the Specific Plan. Using pre-designated, centrally located stops along the local arterial and collector street system route, the shuttle buses would provide service

to major employment centers along the Highway 50 Corridor west of Sunrise Boulevard, and to the proposed Light Rail Station at Mather Field Road.

Neighborhood Centers. The neighborhood center is planned to serve a variety of purposes including employment centers, retail commercial, professional office, light assembly, and medium density residential uses. The concept is to integrate a mix of uses on a single site that focus on sales, services and activities which residents may need on a daily basis. With pedestrian access, these sites will enable residents to walk or bicycle rather than drive for many trips. In addition, the neighborhood center may include space for social activities within the center or on an adjacent park. It is intended that the park and neighborhood commercial center together form a neighborhood gathering place for recreation and socializing as much does a small town square. The neighborhood center may also provide space for satellite work centers that use telecommunications technology such that residents in the neighborhood may work near their homes.

Streets. The arterial streets in the Specific Plan include Sunrise Boulevard, Jaeger Road, Americanos Boulevard, Grant Line Road, Douglas Road, Chrysanthy Boulevard (formerly Pyramid Boulevard), and Kiefer Boulevard. Arterial streets will be four or six lanes wide at full build out, with a landscaped median and corridors along both sides being the typical design. The major roads are set on a grid generally one mile apart. Collector streets will route local traffic from the interior residential streets to the arterial streets, providing two traffic lanes and on-street bicycle lanes at the curb. Within neighborhoods, primary residential streets with front-on residences are preferred to encourage slower traffic speeds and a pedestrian oriented, residential streetscape. Residential lots abutting a local roadway will have a 10 foot wide landscape/pedestrian easement to accommodate a 6 foot wide planter and a 4 foot wide detached sidewalk.

Schools. The Sunridge Specific Plan Area is located within the Elk Grove and Folsom/Cordova Unified School Districts. The Specific Plan indicates the need for three elementary schools, each to be located adjacent to a neighborhood park. The schools are located to serve as a center of activity for the neighborhood and are located along primary residential or collector streets that provide access to buses and neighborhood residents. The street also provides a separate pedestrian path for children to walk to school. A campus encompassing a middle school and high school is proposed in the central portion of the Specific Plan Area. This location is intended to serve the eastern portion of the Elk Grove Unified School District extending to the Sacramento County Boundary.

Recreation. The Specific Plan Area is within the Cordova Recreation and Park District (“**Park District**”) that operates neighborhood and community scale parks. The Park District requires a combination of parkland dedication and fees for park construction that varies from approximately 5 to 7 acres per 1,000 residents, depending upon when tentative subdivision maps were approved. The Specific Plan is currently planned to provide a total of approximately 140 acres that will be used to fulfill the requirement of neighborhood and community parks. The Park District’s formal facilities will include both active sports parks and smaller, neighborhood parks.

The Sunridge Specific Plan indicates two sports parks that will include ball fields, restrooms and parking areas. These sports parks are 20.5 and 30.4 acres, respectively, and will be suitable for recreation leagues for soccer, softball and similar active recreation facilities. These parks are located near major roads to provide access for the entire community. In addition, a total of 18 neighborhood parks ranging from 0.2 to 9.9 acres are planned within the

Specific Plan. These parks are typically located within a residential area adjacent to a school. Neighborhood parks may include a ball field or soccer field, but are primarily intended for informal recreation, Little League, youth soccer, and similar small-scale activities.

Sunridge Specific Plan Land Uses

The land use in each neighborhood of the Sunridge Specific Plan Area is predominantly residential, but includes a neighborhood school, parks, and a mixed-use commercial area or neighborhood center. Mixed uses are retail or commercial goods or service facilities which provide auxiliary or supplemental goods or services to residents (in the case of residential land uses). Small Commercial Mixed-Use sites within neighborhoods will include some combination of retail and services, small work centers and residential uses. Neighborhood residents may conduct business, use telecommunications equipment, and otherwise supplement their home occupation or telecommuting employment activities in the work centers. Day care facilities are permitted within all the non-residential zones.

Most neighborhoods are organized around two activity centers: the neighborhood school and park, and a small commercial center adjacent to a second neighborhood park. The small commercial center and the adjacent park will serve as the "Town Square." Each neighborhood is near a major retail commercial center that will provide the primary shopping and services for the community residents. These major retail centers, community recreation facilities, and similar land uses rely on a broad market area for their economic viability. These uses will require access from major streets for automobile traffic. The major streets by-pass the neighborhoods in order to avoid through traffic within the residential areas. However, the collector street system within the neighborhood provides a direct route for the local traffic and pedestrian circulation. Each neighborhood will be somewhat different in size and shape depending on topography, open space areas and other specific site conditions. Each neighborhood will have a distinctive character and style expressed in a variety of housing types and densities appropriate to that character. Environmentally sensitive areas including drainage corridors will be preserved. These open space areas will contribute to the identity of the neighborhood and will help maintain a sense of scale.

The Sunridge Specific Plan sets forth the following land use policies:

Policy LU-1: Establish a community that provides for the social, recreational, economic, and housing needs of plan area residents.

Policy LU-2: Develop an urban core area that provides regional automobile access to the plan area, as well as pedestrian circulation that ties land uses together and encourages walking, cycling, and use of alternative vehicles within the plan area.

Policy LU-3: Provide space for retail and professional services necessary to serve the plan area residents and the public.

Policy LU-4: Provide shopping, recreation and services, and convenient non-auto travel modes, such that residents can reduce the need to travel outside of the plan area for many routine daily needs.

Policy LU-5: Integrate residential and non-residential land uses and provide pedestrian and bicycle path system such that residents are encouraged to minimize auto use for shopping, services and leisure activities.

Policy LU-6: Provide appropriate land use buffers between incompatible uses.

Policy LU-7: Implement an “aviation easement” designed to notify property owners of the aviation operations at Mather Field.

The following table shows the Land Use Program as set forth in the Sunridge Specific Plan.

**Sunridge Specific Plan Land Use Program
(Assumes Maximum 9,886 Dwelling Units)**

Land Use Designation	Acres	Dwelling Units	% of Dwelling Units
RD-4	316.3	1,160	11.73%
RD-5	1,111.4	5,419	54.81
RD-7	250.9	1,596	16.14
RD-10	48.4	425	4.30
RD-20	<u>45.0</u>	<u>737</u>	<u>7.45</u>
Commercial Mixed Use			
Employment Center Com.	119.5		
Community Commercial	54.1		
Neighborhood Park	<u>99.8</u>		
Wetland Preserve	481.6		
Detention/Water Quality	<u>34.4</u>		
K-6 School	44.4		
<u>Total</u>	<u>2,605.8</u>	<u>9,337</u>	
Potential MDR Component of Commercial Mixed Use	30.0	549	5.55%
Maximum Potential Residential Allocation		9,886	100.00%
Maximum Average Residential Density		5.5	

Source: Sunridge Specific Plan.

Since the Sunridge Specific Plan was adopted, many of the land owners have been forced to redesign their properties to accommodate larger wetland preserve areas that are being required by the US Fish & Wildlife Service and the US Army Corp of Engineers. While the plans are not finalized and updated calculations have not been prepared, it appears that the following changes are likely to occur: 1) The total number of dwelling units in the Sunridge Specific Plan is expected to go down by about 500 units to roughly 8,800 dwelling units; 2) The overall density for the remaining units is likely to increase somewhat, particularly due to an increase in the amount of RD-10 product and other smaller lot types; 3) The amount of parks will increase by roughly 40%; and 4) The amount of non-park open space for wetland preserve will increase substantially.

Environmental Challenge to Development in Sunridge Specific Plan Area

EIR Litigation. The adequacy of the environmental impact report (“**EIR**”) for the Sunridge Specific Plan area has been challenged in a lawsuit. The original petition and complaint involved a challenge to the adequacy of the environmental impact report (“**EIR**”) and sought as relief the invalidation of the 2002 approval of the Sunridge Specific Plan by the County. Most, but not all, of the issues arose under the California Environmental Quality Act (Pub. Resources Code, § 2100 et seq.) (“**CEQA**”). The case proceeded through a trial court and appeals court, both of which unanimously upheld the EIR, however, the case was accepted for review by the California Supreme Court and such review resulted in a decision in favor of the plaintiffs, finding that the County’s EIR did not meet required standards and resulting in a remanding of the case back to the Court of Appeal for further proceedings consistent with the opinion. Further disposition of the case is expected by the end of 2007. See “Litigation Regarding Development in the District” below.

No action has been taken to stop development in the Sunridge Specific Plan area from continuing as a result of the lawsuit, and to date, construction planned and underway has not been affected by the lawsuit. At this time it is impossible for the City, the Master Developer, the Merchant Builders or any person, entity or attorney to determine the outcome of the impact, if any, of the Supreme Court decision on future development in the Sunridge Specific Plan area. See “Litigation Regarding Development in the District” below.

The value of property in the District could be significantly and materially reduced as a result of the litigation. See “SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation” below.

In connection with the issuance of the 2007 Bonds, and in response to the litigation, the City has required that the owner or Master Developer of parcels in Phase I of the District (other than property owned by individual homeowners) provide a letter of credit (or cash or other security acceptable to the City) covering the initial three years of debt service on the 2007 Bonds attributable to their parcels in the District that have not been fully developed for so long, in the opinion of the City, as such litigation may have an adverse effect on the repayment of the 2007 Bonds. The City is authorized to draw on the letter of credit if a Special Tax is not paid on the parcels to which the letter of credit relates. See “Litigation Regarding Development in the District” and “Letter of Credit Applicable to Certain Parcels” below. The Phase II and III parcels are not required to furnish a letter of credit at this time because Special Taxes on property in Phase I is sufficient to pay debt service on the 2007 Bonds.

THE DISTRICT

On June 7, 2004, the City Council adopted a Resolution of Intention to form a community facilities district under the Mello-Roos Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Facilities and making contributions to certain public facilities. After conducting a noticed public hearing, on July 19, 2004, the City Council adopted the Resolution of Formation, which established the Sunridge Park Area Community Facilities District No. 2004-1 and set forth the Special Tax Formula within the District. The District is authorized to incur bonded indebtedness in a total amount not to exceed \$34,200,000. On the same day, an election was held within the District in which eligible landowner voters in the District approved the proposed bonded indebtedness and the levy of the Special Tax. On April 2, 2007, the City Council held an election within the District which approved a revised description of the Facilities to be financed, an amendment to the Special Tax Formula, and reduction in the authorized amount of bonds. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

The District consists of two contiguous projects identified as "Sunridge Park" and "Sunridge - Lot J." Sunridge Park comprises what the Master Developer refers to as Phase 1 and Phase 2 of the overall development (and comprises "Zone 1" and "Zone 2" in the Special Tax Formula, as described herein) and Lot J comprises Phase 3 (and Zone 3). Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. The Sunridge Park master planned community is being developed in two phases by four builders –Woodside Homes ("**Woodside**"), Kimball Hill Homes ("**Kimball**"), Beazer Homes ("**Beazer**"), and Syncon Homes ("**Syncon**"), with Phase 1 consisting of 799 lots and Phase 2 comprising 151 lots. As of late June 2007, the Phase 1 lots were finished and the Phase 2 lots were unimproved. Sunridge - Lot J (Phase 3) is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes Corporation ("**Cresleigh**"), this project is proposed for subdivision into 369 single family residential lots; site development has not commenced as of July 2007.

Final map approval has been received for Phase 1 and a portion of Phase 2, and tentative map approval has been received for Phase 3. Infrastructure improvements are currently underway in Phase 1 and the various lots are either improved, partially improved or unimproved, with some homes completed or under construction. Eleven separate residential villages are planned within the first two phases of the Phase 1 development, of which six villages are being developed by Woodside, two villages are being developed by Kimball, two villages are being developed by Beazer, and one village is under development by Syncon. The homes in the Phase 3 are all expected to be developed by Cresleigh and construction has not yet commenced.

Woodside, Kimball, Beazer, Syncon and Cresleigh are referred to collectively herein as the "**Merchant Builders.**" All of the property in the District subject to the Special Tax is currently owned by the Merchant Builders, other than approximately 99 homes sold to homeowners as of July 2007. The Merchant Builders expect to develop all of the residential lots in the District. Home construction in Phase 1 is ongoing.

Location of the District

Property in the District is located approximately 15 miles east of the Sacramento Central Business District, south of U.S. Highway 50, in the City limits. The District is along the south line of Douglas Road, east of Jaeger Road. Current access and frontage is along the south line of Douglas Road.

The City was incorporated on July 1, 2003. Developed neighborhoods in the City comprise a mature suburban area of most types of land uses, including single-family and multifamily residential, retail, office and industrial uses. This area currently is a substantial suburban office market within the Sacramento region, as well as a major employment center, most of which is located along U.S. Highway 50 which traverses the City. Historically, residential development has generally been located north of U.S. Highway 50 and office and industrial parks, the former Mather Air Force Base and several large employers located along and south of the highway, along with new and proposed residential areas. The largest employer in the area was Mather Air Force Base until its closing in 1993. The former base is now being utilized for air cargo and related industries.

Prior to commencement of recent development, the immediate area of the District was comprised of agricultural land with rural residential development and a very small population residing in homes which were approximately 30-50 years old situated on large parcels. With the recent development in the Sunridge Specific Plan Area, the area has begun to change and is planned for development of a variety of land uses, including single and multifamily residential, commercial and recreational uses pursuant to the Sunridge Specific Plan. See "The Sunridge Specific Plan" below. *The District is within the Specific Plan area, but does not comprise all of the area in the Sunridge Specific Plan.*

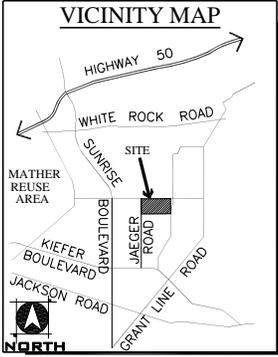
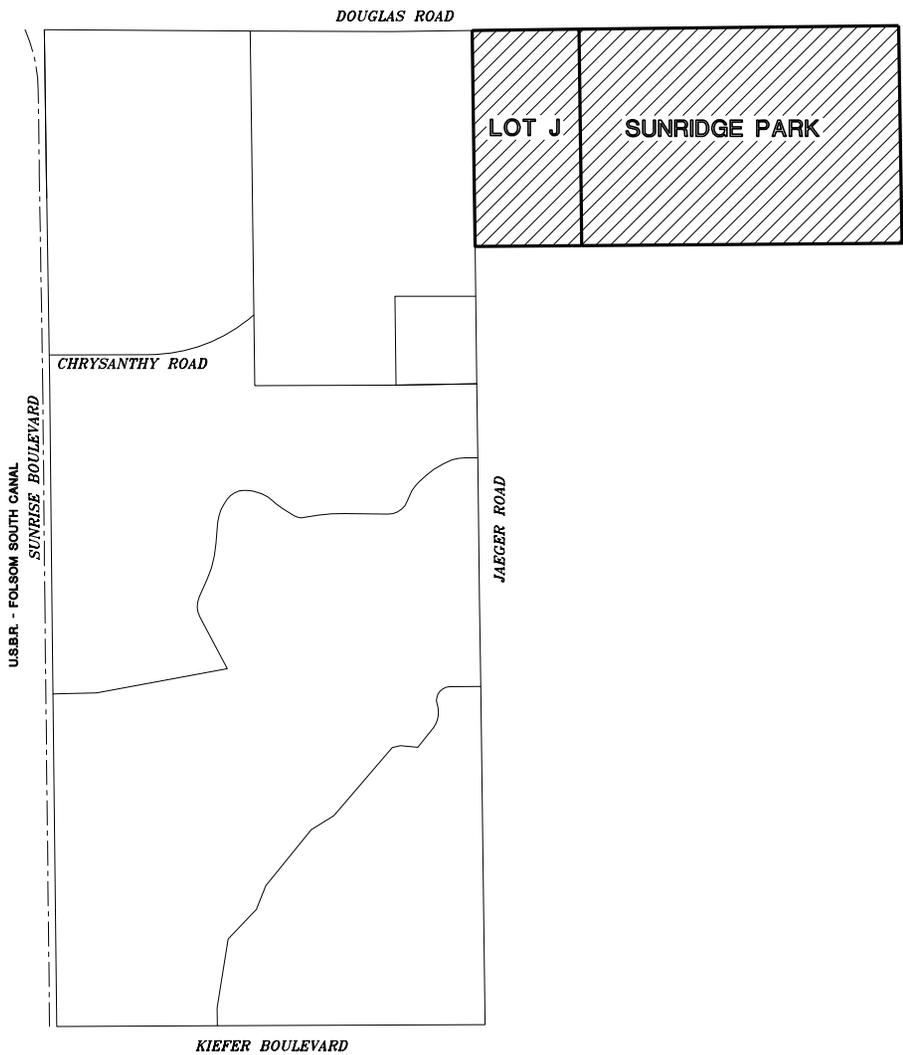
New home construction and sales are underway in the vicinity of the District. This area of the City is experiencing a transition from largely undeveloped, agriculturally oriented uses toward residential and residential oriented suburban land uses since incorporation of the City in 2003. The predominant land use to the north, south and east of the District is vacant land and rural residential, and land to the west is predominantly commercial/industrial.

The nearby "Anatolia" master planned community, where home construction and sales is underway, is adjacent to (and outside of) the District. This area was master planned by Sunridge Anatolia, LLC, an entity comprised of AKT Development and affiliates of the homebuilder Lennar. It includes approximately 654 acres planned for a single-family residential component incorporating in excess of 3,100 single-family residential lots and a commercial component, as well as a private club facility, public parks and elementary school locations. The area is generally bounded by Douglas Road to the north, Rancho Cordova Parkway (previously Jaeger Road) to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. As proposed, the Anatolia project is being developed in four separate phases. Anatolia Phase I received tentative map approval in May 2003 and is comprised of a park and an elementary school and nine individual villages allocated to the development of 1,049 tentative map lots, with typical lot sizes ranging from 3,030 to 7,475 square feet; Phase II also received tentative map approval in May 2003 and is comprised of three parks, an elementary school site, a commercial site, a multifamily site, a community clubhouse, and nine individual villages approved for the development of 978 lots ranging in size from 2,300 to 8,540 square feet; Phase III received tentative map approval in September 2003 and is designated as 10 individual villages allocated to the development of 879 lots, several of which are positioned contiguous to open space, with typical lot sizes from approximately 5,775 to 8,540 square feet, and Phase IV received a

tentative map in May 2006 and is proposed to be comprised of 203 medium density single-family residential lots of approximately 2,500 square feet. As of June 2007, 1,658 homes were completed and owned by individual homeowners and more than 200 homes in Anatolia were under construction.

Map

The following pages show maps of the District.



SUNRIDGE PARK AREA
COMMUNITY FACILITIES DISTRICT NO. 2004-1

AUGUST 2007

WOOD RODGERS
ENGINEERING • MAPPING • PLANNING • SURVEYING
3301 C St., Bldg. 100-B Tel 916.341.7760
Sacramento, CA 95816 Fax 916.341.7767

SUNRIDGE PARK

HOME BUILDER PHASE EXHIBIT

CITY OF RANCHO CORDOVA CALIFORNIA

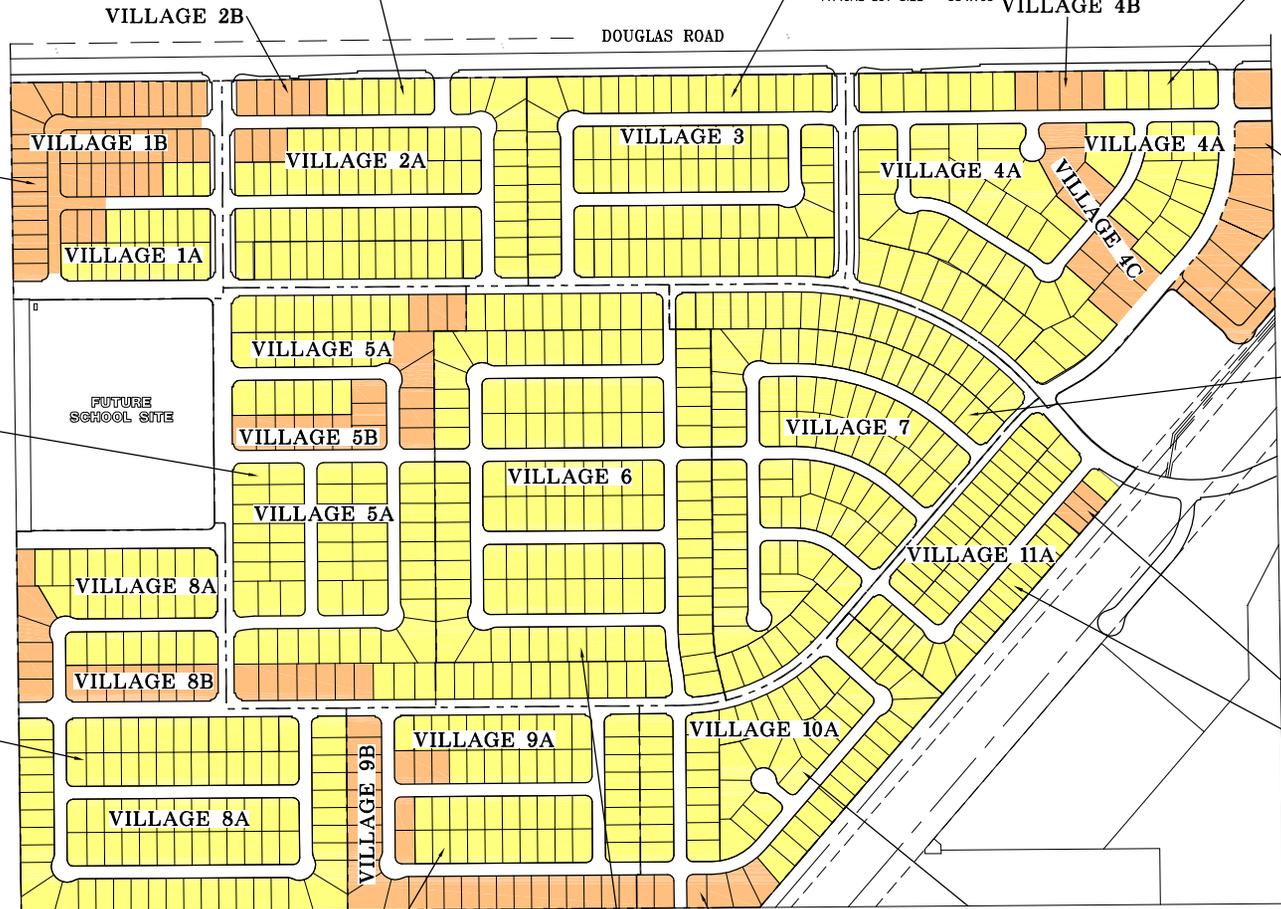
AUGUST, 2007



SUNRIDGE PARK
VILLAGE 2
KIMBALL HILL HOMES
VILLAGE 2A - 71 LOTS
VILLAGE 2B - 8 LOTS
TOTAL= 79 LOTS
TYPICAL LOT SIZE = 55'x105'

SUNRIDGE PARK
VILLAGE 3
SYNCON HOMES
VILLAGE 3 - 80 LOTS
TYPICAL LOT SIZE = 55'x105'

SUNRIDGE PARK
VILLAGE 4
WOODSIDE HOMES
VILLAGE 4A - 63 LOTS
VILLAGE 4C - 14 LOTS
VILLAGE 4D - 10 LOTS
TOTAL= 87 LOTS
TYPICAL LOT SIZE = 70'x122'



SUNRIDGE PARK
VILLAGE 1
WOODSIDE HOMES
VILLAGE 1A - 20 LOTS
VILLAGE 1B - 43 LOTS
TOTAL= 63 LOTS
TYPICAL LOT SIZE = 45'x105'

SUNRIDGE PARK
VILLAGE 5
KIMBALL HILL HOMES
VILLAGE 5A - 73 LOTS
VILLAGE 5B - 24 LOTS
TOTAL= 97 LOTS
TYPICAL LOT SIZE = 60'x110'

SUNRIDGE PARK
VILLAGE 7
WOODSIDE HOMES
VILLAGE 7 - 102 LOTS
TYPICAL LOT SIZE = 55'x110'

LEGEND

- PHASE 1 HOME BUILDER LOTS
(VILLAGE 1A, 2A, 3, 4A, 5A, 6, 7, 8A, 9A, 10A & 11A)
- PHASE 2 HOME BUILDER LOTS
(VILLAGE 1B, 2B, 4C, 4D, 5B, 8B, 9B, 10B & 11B)

VILLAGE 11B
SUNRIDGE PARK
VILLAGE 11
WOODSIDE HOMES
VILLAGE 11A - 49 LOTS
VILLAGE 11B - 3 LOTS
TOTAL= 52 LOTS
TYPICAL LOT SIZE = 45'x105'

SUNRIDGE PARK
VILLAGE 8
WOODSIDE HOMES
VILLAGE 8A - 113 LOTS
VILLAGE 8B - 14 LOTS
TOTAL= 127 LOTS
TYPICAL LOT SIZE = 55'x105'

SUNRIDGE PARK
VILLAGE 9
BEAZER HOMES
VILLAGE 9A - 47 LOTS
VILLAGE 9B - 29 LOTS
TOTAL= 76 LOTS
TYPICAL LOT SIZE = 55'x105'

SUNRIDGE PARK
VILLAGE 6
WOODSIDE HOMES
VILLAGE 6 - 128 LOTS
TYPICAL LOT SIZE = 60'x110'

SUNRIDGE PARK
VILLAGE 10
BEAZER HOMES
VILLAGE 10A - 53 LOTS
VILLAGE 10B - 6 LOTS
TOTAL= 59 LOTS
TYPICAL LOT SIZE = 55'x105'

Property Within the District

Property within the District is comprised of approximately 325.4 gross acres designated for the development of 1,319 single-family residential lots in accordance with the Sunridge Specific Plan. Approximately 5.7 acres is designated as a commercial development site and not subject to the Special Tax. The development plan also includes approximately 45.92 acres to be used for parks, landscape corridors and a school (not to be subject to a Special Tax). The District contains approximately 262net acres, excluding the tax-exempt areas, and is mostly flat.

The property in the District consists of two contiguous projects identified as Sunridge Park and Sunridge - Lot J. Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. This master planned community is expected to be developed in two phases by four builders – Woodside Homes, Beazer Homes, Syncon Homes, and Kimball Hill Homes, with Phase 1 consisting of 799 lots and Phase 2 comprising 151 lots. The lots are at various stages of development (improved, partially improved and unimproved). Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes, this project is proposed for subdivision into 369 single-family residential lots. See “Anticipated Development in the District” below.

The District is being developed in three phases. Phase 1 consists of original assessor’s parcel numbers 067-0650-001 through 021. Phase 2 consists of original assessor’s parcel numbers 067-0650-023 through -028. Phase 3 consists of assessor’s parcel number 067-0040-016. The parcel numbers in Phase I and most of Phase II have changed due to receiving final maps and new assessor’s parcel numbers will be assigned to individual lots in Phase 3 once the final map is approved.

Litigation Regarding Development in the District

The District is located within an area of the City which is the subject of litigation recently decided by the Supreme Court of the State of California. The ultimate outcome of the litigation may significantly and adversely impact the ability to continue development of property in the District.

Litigation Background. Development of property in the District has been challenged in a legal case captioned *Vineyard Area Citizens for Responsible Growth, Inc., et al. V. City of Rancho Cordova* (Supreme Court Case no. S132972). The lawsuit challenges the July 17, 2002 approvals by the Sacramento County Board of Supervisors (prior to incorporation of the City on July 1, 2003) of the Sunrise Douglas Community Plan and the Sunridge Specific Plan. Property in the District is in both of those plan areas.

The original petition and complaint involved a challenge to the adequacy of the environmental impact report (“**EIR**”) for the projected development in the plan areas, and sought as relief the invalidation of all of the July 17, 2002, approvals granted by the County Board of Supervisors, including not only the Community and Specific Plans, but also the associated rezones, financing plan approvals, and related subsidiary Board actions. Most, but not all, of the issues arose under the California Environmental Quality Act (Pub. Resources Code, § 21000 *et seq.*) (“**CEQA**”). The Petitioners in the case are (i) individuals concerned that the proposed North Vineyard Well Field (“**NVWF**”), which will supply groundwater to the early phases of the Project, might adversely affect their existing wells; (ii) a citizen organization comprised of those individuals and others (the “**Vineyard Area Citizens for Responsible Growth**”); and (iii) the Environmental Council of Sacramento (“**ECOS**”), an umbrella

environmental organization whose members include other environmental groups such as the Sierra Club, as well as individual environmentalists.

Trial Court Ruling and Appeal. The trial court heard arguments on the merits of the litigation in May 2003 and issued a ruling later that summer denying all of the Petitioners' claims. The Petitioners appealed, and the Court of Appeal for the Third Appellate District heard oral arguments in November 2004. The court issued its ruling in February 2005 in an initially unpublished decision, which the court subsequently ordered published in March 2005.

Court of Appeal Ruling. In February 2005, the Court of Appeal for the Third Appellate District issued its ruling upholding the EIR certified in July 2002 by the County Board of Supervisors for the Sunrise Douglas Community Plan and Sunridge Specific Plan. The court also upheld the approach to water supply planning and land use planning taken by Sacramento County in connection with the proposed community plan/specific plan. The EIR identified several future water sources, but recognized that not all of them would be immediately available. The mitigation for the project required that development be phased on a tentative map by tentative map basis as water supplies actually materialized. The County also relied heavily on the water supply framework and groundwater pumping limits set forth in a so-called "Water Forum Plan" in setting limits for groundwater pumping to serve the project area. This approach was fully consistent with CEQA, the court ruled. The court also determined that none of the Petitioners' claims regarding adverse impacts on groundwater, the Cosumnes River, riparian areas, and wetlands were supported by the actual evidence in the record. Furthermore, the court held that the Board's reliance on evidence of infeasibility of proposed alternatives provided by consultants for the project applicants was not inappropriate and, in fact, was fully consistent with recent cases dealing with the same issue.

Acceptance for Review by State Supreme Court. On April 12, 2005, the Petitioners petitioned for a review of the appellate court's decision, presenting three questions to the California Supreme Court: (1) what the proper standard of review for an appellate court in a mandamus case challenging an agency action under CEQA is; (2) whether an agency's draft EIR may rely on allegedly uncertain water supplies; and (3) whether an agency's draft EIR has to disclose potential impacts of a project's groundwater pumping on surface waters and dependent fish and wildlife even if those impacts are ultimately deemed "insignificant" in the final EIR. Several interested groups and individuals sent letters to the Supreme Court for and against the petition for review, and on June 8, 2005 the Supreme Court granted review.

Briefing in the Supreme Court. The appellant's opening brief was filed with the State Supreme Court on August 16, 2005. The City of Rancho Cordova, as the respondent, filed its answer brief on September 27, 2005 and the landowners, collectively organized as the Sunrise Douglas Property Owners Association, as a real party in interest, filed its answer brief on October 3, 2005. The appellant filed its reply brief on October 31, 2005. Amicus briefs were filed by November 28, 2005. The entities that filed briefs for the appellants are:

- The Attorney General;
- Planning and Conservation League;
- Environmental Defense Center, Santa Clarita Organization for Planning the Environment and Friends of the Santa Clara River (one brief)
- Stanislaus Natural Heritage Project; and
- California Oak Foundation.

The organizations that filed briefs for the respondent and real parties include:

- Regional Water Authority;
- Association of California Water Agencies and State Water Contractors (one brief);
- County of Sacramento and Sacramento County Water Agency (one brief);
- League of California Cities and California State Association of Counties (one brief);
- North State Building Industry Association;
- El Dorado Irrigation District;
- California Building Industry Association and Consulting Engineers and Land Surveyors of California (one brief); and
- A joinder to the CBA's brief, filed by the Building Industry Legal Defense Fund, California Business Property Association, and California Association of Realtors.

In early 2006, the City and Real Parties filed opposition to all of the amicus briefs filed in support of Petitioners. Petitioners filed opposition to all of the amicus briefs filed in support of the City and Real Parties. The Supreme Court heard arguments in this case on November 7, 2006. The Supreme Court issued its Opinion on February 1, 2007. Current information regarding recent filings, deadlines, orders and rulings in the case can be accessed via the Court's website, using the case number, S132972, in the search feature at: <http://appellatecases.courtinfo.ca.gov/search.cfm?dist=0>.

Supreme Court's Decision. The Supreme Court ruled that, although the Respondents and Real Parties had largely articulated the correct legal standards to be applied to water supply analyses under CEQA, the County's EIR for the Community and Specific Plans did not meet those standards, plus some additional requirements the Court identified. Specifically, the Court held that although the near-term water supplies were adequately identified in the EIR and substantial evidence showed they would be sufficient to accommodate short-term growth, even with competition from other approved development, impacts on the Cosumnes River and dependent salmon species arising from the groundwater pumping to serve near-term development were potentially significant and insufficiently addressed in the Final EIR. Furthermore, the Court identified several aspects of the long-term water supply analysis that were deficient. The Court held that: (1) the EIR should have reconciled differing regional water demand numbers presented in the EIR and an earlier EIR for the Water Forum Agreement; (2) the EIR should have either tiered from or incorporated by reference the Water Forum's analysis; (3) the County should have looked at potential alternative water supply sources, in addition to the somewhat-uncertain future supplies identified in the EIR, and should have considered the potential environmental impacts associated with using those alternative supplies; (4) the EIR should have extended the analysis to include the potential impacts associated with bringing development to a halt if the mitigation measures "phasing" development as water supplies became available were implemented.

The Court stopped short of requiring long-term land use development plans to demonstrate certainty of water supplies; rather, the agencies must undertake very comprehensive analyses of the "likelihood" of future water supplies and potential alternatives, as described above. The Court did not give any direction to the lower courts regarding specific remedies in this case; therefore, the trial court will craft that remedy, based on the input and arguments of all of the parties upon remand.

Modification of Opinion by Supreme Court and Issuance of Remittitur. Both the City and Real Parties and the Petitioners filed petitions for rehearing and/or modification of the Opinion. On April 18, 2007, the Supreme Court modified the Opinion in minor respects. The

modifications did not change the result. Also on April 18, 2007, the Supreme Court issued the remittitur, remanding the case to the Court of Appeal.

Court of Appeal Opinion on Remand. The Supreme Court's Opinion reversed the judgment of the Court of Appeal and remanded the matter to that court "for further proceedings consistent with this opinion." On June 13, 2007, the Court of Appeal issued a 26-page "Opinion on Remand". Much of the Opinion is a restatement of the Court of Appeal's earlier opinion. As to the areas where the Supreme Court reversed the Court of Appeal's earlier Opinion, the Court of Appeal stated that "the petition for writ of mandate must be granted compelling revision and recirculation of the draft EIR to address the issues of long-term water supply and the effect of the project on the Cosumnes River." The Court of Appeal Opinion remands with directions to the trial court "to grant the petition for a writ of mandate to compel further environmental review, in accordance with the California Supreme Court's opinion." The Court of Appeal's Opinion on Remand does not command the trial court to set aside any of the project approvals, and does not address the issue of whether the project approvals should be set aside.

On June 15, 2007, counsel for Real Parties contacted the Court of Appeal. The clerk of that court told counsel that the Court of Appeal would not issue the remittitur remanding the case to the trial court for 61 days. On June 28, 2007, Petitioners filed a Petition for Rehearing with the Court of Appeal. On July 3, 2007, a request to publish the Court of Appeal Opinion was filed. On July 13, 2007, the Court of Appeal denied the Petition for Rehearing, modified the opinion in minor respects and with no change in judgment, and ordered the Opinion to be published. The Court of Appeal order to publish the Opinion extended the finality date of the Opinion for an additional 30 days. On July 31, 2007, Petitioners filed a second Petition for Rehearing with the Court of Appeal. On August 2, 2007, the Court of Appeal ordered that the second Petition for Rehearing be stricken from the record.

Once the remittitur issues, the trial court will then have jurisdiction to issue a writ of mandate and make decisions regarding specific remedies.

Potential Impact on Development. *The Petitioners have to date taken no action to temporarily stop development in the District from proceeding. Development continues to be ongoing and in excess of 1,800 building permits have been issued by the City for home development in the Sunridge Specific Plan area. While the Petitioners are very likely to request that the trial court restrain further development pending the outcome of the case in the trial court, such a course of action has not yet occurred.*

Once the case is before the trial court judge, the Petitioners may ask for some sort of injunctive relief prohibiting the further processing of entitlements and possibly ongoing construction as well. It is not 100% clear what the Petitioners will need to do in order to obtain such relief. They may argue that the flaws in the EIR identified by the Supreme Court will require the trial court to issue a peremptory writ of mandate ordering the City to vacate the County Board of Supervisors' 2002 approvals of the Sunridge Specific Plan and the Sunrise Douglas Community Plan. They may also argue that any and all tentative subdivision maps and similar project-level discretionary approvals based on the 2002 EIR should also be vacated. The City and Real Parties, in contrast, are expected to argue that none of these prior approvals should be vacated, and that no new EIR is necessary in light of analysis included in the Sacramento County Water Agency's 2005 Zone 40 Master Plan EIR, and the City's 2006 General Plan EIR. The City and Real Parties are also expected to urge that, because neither the Petitioners nor anyone else challenged any tentative maps or other discretionary approvals based on the 2002 EIR, all ongoing work in reliance on such maps and other approvals may

lawfully proceed. Additionally, to date, the Sacramento County Water Agency has allocated water from the North Vineyard Well Field to all of the City-approved development projects in the Sunridge Specific Plan. Even should the trial court order preparation of a new EIR, however, the City and Real Parties would ask the court not to set aside either the Community Plan or the Specific Plan, because of the severe economic and fiscal harm that would result. In support of such a request, Real Parties intend to submit detailed evidence identifying the financial and property harms that would result. The City and Real Parties liken the court's decision on this issue to the kind of decision courts make when deciding whether to issue a preliminary injunction while litigation is still pending. In such a setting, the Petitioners, to prevail, would have to demonstrate that the balance of harms between preserving the existing environment and the financial and property interests of the developers and landowners tips disproportionately in favor of the Petitioners' interests.

The trial court will also have to consider what further environmental review, if any, to order the City to prepare to satisfy the legal tests articulated by the Supreme Court. If additional environmental review is required, it can take approximately 6-9 months to complete.

Bond Structure. Application of the Special Tax Formula results in the levy of the Special Tax to developed property prior to undeveloped property. Currently, all of the single family land in Zone I and II are designated as Developed Property for purposes of the Special Tax Levy. Nonetheless, pursuant to application of the Special Tax Formula, Maximum Special Taxes on the property within Zone I alone are expected to be sufficient to provide 125% coverage for payment of debt service on the Bonds; accordingly, one can rely upon the debt service obligations for the 2007 Bonds being met solely by property on which development is underway or which is the subject of a final map. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax."

For reasons set forth above, it is currently impossible for the City, the Master Developer or any person, entity or attorney to determine the outcome of the litigation and the impact, if any, on future development in the District. Additional CEQA proceedings required by the trial court may result in delays of development in the various neighborhoods planned or underway in the District. Accordingly, no assurance can be given at this time that development of the property in the District will be completed, or that it will be completed according to the projections of the Master Developer, the City or others as set forth herein, or according to the approvals and entitlements granted by the City or any other governing body.

The value of property in the District could be significantly and materially reduced as a result of the litigation, the ultimate outcome of which could significantly adversely affect the ability of owners of property in the District to develop their property. See "SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation" below. Further, the Special Taxes are not personal obligations of the owners and developers of land in the District, or of any subsequent landowners; the Bonds are secured solely by the Special Taxes, and as such, if the value of property in the District decreases significantly, a property owner can abandon the property and have no personal liability for the Special Taxes attributable to the property, or for any of the Bonds. Accordingly, Bondowners effectively bear the risk and could effectively bear the loss associated with reduced property values. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR" and "SPECIAL RISK FACTORS" herein.

Letter of Credit Applicable to Certain Parcels

In connection with the issuance of the 2007 Bonds, and in response to the litigation (the "**Litigation**") described in the preceding section, the City has required that the owners of parcels (or others) in the District (other than property owned by individual homeowners) (the "**Required Owners**") provide a letter of credit (or cash or other security acceptable to the City) covering approximately three years of debt service on the 2007 Bonds attributable to their parcels in the District that have not been fully developed for so long, in the opinion of the City, as such Litigation may have an adverse effect on the repayment of the 2007 Bonds.

The letter of credit shall be issued for successive one year periods. The Required Owners are required to cause the letter of credit to be renewed extended or replaced annually as of each annual expiration date (the "**Anniversary Date**") for so long as the letter of credit is required to be maintained. The letter of credit shall be required to be maintained until the City has determined that the Litigation is no longer pending and that the effect of such conclusion does not adversely affect repayment of the 2007 Bonds, and thereafter notifies the Required Owners of the allowable termination date. The letter of credit is required to be provided by an institution rated and continuously maintaining a minimum Moody's long-term rating of "A" or higher and short-term rating of "P-1".

Under such letter of credit, the City will have the ability to draw thereon if a Special Tax levied on a parcel to which the letter of credit relates is not paid when due and becomes delinquent. Any moneys received by the City from a draw on a letter of credit shall be forwarded to the Fiscal Agent for deposit in the Special Tax Fund. A draw on the letter of credit does not preclude the City from foreclosing on a parcel which is delinquent in the payment of Special Taxes.

The letter of credit, including any renewals or replacements, shall be in an amount approximately equal to the initial three years debt service on the 2007 Bonds attributable to the parcels in the District that have not been fully developed as evidenced by a final inspection by the city for a completed home or a Certificate of Occupancy from the City for a commercial parcel ("**Final Inspection Parcels**") during the prior year. The initial letter of credit amount is approximately \$2,445,000. The reduction in the letter of credit amount shall be equal to 90% of the Maximum Annual Special Tax for each of the initial three years for each Final Inspection Parcel. At least 60 days prior to each Anniversary Date, the Required Owner shall furnish a list to the City of all Final Inspection Parcels and their associated Maximum Annual Special Tax amounts, along with a calculation of the revised letter of credit amount. The City shall review the Required Owner's calculated revised letter of credit amount and notify the Required Owner of either City's acceptance of the Required Owner's calculation or provide the Required Owner with City's calculation of the revised letter of credit amount and a basis for failing to accept the Required Owner's revised letter of credit amount by not later than 45 days prior to each Anniversary Date.

Wetlands Litigation Regarding Sunridge Specific Plan

In 2004, the Army Corps of Engineers ("**Corps**"), the Fish and Wildlife Service ("**Service**") and the United States Environmental Protection Agency ("**EPA**") issued a "Conceptual Strategy" to guide future development in the Sunrise Douglas Community Plan Area. The Conceptual Strategy identifies a conceptual wetlands avoidance area, planning principles and mitigation ratios for proposed or potential projects in the Sunrise Douglas Community Plan Area. The Conceptual Strategy specifically said it was not binding on the

agencies and actions on Corps permit applications in the Sunrise Douglas Community Plan Area would be made on a case-by-case basis.

On June 7, 2006, Plaintiffs California Native Plant Society, Defenders of Wildlife and Butte Environmental Counsel filed a lawsuit in the United States District Court for the Northern District of California that challenges actions by the Corps, the Service and the EPA that potentially affect some planned development in the approximately 6,000-acre Sunrise Douglas Community Plan Area in the City, including the District.

In November 2006, the plaintiffs moved for a preliminary injunction seeking, among other things, an order setting aside all Section 404 permits issued by the Corps and all Biological Opinions and Incidental Take Statements issued by the Fish & Wildlife Service for various projects within the Sunrise Douglas Community Plan Area, and stopping construction authorized by such permits at those projects. This circumstance could potentially affect development of property in Phase 2 of the District; Phase 1 did not require Section 404 permits for development. In July 2007, the court granted the plaintiffs' motion, effectively suspending the Section 404 permits and preventing any further on-the-ground activity taken in reliance on the applicable Section 404 permits. The land in the Phases 2 and 3 of the District received Section 404 permits in Fall of 2006 and filled the wetlands pursuant to the permits prior to both the court's injunction and the Plaintiffs' amended motion for the injunction (Plaintiffs had filed a previous application for a temporary restraining order and preliminary injunction in October 2006, which the Court denied). Accordingly, Master Developers view the injunction as effectively enjoining action which has already been taken pursuant to permits that were valid and in effect at the time the action was taken.

The Master Developers and their attorneys are uncertain of what effect, if any, the injunction will have on the progress of development in the Phase 2 and 3 of the District, but the injunction could potentially be moot with respect to the District because the permitted and now enjoined actions have been completed. However, the Master Developers are unable to indicate with certainty that continued construction within the District will not be affected by the legal case. See "SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation" below.

Anticipated Development in the District

The Master Developers and Merchant Builders have provided the following information with respect to development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the Development Agreements and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

The Master Developer of Sunridge Park marketed and sold all of the residential property in the District to the Merchant Builders in 2004 (as to Phase I) and 2006 (as to Phase 2). Property in the District is planned to be detached, single-family residential uses incorporating 1,319 single-family residential lots. Projected land uses in the District also includes 5.7 acres as a commercial component and a public use component (including parks and a school site), both of which are not subject to a Special Tax. Home construction is underway and as of July 2007, approximately 99 homes have been sold (closed escrow) to homeowners.

Infrastructure Development. Construction of infrastructure in the District by the Master Developer commenced in 2006, beginning with site grading and construction of drainage facilities. Construction has continued since that time, and the Master Developers project substantial completion of all necessary off-site infrastructure for the District by Summer 2008. Off-site infrastructure sufficient to allow home building and occupancies in Phases I & II are complete. Construction of off-site infrastructure to allow commencement of development of Phase 3 is projected to be completed in 2008. See "THE FACILITIES."

Residential Development. The Master Developer of Sunridge Park Phases 1 & 2 sold all of the single family residential property in the District as super pads (sometimes referred to as "blue top lots") to the Merchant Builders (other than Cresleigh) for home development and sale. See the ownership table below.

Final maps for Phase 1 were recorded during 2006 and final maps for Phase 2 are projected to be recorded by the end of 2007. A tentative map for Phase 3 was approved April 2006. 404 permits were required for Phases 2 and 3 and have been issued to allow development, and permitted work has been completed; however, the validity of the permits has been challenged. See "Wetlands Litigation Regarding Sunridge Specific Plan" above. All of the villages in Phase 1 have completed in-tract subdivision improvements and home construction is underway. Phase 2 improvements are projected to be completed by the end of 2007. The first final map for Phase 3 is expected to be recorded fall 2007. See "Wetlands Litigation Regarding Sunridge Specific Plan" above for information about a potential impediment to development of Phase 3.

Merchant Builder Property

Home construction in Phases 1, 2 and 3 (Zones 1, 2 and 3 in the Special Tax Formula) of the District is planned or underway by the five Merchant Builders. The following table includes a summary of the Merchant Builders currently holding title to land in the District.

Homebuilder or Owner	Residential Units	Maximum Special Tax for FY 2007-08*	Percent of Total Max Tax*
Various Woodside Entities (Woodside Homes)	559*	\$695,836	49.01%
Cresleigh Homes	369	235,185	16.56
Sunridge Park, LP (Kimball Hill Homes)	176*	220,037	15.50
Beazer Homes Holding Corporation	135*	168,778	11.89
Rancho 80 LLC (Syncon Homes)	80*	100,017	7.04
Total - (includes 99 homes sold)	1,319*	\$1,419,853	100.00%

* As of July 26, 2007, 54 homes had been sold by Woodside, 3 by Kimball, 6 by Syncon and 36 by Beazer.

Source: Piper Jaffray & Co., Master Developers, and Goodwin Consulting Group, Inc.

The Merchant Builders have provided the following summaries of their respective plans for residential development in the District. *No assurance can be given that any of the projections will be met. The construction and marketing periods for completion and sale of homes to end-users will be dependent upon completion of infrastructure improvements and market demand.*

Woodside – 559 Lots. Woodside is developing 559 single-family residential lots in Villages 1, 4, 6, 7, 8 and 11 in Phases 1 and 2 in the District (herein, the “**Woodside Lots**”), as shown on approved tentative and final maps. As of July 2007, Woodside had completed all in-tract improvements in Phase 1. In-tract improvements in Phase 2 are expected to be completed by the end of 2007. Construction of the model homes and initial production homes in Phase 1 commenced in June 2006.

Model Homes opened October 2006. Sales of homes to homebuyers commenced in fall 2006, with initial closings to buyers in April 2007 and current closed sales totaling 54 homes. Woodside is offering 23 different home plans in six villages within Sunridge Park. Home sizes range from approximately 1,543 to 3,533 square feet. Current pricing ranges from \$380,000 to \$460,000.

Woodside's projected development plans are summarized as shown below.

Woodside “Bella Brisas” Subdivision (Village 1 & 11)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	69	October 2006	April 2007	1,543 - 2,590	\$310,000 – 420,000
2	46	-	-	1,543 – 2,590	\$310,000 – 420,000

Woodside “Mariposa” Subdivision (Village 4)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	63	October 2006	April 2007	2,567 – 3,130	\$450,000 – 500,000
2	24	-	-	2,567 – 3,130	\$450,000 – 500,000

Woodside “Eclipse” Subdivision (Village 6)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	128	October 2006	April 2007	2,188 – 3,533	\$390,000– 530,000

Woodside “Vistas” Subdivision (Villages 7 & 8)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	215	October 2006	April 2006	2,184 – 3,075	\$380,000 – 460,000
2	14	-	-	2,184 – 3,075	\$380,000 – 460,000

Kimball – 176 Lots An affiliate of Kimball Hill Homes California, Inc., a California corporation is developing 176 single-family residential lots in Villages 2 and 5 in Phases 1 and 2 in the District. All in-tract improvements in Phase 1 were completed in Summer 2006. In-tract improvements in Phase 2 are expected to be completed in Fall 2007. Construction of the model homes and initial production homes began in October 2006.

Sales of homes to homebuyers commenced in September 2006, with initial closings to buyers occurring in May 2007 and three homes sales currently closed. Kimball is offering 10 different home plans in its two subdivisions within Sunridge Park using “Sunridge Park” as their marketing name. Home sizes range from approximately 1,802 to 3,091 square feet. Current pricing ranges from \$315,000 to \$426,000

Kimball's projected development plans are summarized as shown below.

Kimball “Sunridge Park” Subdivision (Village 2)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	71	Jan. 2007	May 2007	1,802 – 3,091	\$315,000 – 426,000
2	8	-	TBD	1,802 – 3,091	\$315,000 – 426,000

Kimball “Sunridge Park” Subdivision (Village 5)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	73	Jan. 2007	May 2007	1,802 – 3,091	\$315,000 – 426,000
2	24	-	TBD	1,802 – 3,091	\$315,000 – 426,000

Beazer – 135 Lots. The property in the planned Villages 9 and 10 in the District is controlled by Beazer and comprises land with tentative and final map approval for development into 135 single-family residential lots. Beazer purchased the property in Phase 1 in March 2004 and in Phase 2 in March 2006. As of July 2007, Beazer had completed all in-tract improvements in Phase 1. Construction of the model homes and initial production homes began in September 2006 in Phase 1.

Sales of homes to homebuyers commenced in September 2006, and initial closings to buyers occurred in April 2007 and 36 homes (in Village 9) currently closed. Beazer is offering four different home plans in its subdivision within Sunridge Park known as Tesoro. Home sizes range from approximately 1,468 to 2,033 square feet. Current pricing ranges from \$319,990 to \$373,990.

Beazer's projected development plans are summarized as shown below.

Beazer "Tesoro" Subdivision (Villages 9 and 10)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	100	Dec. 2006	April. 2007	1,468 – 2,033	\$319,990 – 373,990
2	35	TBD	TBD	TBD	TBD

Syncon – 80 Lots. The property in the District controlled by Syncon Homes consists of 80 single-family residential lots in Village 3 in Phase 1. As of January, 2006, Syncon had completed all in-tract improvements in Village 3. Construction of the three model homes and initial production homes began in Summer, 2006. Model homes opened November 2006.

Initial closings to buyers occurred in May 2007 and 6 homes currently closed. Syncon is offering 5 different home plans in its subdivision within Sunridge Park known as "Bacarra." Home sizes range from approximately 1,855 to 3,323 square feet. Current pricing ranges from \$350,000 to \$500,000.

Syncon's projected development plans are summarized as shown below.

Syncon "Bacarra" Subdivision (Village 3)

Phase	No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
1	80	Nov. 2006	May 2007	1,855-3,323	\$350,000 - 500,000

Cresleigh – 369 Lots. All of the residential property in Phase 3 of the District is controlled by Cresleigh, which plans to develop the land into four villages. Tentative map approval was obtained April 17, 2006. Preliminary grading of the site has occurred and Cresleigh plans to phase final maps for the project and anticipates that the first final map will be approved by Fall 2007. In-tract improvements are expected to begin in Fall 2007. Sales of homes to homebuyers are expected to commence in Spring 2008, with initial closings to buyers occurring in Fall 2008. Cresleigh is expecting to offer over seventeen different home plans in its four subdivisions. Home sizes have not yet been determined but are projected to range from approximately 1,100 to 3,900 square feet. Pricing is undetermined.

Cresleigh's projected development plans are summarized as shown below.

Cresleigh "TBD" Subdivision (Village 1)

Phase	No. of Units	Projected Open Model Homes	Projected Initial Closing	Projected Square Feet	Projected Price Range
3	92	Spring 2008	Fall 2008	2,200	TBD

Cresleigh “TBD” Subdivision (Village 2)

Phase	No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
3	126	Spring 2008	Fall 2008	1,800	TBD

Cresleigh “TBD” Subdivision (Village 3)

Phase	No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
3	76	Spring 2008	Fall 2008	2,900	TBD

Cresleigh “TBD” Subdivision (Village 4)

Phase	No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
3	75	Spring 2008	Fall 2008	1,100	TBD

Master Developer Property

The Master Developer of Sunridge Park currently retains ownership of approximately 5.7 acres designated for commercial development, however the Special Tax Formula provides that such property is exempt from the Special Tax.

Development Agreement

General. The City and Sunridge Park, LLC entered into a Development Agreement for the project dated March 10, 2004 (for Phase 1) and December 19, 2005 (for Phase 2); both were amended in April 2006. The Development Agreement for Cresleigh Lot J, Zone 3 was entered into April 17, 2006 (together, the “**Development Agreements**”) in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through City ordinance. Development of the property in Sunridge Park, Zones 1 & 2 is subject to the Development Agreements as well as the Sunridge Specific Plan. Each Development Agreement creates a binding contract 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 developers in the District for development of the respective property, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development according to the Sunridge Specific Plan entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreements run with the property, and may be modified only by mutual consent of the City and the successors to the original party thereto, and in a manner consistent with the Sunridge Specific Plan. With the Development Agreements in place, subject to compliance with the terms of the Development Agreements, construction of homes 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. Each Development Agreement will be binding on the respective developer as well as the merchant builders and all successor owner-developers of property in the District.

The Development Agreements also set forth the responsibility of the Master Developers and their successors for a portion of the costs of certain public improvements required for its development. Funding of the Facilities with Bond proceeds will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreements. The improvements not funded from Bond proceeds or Special Taxes are the responsibility of the Master Developers. See "THE FACILITIES" below.

Environmental Matters

CEQA Challenge. The adequacy of the environmental impact report ("EIR") for the Sunridge Specific Plan area has been challenged in a lawsuit. The original petition and complaint involved a challenge to the adequacy of the environmental impact report ("EIR") and sought as relief the invalidation of the 2002 approval of the Sunridge Specific Plan by the County. Most, but not all, of the issues arose under the California Environmental Quality Act (Pub. Resources Code, § 2100 et seq.) ("**CEQA**"). The case has proceeded through a trial court and appeals court, both which upheld the EIR. It was next accepted for review by the California Supreme Court, which upon review found that the EIR did not meet required standards and has resulted in a remanding of the case back to the Court of Appeal for further proceedings consistent with the opinion. Further disposition of the case is expected by the end of 2007. See "Litigation Regarding Development in the District" above. No action has been taken to stop development in the Sunridge Specific Plan area from continuing, and to date, construction planned and underway has not been affected by the lawsuit. At this time it is impossible for the City, the Master Developer or any person, entity or attorney to determine the outcome of the impact, if any, of the Supreme Court decision on future development in the Sunridge Specific Plan area. The value of property in the District could be significantly and materially reduced as a result of the litigation. See "SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation" below.

404 Permits. The development of the property in the District will involve impacts to wetlands and streambeds. These impacts are authorized by a Nationwide Permit Authorization under Section 404 of the Clean Water Act (a "**404 Permit**") issued by the U.S. Army Corps of Engineers for all phases of the development. Permits for all phases have been issued by the Corps. The issuance of such permits has been challenged; see "Wetlands Litigation Regarding Sunridge Specific Plan" above.

Jet Fuel Plume Affecting Local Water Supplies. A local water issue was the subject of consideration during the formation process undertaken for the Sunrise Douglas Community Plan and Sunridge Specific Plan. The water issue began in 1999 when the State Department of Health Services indicated it would not allow permits for the construction of housing in the Sunrise-Douglas area, based on the wells proposed for the local project area. Five wells on the former Mather Air Force Base and other nearby areas were contaminated due to past rocket testing and chemical manufacturing by Aerojet and Boeing in the area. In July 2002, the North Vineyard Well Field plan was approved in conjunction with the Specific Plan approval. The water supply plan included the construction of a well field to extract groundwater from the basin of an underlying Zone 40, at a location sufficiently down-gradient to significantly reduce or eliminate the possibility of contamination to the well field by known contaminant plumes.

The Sacramento County Water Agency ("**SCWA**") will provide water supply to the Specific Plan Area and conditions of the Sunridge Specific Plan rezoning require that the SCWA Board of Directors make certain findings regarding the availability of water prior to approval of any tentative map.

As a result of groundwater contamination in the vicinity of the Specific Plan Area, drinking water for the Specific Plan Area will be produced at a proposed well field located in the North Vineyard area near the intersection of Florin and Excelsior Roads. Conditions of approval limit maximum average annual groundwater production at this location to 10,000 acre feet. Analysis of ultimate NVWF production performed for the Specific Plan Area Draft Environmental Impact Report predicts that groundwater elevations in the vicinity of the well field may drop as much as 10 feet as a result of its long term operation. In response to local community concern about the effect of a drop in groundwater elevation on existing private wells, Specific Plan Area owners volunteered to establish a well insurance program funded through development fees and administered by SCWA. Funds from this program will be used to offset the cost of well rehabilitation or replacement in the vicinity of the proposed NVWF. Sun Ridge LLC and SCWA have entered into an agreement which defines the terms and conditions for establishing and administering this program. Of note are the following:

- Parcels within a two mile radius of the NVWF will be eligible for the program.
- Property owners will receive written notification of the program and will have 90 days to register existing wells.
- Property owners may receive up to \$13,600 per well for repair or replacement costs.
- The initial fee for this program is \$400 per equivalent dwelling unit (“edu”) based on estimates of the number of eligible wells, costs of replacement and costs of program administration.
- Specific Plan Area owners provided SCWA with \$400,000 for initial program funding.
- Maximum reimbursement and fees will be indexed to an annual Construction Cost Index.

Water Supply Assessment. Recent laws enacted by the State have modified the California Water Code to require certain actions that provide coordination between land use lead agencies and public water purveyors in order to assure that planned water supplies are adequate to meet existing demands and the demands of development. As the responsible water purveyor, SCWA is required to provide the County with a Water Supply Assessment (“**WSA**”) for the proposed Sunridge Park and Lot J subdivisions. The WSA must verify that planned SCWA water supplies are sufficient to meet the demands of the project in addition to the existing and projected water supply obligations of the SCWA. The SCWA has met that requirement by submission of a WSA prepared by Montgomery Watson Harza which identifies the proposed North Vineyard Well Field as the source of an adequate supply of water for Sunridge Park and Lot J. Referencing relevant documents, including the SCWA 2000 Urban Water Management Plan, the 1995 Zone 40 Mater Plan Update, the Water Forum Agreement, it describes the conjunctive use water supply plan which will be used to meet future development demands in Zone 40 and the development constraints imposed by General Plan Policy CO-20 (described below).

General Plan Policy CO-20. Sacramento County General Plan Policy CP-20, adopted in 1993, prohibits granting entitlements in specific General Plan Urban Growth Areas unless agreements and financing for supplemental [non-groundwater] water supplies are in place. The number of edu’s available for approval in said Urban Growth Areas is based on the supplemental water supplies acquired and the number of existing entitlements. Under the current total CO-20 entitlement limit of 12,300 equivalent dwelling units, there are sufficient edu’s for the District.

North Vineyard Well Field Water Allocation. As a result of groundwater contamination in the vicinity of the Specific Plan Area, drinking water for the Specific Plan Area is proposed to be

produced at a well field located in the North Vineyard area near the intersection of Florin and Excelsior Roads. Tentative maps in the Specific Plan Area cannot be approved unless the SCWA Board of Directors finds that groundwater production required from the proposed NVWF to meet the water demands of the proposed tentative map area will not cause:

1. The annual average production from the NVWF to exceed 10,000 acre feet;
2. The local groundwater elevation to fall more than ten feet as a result of long term NVWF operation;
3. A significant effect on groundwater contaminant movement.

The proposed NVWF and other water facilities required to serve the District have been completed. Project level environmental documentation and an agreement between SCWA and Specific Plan Area owners has been entered into; construction of these facilities has been completed.

Conditions of the development approvals require that the SCWA Board of Directors “allocate” water from the proposed NVWF to any proposed tentative map area as a condition of its approval, but allocation at this time may be interpreted as predetermining the outcome of the project level environment document.

Water Supply Effect on Development. In contemplation of sale and development of the property in the District, certain developers engaged the preparation of a Phase 1 Environmental Site Assessment (the “**Environmental Assessment Report**”) by Wallace Kuhl & Associates, West Sacramento, California (the “**Environmental Consultant**”). In the report, the Environmental Consultant concluded that it did not believe that the regional ground water contamination is an issue for the property since on-site development will most likely be supplied potable water by the Sacramento County Water Maintenance District, an Agency that will be charged with the responsibility of providing clean potable water. The Developer will provide the alternate source, as discussed above.

The Environmental Assessment Report also indicated in its conclusion that: “the identified ground water contamination is highly unlikely to be a hazardous materials threat to future occupants of commercial and residential development on the subject property, based on the low to moderate concentrations of ground water contaminants, the large depth to first ground water beneath the property, the underlying lithology, the fact that the property will be connected to a municipal water supplier (as opposed to operating an on-site water supply well), and because the California Department of Toxic Substances Control has apparently concluded that solvent vapors potentially migrating off of the contaminated ground water is unlikely to occur, resulting in negligible potential health risk to future occupants of developed sites in the subject area.”

The Environmental Assessment Report indicates that it was prepared according to workscope items of which were performed in conformance with the scope and limitations of ASTM Standard Practice E 1527-00 for the property and that the Environmental Consultant made no exceptions to, or deletions from, the Standard Practice with respect to the selected updating workscope items. The Environmental Assessment Report generally concluded as follows: “This Assessment has revealed no evidence of Recognized Environmental Conditions in connection with the subject property except for the recommendations to implement policy and planning mitigations as discussed above with respect to future potable water supply. The

drilling of new water supply wells is also prohibited by the Department of Health Services within at least some or perhaps all of the Sunrise Douglas Specific Plan area (reference the *Technical Memorandum* by ENSR dated December 2000).” Further information from the report can be obtained from the Developer.

Flood Hazard Map Information. The District is located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. This information is according to the Federal Emergency Management Agency Flood Map, Community Panel No. 060262-0330D, revised July 6, 1998.

Seismic Conditions. According to the Seismic Safety Commission, the District is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the District is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

Utilities

Public utilities, including electricity, natural gas, water, and telephone service, are available at the perimeter of the District and will be extended as site development is completed, including in connection with construction of the Facilities. The public utilities and other services that will serve the District include the following.

<i>Water:</i>	Sacramento County Water Agency
<i>Sewer:</i>	Sacramento County Sanitation District No. 1
<i>Drainage:</i>	County of Sacramento
<i>Electricity:</i>	Sacramento Municipal Utility District
<i>Gas:</i>	Pacific Gas & Electric Co.
<i>Telephone:</i>	AT&T
<i>School District:</i>	Elk Grove Unified School District
<i>Fire District:</i>	Sacramento Metro Fire District

THE FACILITIES

The proceeds of the 2007 Bonds will finance a portion of the cost of the public improvements eligible to be financed with the proceeds of the 2007 Bonds (the “**Facilities**,” as described below). Construction of the Facilities (as described below), is required for development within the District to be completed. 2007 Bond proceeds will fund some, but not all of the Facilities and Additional Bonds are expected to be issued in the future to fund additional Facilities.

Eligible Facilities

The Facilities eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the “CFD Hearing Report”) dated July 19, 2004 prepared by Goodwin Consulting Group, Inc., Sacramento, California, in connection with the formation of the District and were amended April 2, 2007.

The eligible Facilities authorized are described in the CFD Hearing Report and generally consist of roadway improvements, including roadway design, project management, grading, and

construction of roadways, including curbs, gutters, sidewalks, pavement, street lighting, dry utilities, soundwalls and landscaping, as well as drainage facilities, park improvements and other miscellaneous improvements. Authorized Facilities also include joint trench utilities, sanitary sewer facilities, water facilities and other capital improvements for which developer impact fees are payable to the City pursuant to the Sunridge Specific Plan for development within the District, as well as incidental expenses as authorized by the Act.

Estimated Cost of the Facilities

The total estimated construction cost of the Facilities, as estimated by the Master Developers, is approximately \$23 million. Approximately \$12 million of the total is projected to be financed by the 2007 Bonds. The remaining backbone infrastructure costs are anticipated to be funded by monies of the Master Developers, a portion of which will be reimbursed from the “pay-as-you-go” component of the Special Taxes, and by Additional Bonds. As of July 2007 approximately \$12 million of the estimated \$23 million cost of the Facilities has been expended.

Construction of the Facilities commenced under the direction of Sunridge Park, LLC and is complete for Phase I development which included the construction of, among other things: roads, joint trenches, underground work, sewer and water lines. Sunridge Park, LLC is a California Limited Liability Company comprised of River West Investments, Inc. (“**River West**”) and Woodside Homes. River West is a California Corporation, based out of Sacramento, which specializes in real estate management and investment. Founded in 1986, River West has brought into creation more than 29,000 acres of land with residential, commercial, office and industrial uses.

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, comprised of Special Taxes collected in excess of the amount needed for debt service on bonds and administrative expenses. The pay-as-you-go funding component will provide for funding of the cost of the Facilities in excess of the amount provided from Bond proceeds. The City and the Developer have agreed that for 10 years following the initial bond sale for the District, the Maximum Annual Special Tax will be levied for all Taxable Parcels and Annual Costs during this period will include the maximum amount which may be levied for pay-as-you-go expenditure reimbursement to the Developer for Authorized Facilities not financed from proceeds of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” and “ – Special Tax Fund.”

Construction and Acquisition of the Facilities and Payment of Fees

Pursuant to the arrangement between the Master Developers and the Merchant Builders, the Merchant Builders are responsible for all in-tract development costs, while the Master Developers are responsible for all off-site and major infrastructure costs. Construction of the Facilities commenced in Spring of 2006 in Sunridge Park. The fees portion of the Facilities are paid as homebuilding activity progresses.

In connection with the issuance of the Bonds, the City, Sunridge Park, LLC and Cresleigh Homes Corporation will enter into a Funding, Construction and Acquisition Agreement (the “**Acquisition Agreement**”) which provides that the Master Developers will design and construct (or cause to be constructed or funded) the portion of the Facilities consisting of roadways and related facilities and will pay for certain development-related fees, and the City, upon completion of construction of a portion of the Facilities, will purchase the Facilities. Upon

completion of obligations and the Facilities and acceptance by the City, proceeds of the Bonds will be used to pay a portion of the purchase price of the Facilities and for certain development-related fees pursuant to the terms of the Acquisition Agreement. The Master Developers will be responsible for the portion of the cost of construction of the Facilities and for certain development-related fees not paid with bond proceeds. The Special Tax Formula provides that the funding of Facility costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes as described above and the maximum annual Special Tax has been levied on Zone I and II property in the District since 2004. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Certain of the Facilities include: (i) certain park and recreation facilities to be owned by the Cordova Recreation and Park District; (ii) certain water facilities to be owned by the Sacramento County Water Agency; and (iii) certain sanitary sewer facilities to be owned by the County Sanitation District 1 of Sacramento County. As to each entity, the City has entered into a separate Joint Community Facilities Agreement which provides that if such applicable facilities are constructed in accordance with required specifications and standards, each entity will accept such facilities for operation and maintenance and the City will pay for such acquisition costs under appropriate conditions and subject to acquisition terms agreed upon by the City and the Developer.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the present single owner or any subsequent owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such 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 2007 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 2007 Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Master Developers and the Merchant Builders have provided the information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the Master Developers and the Merchant Builders or of any subsequent landowners; the 2007 Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

Ownership or control of property in the District subject to the Special Tax as of July 2007 is summarized as follows:

Homebuilder or Owner	Residential Units	Maximum Special Tax for FY 2007-08*	Percent of Total Max Tax*
Various Woodside Entities (Woodside Homes)	559*	\$695,836	49.01%
Cresleigh Homes	369	235,185	16.56
Sunridge Park, LP (Kimball Hill Homes)	176*	220,037	15.50
Beazer Homes Holding Corporation	135*	168,778	11.89
Rancho 80 LLC (Syncon Homes)	80*	100,017	7.04
Total	1,319	\$1,419,853	100.00%

* As of July 26, 2007, 54 homes had been sold by Woodside, 3 by Kimball, 6 by Syncon and 36 by Beazer.

Source: Piper Jaffray & Co., Master Developers, and Goodwin Consulting Group, Inc.

Woodside. A portion of the property in the District is controlled by Woodside Homes of Northern California, Inc., a California corporation, or its affiliates through single purpose entities formed for each of its development projects in the District. Woodside is a subsidiary of the privately held Woodside Group Inc., a Nevada corporation headquartered in Salt Lake City, Utah. Founded in 1977, Woodside Group Inc. now has divisions in Arizona, Nevada, California, Minnesota, Florida, Virginia, Maryland, Colorado, Texas, and Utah. Information on Woodside Group, Inc. can be found on the internet at its website location, www.woodsidegroupinc.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate or out of date and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Kimball. A portion of the property in the District is owned by Sunridge Park, LP, an affiliate of Kimball Hill Homes California, Inc., a California corporation. Its privately held corporate affiliate Kimball Hill, Inc. was founded in 1969 and reports that it is the 22nd largest homebuilder in the U.S, having completed over 40,000 single-family homes, multi-family residential communities and commercial properties. The company is headquartered in Rolling Meadows, Illinois. The company is controlled by the Hill family and builds in the Chicago area (its original location) and in California, Florida, Nevada, Ohio, Oregon, Texas, Washington and Wisconsin. Additional information about Kimball can be found on the internet at its website location, www.kimballhillhomes.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate or out of date and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Beazer. The property in the planned Villages 9 and 10 in the District is controlled by Beazer Homes Holdings Corp. is a Delaware corporation (“**Beazer Homes Holdings**”) doing business as Beazer Homes Northern California (“**Beazer Homes**”) and a subsidiary of Beazer Homes USA, Inc., a Delaware corporation (“**Beazer Homes USA**”). Beazer Homes USA, Inc., headquartered in Atlanta, Georgia, is one of the nation’s largest geographically diversified homebuilders. Beazer Homes USA, which has been doing business in the United States since 1985, currently builds in over 40 markets in the Southeast, Mid-Atlantic, Midwest, West and Central United States. Beazer Homes USA is a publicly traded company and is listed on the New York Stock Exchange under the symbol “BHZ.” Beazer Homes has an internet home page located at www.beazer.com, which includes an investor information section. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on*

the website is a part of this Official Statement or incorporated into this Official Statement by reference. Beazer entities also provide mortgage origination, title and insurance services to its homebuyers. Beazer Homes has been building homes in the Sacramento area since 1995. Additional information about Beazer can be found on the internet at its website location, www.beazer.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate or out of date and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Syncon. A portion of the property in the District is owned by Rancho 80, LLC, managed by Syncon Homes of California, a California corporation ("**Syncon**"). Syncon Homes is a family company owned by Chip Hanly, Brian Hanly, and Donnie Hanly. Chip Hanly has been in the residential and commercial real estate business with operations on the central coast of California since the 1970's and northern Nevada since mid 1980's. Brian and Chip founded Syncon Nevada in 1995 and Brian and Donnie founded Syncon California in 1998. All are still active in the company. Current office locations are in Northern Nevada (Minden and Reno), Northern California (Roseville), the Central Valley (Lathrop), Central Coast (Solvang) and in Scottsdale, Arizona. The company currently has several active projects in California and Nevada. Additional information about Syncon can be found on the internet at its website location, www.synconhomes.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate or out of date and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Cresleigh. Cresleigh Homes Corporation, a California corporation is based in San Francisco and has been building homes in Northern California since 1990. Additional information about Cresleigh can be found on the internet at its website location, www.cresleigh.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate or out of date and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. The City ordered preparation of an appraisal report dated July 6, 2007 of the estimated value of the taxable land within the District as of a June 20, 2007 date of value. The appraisal report and update letter are collectively referred to herein as the "**Appraisal**". The Appraisal was prepared by Seevers Jordan Ziegenmeyer, Rocklin, California (the "**Appraiser**"). The Appraisal (without the Addenda) is set forth 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 complete Appraisal is on file with the City and is available for public inspection at the City offices at 2729 Prospect Park Drive, Rancho Cordova, California, 95670 or from Piper Jaffray & Co. at 345 California Street, Suite 2200, San Francisco California, 94104. The conclusions reached in the Appraisal are subject to certain assumptions, conditions and qualifications which are set forth in the Appraisal.

Value Estimates. The appraised valuation excludes the value of all portions of the property in the District designated for public and quasi public purposes in the Sunridge Specific

Plan and assumes completion only of infrastructure funded by the 2007 Bonds and accounts for the impact of the lien of the Special Tax. The following estimates represent the hypothetical market values for the property to be subject to the Special Tax, assuming all improvements to be financed by the 2007 Bonds are in place and available for use. While several homes were either been completed or are currently under construction as of the date of the Appraisal, the contributory value of the improvements was not included and therefore, in estimating the hypothetical market values of the property in the District, the Appraiser only considered the value of the underlying land. The value estimate for the property as of the June 20, 2007 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, is \$140,430,000, summarized as follows.

Various Woodside Entities (Woodside Homes)	\$67,050,000
Sunridge Park, LP (Kimball Hill Homes)	21,450,000
Rancho 80 LLC (Syncon Homes)	10,250,000
Beazer Homes Holding Corporation	15,470,000
Cresleigh Homes	<u>26,210,000</u>
TOTAL - Cumulative Value	\$140,430,000

The Merchant Builders report that as of July 26, 2007 99 homes in the District had been sold to individual homeowners.

The estimate of market value was derived by both ownership and land use and estimates the hypothetical market values of the subject properties under the assumption the improvements to be financed by the Bonds are in place. The appraisal methodologies for each value are set forth below.

Aggregate Value. The sum of the market values, by ownership, comprising all the land components within the boundaries of the District. 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 certain parcels within the District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The estimate of market value in the Appraisal reflects the value of the individual components, single-family residential, multifamily residential and commercial, comprising the subject properties. The sum of the specific values indicates the aggregate, or cumulative, value of the components cited, which is not equivalent to the market value of the property in the District as a whole

The estimates of hypothetical market value are representative of the individual components by ownership. The sum of the component values represents the aggregate, or cumulative, value of the components, which is not equivalent to the market value of the District as a whole.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, including, among others, the following.

- The valuation assumes completion of the Facilities funded by the 2007 Bonds (but not any Additional Bonds) and accounts for the impact of the lien of the Special Tax securing the 2007 Bonds.

- The values derived were directly tied to the subdivision maps provided by the property owners. Any significant change in the number or size of the new parcels could affect the value. It was assumed the property will be subdivided as represented by the developers. If, at some future date, alternate mapping or phasing of the subject properties is implemented, there will necessarily be a direct impact on value.

- Because the Appraisal set forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

- The value estimates assume that each 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 each acting prudently, knowledgeably, for their own self interest, and assuming that neither is under undue stress.

- The valuation analysis is based on developer-provided site development cost projections for the subject properties. In comparing these costs with the in-tract costs for other residential developments, the Appraiser noted it appeared the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the values concluded.

- The valuation analysis did not include review of a current title report of all properties to determine any possible conditions of title affecting the properties appraised. The Appraiser accepts no responsibility for matters pertaining to title.

- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events involving hazardous material reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "SPECIAL RISK FACTORS — Future Land Use Regulations and Growth Control Initiatives" and "— Hazardous Substances" below. See "APPENDIX B — THE APPRAISAL" hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

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 foregoing valuation can or will be maintained during the period of time that the 2007 Bonds are outstanding in that the Utility District 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 "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 value, subject to the Special Tax lien, of all taxable property within the District to be \$140,430,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Exhibit B hereto.) The principal amount of the 2007 Bonds is \$13,485,000. Consequently, the estimated cumulative bulk sale value, subject to the Special Tax lien, of the real property within the District, is approximately 10.4 times the principal amount of the 2007 Bonds.

City of Rancho Cordova Sunridge Park Community Facilities District No. 2004-1 Value-to-Lien Per Major Property Owner

Zone	District Annual Max. Special Tax ⁽¹⁾	Percentage of Total Spec. Tax	Total Bonded Debt Lien ⁽²⁾	Appraised Value	Value to Lien
Various Woodside Entities (Woodside Homes)	\$695,836	49.01%	\$6,765,106	\$67,050,000	9.91
Cresleigh Homes	235,185	16.56	2,286,536	26,210,000	11.46
Sunridge Park, LP (Kimball Hill Homes)	220,037	15.50	2,139,257	21,450,000	10.03
Beazer Homes Holding Corporation	168,778	11.89	1,640,908	15,470,000	9.43
Rancho 80 LLC (Syncon Homes)	100,017	7.04	972,390	10,250,000	10.54
TOTAL	\$1,419,853	100.00%	\$13,804,197	\$140,430,000	10.17

(1) Maximum Special Tax based on 2007/08 tax rates. Taxes do not net out CFD buffer as detailed in the OS.

(2) Bonded Lien based on property owner's percentage of Maximum Special Tax. Total includes Elk Grove Unified School District bonded debt.

Source: Piper Jaffray & Co.

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 purpose would be to finance additional regional or local public improvements or services. 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 Developer or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be in a junior position to the lien of the Special Tax.

Priority of Lien

The principal of and interest on the 2007 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 Mello-Roos 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 Mello-Roos 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 subject to a school tax in the approximate amount of \$200 per single-family home per year, and a park and landscape maintenance special tax in the amount of approximately \$300 per single family lot. The police services tax and the park and landscape maintenance special tax are subject to annual adjustments for inflation. There is a road maintenance assessment in place for Zones 1 & 2 of approximately \$175 and it is anticipated that a roadway maintenance assessment will be applicable to single-family homes in Zone 3. The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax).

There can be no assurance that the Merchant Builders or other owners of property in 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, 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 California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Set forth below is a statement of direct and overlapping public bonded debt (the "Overlapping Debt Report") prepared by California Municipal Statistics, Inc. as of July 15, 2007. The Overlapping Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Overlapping Debt Report is included for general informational purposes only. Neither the City nor the District makes any representation as to its completeness or accuracy.

The first column in the table names each public agency which has outstanding bonded debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the assessed value of the area common to the District and the other public agency (overlapping territory), as a percentage of the total assessed value of the other public agency. This percentage, multiplied by the total outstanding bonded debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**City of Rancho Cordova
Sunridge Park Area Community Facilities District No. 2004-1
Direct and Overlapping Indebtedness**

2006-07 Local Secured Assessed Valuation: \$63,397,246

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/15/07</u>
Los Rios Community College District	0.043%	\$ 67,817
Elk Grove Unified School District Community Facilities District No. 1	0.225	319,197
City of Rancho Cordova Community Facilities District No. 2004-1	100.	- (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$387,014</u>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	0.055%	\$ 199,517
Sacramento County Pension Obligations	0.055	519,730
Sacramento County Board of Education Certificates of Participation	0.055	6,743
Los Rios Community College District Certificates of Participation	0.046	3,245
City of Rancho Cordova Certificates of Participation	1.077	289,336
Sacramento Metropolitan Fire Pension Obligations	0.123	<u>83,909</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$1,102,480
Less: Sacramento County self-supporting obligations		<u>4,285</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$1,098,195
 GROSS COMBINED TOTAL DEBT		 \$1,489,494 (2)
NET COMBINED TOTAL DEBT		\$1,485,209

(1) Excludes Mello-Roos Act bonds to be sold.

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

Ratios to 2006-07 Local Secured Assessed Valuation:

Direct Debt.....	-	%
Total Direct and Overlapping Tax and Assessment Debt.....	0.61%	
Gross Combined Total Debt.....	2.35%	
Net Combined Total Debt.....	2.34%	

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics.

SPECIAL RISK FACTORS

General

The Special Taxes, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties in the District on the regular property tax bills sent to owners of such properties. Such Special Taxes are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Taxes due will be in aggregate amounts equal to debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Special Taxes" herein. Payments of Special Taxes made by the owners of parcels will be applied on a pro-rata basis to all Bonds and payment of less than the full amount of Special Taxes due could result in a lesser amount being applied to the Bonds. It should also be noted that 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.

In the event of delinquency, proceedings may be conducted only against the real property securing the delinquent Special Taxes. Thus, the value of the real property within the District is a critical factor in determining the investment quality of the Bonds. The unpaid Special Taxes are not required to be paid upon sale of property within the District. There is no assurance the owners will be able to pay the Special Taxes or that they shall pay such installments even though financially able to do so. See "Owners Not Obligated to Pay Bonds or Special Taxes" below.

In order to pay debt service on the Bonds, it is necessary that unpaid Special Taxes levied on land within the District are paid in a timely manner. Should the Special Taxes not be paid on time, the City has established a Reserve Fund from the proceeds of the Bonds to cover delinquencies. The Special Taxes are secured by a lien on the parcels within the District and the City has covenanted in certain circumstances to institute foreclosure proceedings to sell parcels with delinquent installments for amounts sufficient to cover such delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay Special Taxes when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Special Taxes levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds and Owners of the Bonds would therefore be adversely affected.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance the owners shall be able to pay the Special Taxes or that they shall pay such installments even though financially able to do so.

Owners Not Obligated to Pay Bonds or Special Taxes

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such Special Taxes. An owner may elect to not pay the

Special Taxes when due and cannot be legally compelled to do so. If an owner decides it is not economically feasible to develop or to continue owning its property encumbered by the lien of the Special Taxes, or decides that for any other reason it does not want to retain title to the property, such owner may choose not to pay Special Taxes and to allow the property to be foreclosed. Such a choice may be made due to a decrease in the market value of the property, or for other reasons. A foreclosure of the property will result in such owner's interest in the property being transferred to another party. Neither the City nor any Owner of the Bonds will have the ability at any time to seek payment from the owners of property within the District of any Special Taxes or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

Absence of Secondary Market for the 2007 Bonds

No application has been made for a credit rating for the 2007 Bonds. There can be no assurance that there will ever be a secondary market for purchase or sale of the 2007 Bonds, or, if a secondary market exists, that the 2007 Bonds can be sold for any particular price. From time to time there may be no market for the 2007 Bonds, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, the financial condition and results of operations of the Developer or future property owners and tenants, and the value of the parcels in the District. The 2007 Bonds should therefore be considered long-term investments in which funds are committed to maturity, subject to redemption prior to maturity as described herein.

Bankruptcy and Foreclosure

The payment of Special Taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Taxes, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to lengthy local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2007 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner, or anyone else who claims an interest in the property, could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Special Taxes 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. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns property in the District with significant assessments or if bankruptcy proceedings are instituted with respect to a number of owners owning property in the District with significant Special Taxes, may result in Special Tax collections which may be insufficient to pay the debt service on the Bonds as it comes due. Further, should remedies be exercised under the bankruptcy law against property in the District, payment of Special Taxes may be subordinated to bankruptcy law priorities. Therefore, certain

claims may have priority over the Special Tax lien, even though they would not were the bankruptcy law not applicable.

Limited Availability of Funds to Pay Delinquent Special Taxes

The City will establish a Reserve Fund to be held by the Fiscal Agent and deposit and maintain therein a portion of 2007 Bond proceeds in the amount of the Reserve Requirement set forth in the Fiscal Agent Agreement. As discussed in "THE 2007 BONDS - Establishment of Special Funds and Accounts" herein, if a delinquency occurs in the Redemption Fund, the Fiscal Agent will transfer into the Redemption Fund an amount from the Reserve Fund needed to pay debt service on the Bonds. There is no assurance that the balance in the Reserve Fund will always be adequate to pay the debt service on the Bonds in the event of delinquent Special Taxes. If there are additional delinquencies after depletion of the Reserve Fund, the City has no direct or contingent liability for payment of the Bonds in the event of default in the payment of Special Taxes but does have the duty to cause to be undertaken judicial foreclosure as covenanted in the Fiscal Agent Agreement. See "Collection of Special Taxes" below. If, during the period of delinquency, there are insufficient funds in the Reserve Fund to pay delinquent installments, a delay may occur in payments to the owners of the 2007 Bonds.

Collection of Special Taxes

The Special Taxes are to be collected in the same manner as ordinary ad valorem real property taxes are collected and, except as provided in the special covenant for foreclosure described herein and in the Mello-Roos Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem real property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property may sold to recover amounts due.

Pursuant to the Mello-Roos Act, in the event of any delinquency in the payment of the Special Taxes occurs, the City may commence an action in superior court to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. There can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid a delay in payments of debt service on the Bonds. The City has covenanted for the benefit of the owners of the Bonds that under certain circumstances, the City will commence an action in the superior court to foreclose the lien of the delinquent Special Taxes against each parcel of land in the District for which such installment has been billed but has not been paid, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. In the event that sales or foreclosures of property are necessary, there could be a delay in payments to holders of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the other sources of payment for the Bonds, as set forth in the Fiscal Agent Agreement, are depleted. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure" and "RISK FACTORS - Bankruptcy and Foreclosure" herein.

Concentration of Property Ownership

A substantial portion of the property within the District is currently owned or controlled by a limited number of owners. Until further sales of property in the District occurs, all of the unpaid Special Taxes which secure the Bonds are payable only by such property owner. Financial difficulties experienced by an owner of property could result in a failure of that owner to pay Special Taxes when due, and therefore result in the possible total depletion of the Reserve Fund prior to reimbursement from the resale of property or delinquency redemptions. See "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICT" above.

Construction Delays and Other Factors Which May Affect Land Development and Property Value

Many factors could prevent or delay the development or sale of the property within the District. The proposed development in the District as well as the property value may be affected by changes in the general economic conditions, fluctuations in the real estate market, and other factors. These factors among other things may have the effect of prohibiting or limiting development or may cause substantial delays in the timing of development. Development restrictions or delays may affect the economic feasibility of the project and result in the developer limiting or abandoning development which in turn may limit or make unavailable moneys for payment of the Special Taxes.

Land Values

The value of land within the District is an important factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of Special Taxes, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent Special Taxes.

The Appraisal summarizes the Appraiser's opinion with respect to the current value of the land within the District. The Appraisal should be read in its entirety for an explanation of the Appraiser's methodology and the assumptions underlying and the conditions limiting the valuation conclusions of the Appraiser.

Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. The actual value of the property within the District is subject to future events which might render invalid the basic assumptions of the Appraiser that the property within the District can be sold or developed and absorbed. Many factors could prevent or delay the development or sale of the property within the District. Additionally, development in the District may be negatively affected by changes in general conditions, fluctuations in the real estate market and other factors.

Current Market Conditions. Over the past year, a number of public home builders with significant operations in the Northern California housing market have reported weakened new home market conditions nationally in SEC filings. In general, reported contributing factors to the weakening new home market include: (i) lower demand for new homes, (ii) significant increases in cancellation rates, (iii) speculators exiting the new home market, (iv) increases in the supply of new and existing homes available to be purchased, (v) increases in competition for new home orders, (vi) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment, and (vii) higher incentives required to stimulate

new home orders and maintain homes under contract. Worsening housing market conditions may affect (i) the ability of the Merchant Builders to sell the homes planned within the District, and (ii) the value of the property within the District.

In the opinion of some economists, the significant increase in home prices from 2003 to 2006 were driven, in part, by the ability of home purchasers to obtain adjustable rate loans, as well as loans up to the full value of the home, in some cases with minimal documentation of purchaser income qualification. These economists predict that, in the event interest rates on more conventional loans increase and as the interest rates on adjustable rate loans are reset at higher rates (and payments are increased), there will be a decrease in home prices due to the fact that fewer borrowers will be able to qualify for adjustable rate loans or conventional loans. See also "Increased Risk of Mortgage Default" below.

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 California, may be subject to earthquakes or other unpredictable seismic activity.

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.

There is no requirement that any owner of property in the District carry hazard insurance. Even if insurance is carried, certain types of losses (generally of a catastrophic nature, such as earthquakes, floods, wars or acts of God) may be either uninsurable or not economically insurable and are often not covered. Should an uninsured loss occur or should insurance proceeds be unavailable to the property owner, the ability of a property owner to pay the Special Taxes securing the Bonds could be jeopardized.

Seismic Risk. All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Special Studies Zone Act of 1972 (the "1972 Act") was enacted by the State of California to regulate development near active earthquake faults. The 1972 Act required the State Geologist to delineate "special studies zones" along known active faults in California. Cities and Counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting. The District is not located in a seismic special studies zone.

Increased Risk of Mortgage Default

During calendar years 2003 through 2006, many persons financed the purchase of new homes using mortgage loans that featured adjustable interest rates and "creative" loan structures, such as interest only payments, negative amortization of principal, and introductory "teaser" rates. Interest only payments on loans allow the borrower to pay interest only for an

initial period (e.g., five years), and negative amortization of principal results in lower monthly mortgage payments, but an increasing mortgage loan balance. Teaser rates are mortgage interest rates that start low and are subject to being reset at higher rates on a specified date or upon the occurrence of specified conditions.

Some economists predict that, in the event interest rates on more conventional loans increase and as the interest rates on adjustable rate loans are reset at higher rates (and payments are increased), there will be a decrease in home prices. In the event that land values in the District decrease, homeowners in the District with adjustable loans and limited economic resources may be unable or unwilling to pay higher mortgage payments as well as Special Tax and ad valorem tax payments when due. Some financial studies predict that, nationwide, mortgage loans with teaser rates will experience significant resets from May 2007 through October 2008, resulting in higher levels of mortgage payments.

Some borrowers who purchased homes with adjustable rate loans may refinance before the interest reset date to obtain loans with fixed interest rates. However, other borrowers who purchased homes in recent years may not be able to access replacement financing for their adjustable rate mortgage loans for a number of reasons. Recent news accounts indicate that many borrowers in recent years have financed 100% of the price of their home with adjustable rate loans. In the event there is a decline in home value such borrowers may not be able to obtain replacement financing because outstanding loan balances exceed the value of their homes. Additionally, according to recent articles in the financial press, there may be a tightening of underwriting criteria for mortgage loans, such that lenders may no longer offer 100% financing or other creative mortgage structures. Regulatory changes or changes in standards of practice in the mortgage lending industry could also create requirements of stricter income verification, higher income to loan ratios, higher credit ratings, or some combination of such credit factors. In the event borrowers experience a decline in income or an increase in mortgage interest rates, or both, taxpayers may be less able to pay their special tax payments when due.

Homeowners in the District who purchased their homes with adjustable rate loans may experience difficulty in making their loan payments and paying the Special Taxes levied on their property. This would result in an increase in the Special Tax delinquency rate in the District and possible depletion of the Bond Reserve Fund. If there were significant delinquencies in Special Tax collections in the District and the Bond Reserve Fund was depleted, there could be a default in the payment of principal of and interest on the 2007 Bonds. In the event the owners of property within a community facilities district experience a decline in income or an increase in mortgage interest rates, or both, they may be less able to pay their special tax payments when due.

Some economists also report recent increases in recorded notices of default on home mortgage loans in California. The filing of a notice of default reflects the failure of a homeowner to pay mortgage loan payments in a timely manner for a certain period of time, usually three consecutive months. If home prices decline in the future, the number of notices of default may increase due to decreased home equity. It has been estimated that, historically, up to 95% of the notices of default filed on mortgage loans are filed within the first three years after the origination of such loans. Given that all of mortgage loans in the District were originated within the past three years, the level of mortgage loan defaults and Special Tax delinquencies with respect to Developed Parcels in the District may increase in the future.

Risk of Delay or Termination of Development Resulting From Litigation

The value of land within the District is an important factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of Special Taxes, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent Special Taxes. *The value of property in the District could be significantly and materially reduced as a result of litigation currently pending, the outcome of which could significantly adversely affect the ability of owners of property in the District to develop their property.*

The District is located within the Sunrise Douglas Community Plan and the Sunridge Specific Plan area. Development within those areas has been challenged in a legal case, which has proceeded through trial court and court of appeals proceedings and is currently under review by the Supreme Court of the State of California, as described above under the caption "THE DISTRICT - Litigation Regarding Development in the District." Because of the litigation, the City and the owners of property in the District cannot assure that development in the District will proceed as planned by the Merchant Builder or as contemplated in maps, entitlements and approvals received by the Merchant Builder or other property owners. Construction in the District continues to be underway and has not been stopped as a result of the litigation, however there is presently no certainty as to if, when and/or in what manner development in the District could be affected in the future. FUTURE DELAYS, RESTRAINTS OR OTHER IMPACTS ON OR LIMITATIONS TO DEVELOPMENT IN THE DISTRICT AS A RESULT OF THE PENDING LITIGATION MAY SIGNIFICANTLY AFFECT THE VALUE OF PROPERTY IN THE DISTRICT.

In considering a purchase of Bonds prospective purchasers should consider that the actual value of the property in the District is subject to the outcome of the litigation, which is a significant future event having the potential to render invalid the basic assumptions, including but not limited to assumptions as to development, saleability and absorption of the property in the District, used by the Appraiser to determine property values in the District. If development in the District is impaired or delayed as a result of the litigation, the value of the property in the District is likely to decline. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the currently appraised amount at a foreclosure sale for delinquent Special Taxes at any point in the future.

Further, the Special Taxes are not personal obligations of the owners and developers of land in the District, or of any subsequent landowners; the Bonds are secured solely by the Special Taxes, and as such if the value of property in the District decreases significantly a property owner can abandon the property and have no personal liability for the Special Taxes attributable to the property, or for any of the Bonds. *Accordingly, Bondowners effectively bear the risk and could effectively bear the loss associated with reduced property values resulting from the final decision in the pending litigation.*

Future Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the 2007 Bonds. In addition, 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 property within the District to finance public improvements to be located inside of or outside of the District.

The Special Taxes and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Act.

Loss of Tax Exemption

As discussed in the section herein entitled "TAX MATTERS," interest on the 2007 Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of the City subsequent to issuance in violation of the City's covenants applicable to the 2007 Bonds. Should interest become includable in gross income, the 2007 Bonds are not subject to redemption by reason thereof and may remain outstanding. The 2007 Bonds are subject to redemption for other reasons as discussed in the section herein entitled "THE 2007 BONDS – Redemption."

Endangered Species

During recent years, there has been an increase in activity at the State of California and federal level related to the possible listing of certain plant and animal species found in California as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the property in the District is not known to be inhabited by any plant or animal species listed as threatened or endangered under either the State of California or federal endangered species acts or which either the California Department of Fish and Game or the United States Fish and Wildlife Service has proposed for addition to the respective endangered species list. Notwithstanding this fact, new species are proposed to be added to the State of California and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to the property in the District could negatively affect the Merchant Builder's ability to complete the Development as planned. This, in turn, could reduce the likelihood of timely payment of the Special Tax and would likely reduce the value of the land estimated by the Appraiser and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See "Land Values" above.

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel in the District is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in the District be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. 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 financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The valuation of property in the District in the Appraisal Report does not take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. While the City is not aware that the owner (or operator) of any of parcels has such a current liability 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.

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

No Acceleration Provision

The Fiscal Agent Agreement does not contain a provision allowing for the acceleration of the principal of the 2007 Bonds in the event of a payment default or other default under the terms of the 2007 Bonds or the Fiscal Agent Agreement.

No General Obligation of the City

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 in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT 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.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the California 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, California voters approved an amendment to Article XIII A of the California 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 covenanted for the benefit of owners of the 2007 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 2007-08 fiscal year (due by April) and to provide notices of the occurrence of certain enumerated events. Additionally, an entity representing Woodside Homes (or a designee) (the "**Developer**") has covenanted for the benefit of owners of the 2007 Bonds to provide certain information with respect to its property within the District (the "**Developer Annual Report**") to the City at the same times as the City Annual Report (so long as each such developer is responsible for a certain percentage of the Special Taxes), as described in the Developer Annual Report, and to provide notices of the occurrence of certain enumerated events. The City Annual Report and the Developer Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developers is summarized in "APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS." The City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

UNDERWRITING

The 2007 Bonds were purchased through negotiation by Piper Jaffray & Co. (the "Underwriter"). The Underwriter agreed to purchase the 2007 Bonds at a price of \$13,434,569.60, which is equal to the principal amount of the 2007 Bonds minus an Underwriter's discount of \$182,047.50 plus a net original issue premium of \$131,617.10. The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the 2007 Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

LEGAL OPINION

The validity of the 2007 Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional 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 2007 Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the 2007 Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding Bonds.

In the opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such

consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status 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 each 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. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

RATINGS

The City has not applied to a rating agency for the assignment of a rating to the 2007 Bonds and does not contemplate applying for a rating.

NO LITIGATION

At the time of delivery of and payment for the 2007 Bonds, the City Attorney will deliver his opinion that to the best of its 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 2007 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 2007 Bonds, or in any way contesting or affecting the validity or enforceability of the 2007 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 2007 Bonds or any action of the City contemplated by any of said documents.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2007 Bonds. The Financial 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. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

**CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES NO. 2004-1**

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CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in the City of Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 (herein "CFD No. 2004-1") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2004-1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2004-1 and the Bonds, including, but not limited to, the levy and collection of the Special Taxes, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Taxes, and all other costs and expenses of the City and County in any way related to the establishment or administration of CFD No. 2004-1.

"Administrator" shall mean the person or firm designated by the City to administer the Special Taxes according to this RMA.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

“**Authorized Facilities**” means those facilities that are authorized to be funded by CFD No. 2004-1.

“**Authorized Services**” means those services that are authorized to be funded by CFD No. 2004-1.

“**Base Maximum Facilities Special Tax Rates**” means, for Fiscal Year 2003-04, the following Maximum Facilities Special Tax rates for single family residential lots in the CFD:

Zone 1 and Zone 2		Zone 3	
<i>Level 1:</i>	\$855	<i>Level 1:</i>	\$475
<i>Level 2:</i>	\$1,055	<i>Level 2:</i>	\$575
<i>Level 3:</i>	\$1,155	<i>Level 3:</i>	\$650
<i>Level 4:</i>	\$1,255		

On July 1, 2004 and each July 1 thereafter, the Base Maximum Facilities Special Tax Rates shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

“**Bonds**” means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2004-1 related to public infrastructure and/or improvements that will serve property included within CFD No. 2004-1.

“**Buildable Lot**” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“**Capitalized Interest**” means funds in any capitalized interest account available to pay debt service on Bonds.

“**CFD Buffer**” means an amount of Maximum Facilities Special Tax revenues that will be available to absorb the reduction in Expected Maximum Facilities Special Tax Revenues that may occur in future years if there is a loss of residential lots within Villages. The amount of the CFD Buffer as of Services Special Tax Approval is shown in Attachment 2. The CFD Buffer may be increased or decreased pursuant to Sections C below; after the CFD Buffer is adjusted, the Administrator shall send written notice to the City Manager or other designated City official(s) notifying him/her of the adjustment to, and the current amount of, the CFD Buffer.

The amount in the CFD Buffer shall not be considered part of the total Maximum Facilities Special Tax revenues when sizing Bond issues for the CFD.

“**CFD Formation**” means the date on which the Resolution of Formation to form CFD No. 2004-1 was adopted by the City Council.

“**City**” means the City of Rancho Cordova.

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

“County” means the County of Sacramento.

“Developed Property” means, in any Fiscal Year, the following:

For purposes of levying the Facilities Special Tax:

- In Zone 1, all Parcels of Taxable Property
- In Zone 2 and Zone 3, all Parcels included within a Final Map that was recorded prior to June 1 of the prior Fiscal Year, and all Parcels of Undeveloped Property for which a Redesignation Request was submitted to the City before June 1 of the prior Fiscal Year (or such later date that, in the City’s sole discretion, will allow time for Facilities Special Taxes to be levied recognizing the designation of such Undeveloped Property as Developed Property)

For purposes of levying the Services Special Tax:

- All Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

“Expected Land Uses” means the total number of single family residential units, Acreage of Townhome Property, Acreage of Multi-Family Property and Acreage of Non-Residential Property expected within the CFD at the time of Services Special Tax Approval. The Expected Land Uses are identified in Attachment 1 and summarized in Attachment 2 of this RMA.

“Expected Maximum Facilities Special Tax Revenues” means the amount of annual revenue that would be available within a Village if the Maximum Facilities Special Tax was levied on the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues are shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years.

“Facilities Special Tax” means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in any prior Fiscal Year or (based on delinquencies in the payment of Facilities Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected (iv) to pay Administrative Expenses that have not been included in the Services Special Tax Requirement, and (v) to pay a portion of the costs, as determined by the City, of Authorized Facilities. The Facilities Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, Bond resolution, or other legal document that set forth these terms, (ii)

proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Final Bond Sale” means the last series of Bonds issued by the CFD, which issuance shall generally use up the remaining capacity available from the Maximum Facilities Special Tax revenues that can be generated within the CFD, which revenues shall not include the CFD Buffer.

“Final Map” means a final map, or portion thereof, approved by the City or County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term “Final Map” shall not include any Large-Lot Subdivision Map, Assessor’s Parcel Map, or subdivision map or portion thereof, that does not create Buildable Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Large-Lot Subdivision Map” means a subdivision map recorded at the County Recorder’s Office that subdivides the property in CFD No. 2004-1 into large Parcels, most of which will be subject to future subdivision.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Section C below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Section C below.

“Maximum Special Tax” means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Taxable Property which are zoned for a maximum density of not less than twenty (20) units per acre.

“Non-Residential Property” means all Taxable Property in CFD No. 2004-1 that has been assigned a land use designation other than single family property, Multi-Family Property, or Townhome Property in Attachment 2.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of CFD No. 2004-1 that is owned by the City, federal government, State of California or other public agency.

“Redesignation Request” means a written notice submitted to the City by the current record owner of an Assessor’s Parcel of Undeveloped Property within Zone 2 or Zone 3 requesting that the City designate the Parcel as Developed Property in the next Fiscal Year and all future Fiscal Years for the purpose of allocating the Maximum Facilities Special Tax pursuant to Section E below.

“Residential Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Services Special Tax.

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

“Services Special Tax” means a Special Tax levied in any Fiscal Year to pay for Authorized Services.

“Services Special Tax Approval” means the date on which the City Council approves the RMA that authorizes the levy of a Services Special Tax for Taxable Property within CFD No. 2004-1.

“Services Special Tax Requirement” means that amount necessary in any Fiscal Year to (i) pay for Authorized Services, (ii) pay Administrative Expenses that have not been included in the Facilities Special Tax Requirement for the Fiscal Year, (iii) cure any delinquencies in the payment of Services Special Taxes levied in prior Fiscal Years or (based on delinquencies in the payment of Services Special Taxes which have already taken place) are expected to occur in the current Fiscal Year, and (iv) make debt service payments on outstanding Bonds as permitted pursuant to the Indenture.

“Single Family Detached Property” means all Parcels within CFD No. 2004-1 that are developed or expected to be developed as single family detached homes.

“Special Tax” means, collectively, the Facilities Special Tax and Services Special Tax.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2004-1 which are not exempt from the Special Tax pursuant to law or Section G below.

“Tentative Map” means a map that is made for the purpose of showing the design of a proposed subdivision and the conditions pertaining thereto and is not based on a detailed survey of the property within the map and is not recorded at the County Recorder’s Office to create legal lots.

“Townhome Property” means those Villages for which “townhomes” is the designated land use in Column B in Attachment 2 of this RMA.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property as defined herein.

“Village” means a specific geographic area within a Zone (one or more Assessor’s Parcels) that (i) was or will be created upon recordation of a Large-Lot Subdivision Map within CFD No. 2004-1, (ii) is expected to have Buildable Lots of a similar size, and (iii) is assigned a Maximum Facilities Special Tax burden that will ultimately be allocated to the Buildable Lots within the Village as Final Maps are recorded. The Villages that are part of the Expected Land Uses within CFD No. 2004-1 are shown in Attachment 1 and the Expected Maximum Facilities Special Tax Revenues for each Village are shown in Attachment 2. When a Large-Lot Subdivision Map is recorded within CFD No. 2004-1, the actual boundary of each Village may change slightly from that shown in Attachment 1. Such change shall have no impact on the Expected Maximum Facilities Special Tax Revenues for each Village unless the total number of Buildable Lots, Acres of Multi-Family Property, Acres of Townhome Property, or Acres of Non-Residential Property within a Village are changed. If such a change occurs, the Administrator shall follow the procedures set forth in Section C below to recalculate the Expected Maximum Facilities Special Tax Revenues within each Village.

“Zone” means one of the three mutually exclusive geographic areas defined below and identified in Attachment 1, and any subsequent Zones created to contain property annexed into CFD No. 2004-1 in future Fiscal Years. When a Large-Lot Subdivision Map is recorded within CFD No. 2004-1, the actual boundary of each Zone may change slightly from that shown in Attachment 1. Such change shall have no impact on the Expected Maximum Facilities Special Tax Revenues for each Zone unless the total number of Buildable Lots, Acres of Multi-Family Property, Acres of Townhome Property, or Acres of Non-Residential Property are changed. If such a change occurs, the Administrator shall follow the procedures set forth in Section C below to recalculate the Expected Maximum Facilities Special Tax Revenues within each Zone.

“Zone 1” means the geographic area that: (i) at CFD Formation, was included in an approved Tentative Map and generally known as Sunridge Park – Phase I, and (ii) is specifically identified in Attachment 1 of this RMA as Zone 1.

“Zone 2” means the geographic area that: (i) at CFD Formation, was generally known as Sunridge Park – Phase II, and (ii) is specifically identified in Attachment 1 of this RMA as Zone 2.

“Zone 3” means the geographic area that: (i) at CFD Formation, was generally known as Sunridge Lot J, and (ii) is specifically identified in Attachment 1 of this RMA as Zone 3.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

Each time a Final Map is recorded within CFD No. 2004-1, the Administrator shall compare the land uses shown in the Final Map with the Expected Land Uses for the geographic area affected by the Final Map and use the applicable subsection in Section C.3 below to determine the Maximum Facilities Special Tax for each Parcel created within the Final Map. In addition to this ongoing administration, on or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within the CFD. The Administrator shall also (i) determine whether each Parcel is Developed Property or Undeveloped Property and (ii) calculate the Facilities Special Tax Requirement and Services Special Tax Requirement for the Fiscal Year.

C. MAXIMUM SPECIAL TAX

Facilities Special Tax

The Maximum Facilities Special Tax assigned to each Village in Zones 1 and 2 as of Services Special Tax Approval is identified in Attachment 2 of this RMA. The sum of the Maximum Facilities Special Taxes allocated to individual Parcels within a Village should at all times be equal to the Maximum Facilities Special Tax identified for that Village in Attachment 2 unless the CFD Buffer has been reduced to make up for a reduction in the Expected Maximum Facilities Special Tax Revenues for a particular Village as provided in Section C.3 below. The Administrator shall apply the applicable subsection below to determine the Maximum Facilities Special Tax for each Parcel of Taxable Property within CFD No. 2004-1:

1. In Zone 3 Only Until a Large-Lot Subdivision Map or Final Map Has Been Recorded

Prior to recordation of a Large-Lot Subdivision Map or Final Map in Zone 3, the Maximum Facilities Special Tax assigned to Assessor's Parcels within the CFD shall be as follows:

Fiscal Year 2003-04 Assessor's Parcel Number	Fiscal Year 2003-04 Maximum Facilities Special Tax *
067-0040-016	\$217,275
* On July 1, 2004 and each July 1 thereafter, this Maximum Facilities Special Tax shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.	

If the Assessor's Parcel number shown above is changed, the Maximum Facilities Special Tax shall continue to apply to the Parcel to which it was assigned. If the Parcel is reconfigured due to an action other than recordation of a Large-Lot Subdivision Map or Final Map, the Maximum Facilities Special Tax shall be spread on a per-acre basis to all new Assessor's Parcels created by the reconfiguration.

2. After Recordation of a Large-Lot Subdivision Map, Prior to Recordation of a Final Map

After a Large-Lot Subdivision Map is recorded and there is no overlap of Assessor's Parcels between Villages, the Maximum Facilities Special Tax for property within a Village shall be the amount identified in Attachment 2 of this RMA. If there are multiple Assessor's Parcels within a Village, the Maximum Facilities Special Tax shall be allocated on a per-Acre basis to each Parcel of Taxable Property within that Village until a Final Map is recorded within the Village. If a Final Map records creating Buildable Lots within a portion of a Village, the Administrator shall apply Section C.3 to determine the Maximum Facilities Special Tax that is assigned to the geographic area within the Final Map and the remaining property within the Village that has not yet had a Final Map recorded on it. The Maximum Facilities Special Tax assigned to the remaining property pursuant to Sections 3a or 3b below will be spread on a per-Acre basis to the Assessor's Parcels within the Village that were not included in the Final Map. If a Final Map is recorded that includes property within multiple Villages, the Buildable Lots and the Expected Maximum Facilities Special Tax Revenues for each Village shall be considered separately as if a separate Final Map had recorded for the Buildable Lots within each Village affected by the Final Map.

3. *After Recordation of a Final Map, Prior to the Final Bond Sale*

When a Final Map records for property in CFD No. 2004-1, the Administrator shall compare the Final Map to the Expected Land Uses shown in Attachments 1 and 2 and determine whether the land uses in the Final Map produce more or less than the Expected Maximum Facilities Special Tax Revenues for the area included in the Final Map. Based on this comparison and prior to the Final Bond Sale, the Administrator shall apply the applicable subsection below:

3a. Final Map Produces More Than the Expected Maximum Facilities Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in a recorded Final Map (the “Subject Map”) will produce more than the Expected Maximum Facilities Special Tax Revenues for the area included in the Subject Map, **and there is still property within that Village that has not had a Final Map recorded on it**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall multiply the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall assign, as the Maximum Facilities Special Tax for each single family lot within the Subject Map and the remaining unmapped portions of the Village, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map and the remaining unmapped portions of the Village, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village less the total Maximum Facilities Special Tax Revenues that can be collected from Final Maps that have already been recorded within the Village.

3b. Final Map Produces More Than the Expected Maximum Facilities Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in the Subject Map will produce more than the Expected Maximum Facilities Special Tax Revenues for the area included in the Subject Map, **and all of the other property within that Village has had a Final Map recorded on it**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall multiply the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Facilities Special Tax for each Parcel. After the Maximum Facilities

Special Tax has been determined for each Parcel, the Administrator shall calculate the total Maximum Facilities Special Tax Revenue that can be collected from the Village, subtract the Expected Maximum Facilities Special Tax Revenue for the Village, and add the difference to the CFD Buffer.

If property in the Subject Map is Single Family Detached Property, the Administrator shall assign, as the Maximum Facilities Special Tax for each single family lot, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue from the area within the Subject Map. After the Maximum Facilities Special Tax has been determined for each Parcel, the Administrator shall calculate the total Maximum Facilities Special Tax Revenue that can be collected from the Village, subtract the Expected Maximum Facilities Special Tax Revenue for the Village, and add the difference to the CFD Buffer.

3c. Final Map Produces Less Than the Expected Maximum Facilities Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall increase the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village up to the amount that, when multiplied by the acreage of Taxable Property within the Subject Map and the remainder of the Village, will produce the Expected Maximum Facilities Special Tax Revenues for that Village less the amount of Maximum Facilities Special Tax that can be collected from other Final Maps that have already recorded within the Village. The Administrator shall then apply the increased per-acre Maximum Facilities Special Tax to the acreage of Parcels within the Subject Map and the remaining unmapped portions of the Village to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of Facilities Special Tax capacity was (i) due to remapping of the area by the subdivider to yield generally larger lots or lots of a different configuration than was originally expected, or (ii) the result of the originally expected lots not fitting into bounds of the legal parcel due to technical fit issues caused by public requirements such as larger setbacks, additional or widened easements, or due to the legal parcel being of an actual size that is insufficient to accommodate such lots.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign, as the Maximum Facilities Special Tax for each single family lot in the Subject Map and each single family lot expected in the portions of the Village for which a Final Map has not already been recorded, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map and the remaining unmapped areas in the Village, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village. If, after applying the Level 4 Base Maximum Facilities Special Tax Rate, there are still insufficient revenues to match the Expected Maximum Facilities Special

Tax Revenues for the Village, the Administrator shall assign the Level 4 Base Maximum Facilities Special Tax Rate to each Parcel in the Subject Map and remaining unmapped areas in the Village, and revise Attachment 2 to reflect lower Expected Maximum Facilities Special Tax Revenues for the Village in which the Subject Map is being recorded and for the CFD as a whole. The reduced Expected Maximum Facilities Special Tax Revenues, net of the CFD Buffer, shall be the amount used to size future series of Bonds issued on behalf of the CFD.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall assign, as the Maximum Facilities Special Tax for each Parcel in the Subject Map, the Base Maximum Facilities Special Tax Rate that was assigned to the Village in Attachment 2. The Administrator shall then calculate the reduced Expected Maximum Facilities Special Tax Revenues for the Village and revise Attachment 2 to reflect the lower number for the Village in which the Subject Map is being recorded and for the CFD as a whole. The reduced Expected Maximum Facilities Special Tax Revenues, net of the CFD Buffer, shall be the amount used to size future series of Bonds issued on behalf of the CFD.

Notwithstanding the foregoing, the reduction in Expected Maximum Facilities Special Tax Revenues shall not at any time be in an amount that reduces the debt service coverage below the amount which was committed to in Bond documents for outstanding Bonds issued on behalf of the CFD.

3d. Final Map Produces Less Than the Expected Maximum Facilities Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall increase the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village up to the amount that, when multiplied by the acreage of Taxable Property within the Subject Map, will produce the Expected Maximum Facilities Special Tax Revenues for that Village less the amount of Maximum Facilities Special Tax that can be collected from other Final Maps that have already recorded within the Village. The Administrator shall then apply the increased per-acre Maximum Facilities Special Tax to the acreage of Parcels within the Subject Map to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of Facilities Special Tax capacity was (i) due to remapping of the area by the subdivider to yield generally larger lots or lots of a different configuration than was originally expected, or (ii) the result of the originally expected lots not fitting into bounds of the legal parcel due to technical fit issues caused by public requirements such as larger setbacks, additional or widened easements, or due to the legal parcel being of an actual size that is insufficient to accommodate such lots.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign, as the Maximum

Facilities Special Tax for each single family lot in the Subject Map, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village less the total Maximum Facilities Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 4 Base Maximum Facilities Special Tax Rate, there are still insufficient revenues to match the Expected Maximum Facilities Special Tax Revenues for the Village, the Administrator shall assign the Level 4 Base Maximum Facilities Special Tax Rate to each Parcel in the Subject Map and revise Attachment 2 to reflect lower Expected Maximum Facilities Special Tax Revenues for the Village in which the Subject Map is being recorded and for the CFD as a whole. The reduced Expected Maximum Facilities Special Tax Revenues, net of the CFD Buffer, shall be the amount used to size future series of Bonds issued on behalf of the CFD.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall assign, as the Maximum Facilities Special Tax for each Parcel in the Subject Map, the Base Maximum Facilities Special Tax Rate that was assigned to the Village in Attachment 2. The Administrator shall then calculate the reduced Expected Maximum Facilities Special Tax Revenues for the Village and revise Attachment 2 to reflect the lower number for the Village in which the Subject Map is being recorded and for the CFD as a whole. The reduced Expected Maximum Facilities Special Tax Revenues, net of the CFD Buffer, shall be the amount used to size future series of Bonds issued on behalf of the CFD.

Notwithstanding the foregoing, the reduction in Expected Maximum Facilities Special Tax Revenues shall not at any time be in an amount that reduces the debt service coverage below the amount which was committed to in Bond documents for outstanding Bonds issued on behalf of the CFD.

4. *After Recordation of a Final Map, After the Final Bond Sale*

When a Final Map records for property in CFD No. 2004-1, the Administrator shall compare the Final Map to the Expected Land Uses shown in Attachments 1 and 2 and determine whether the land uses in the Final Map produce more or less than the Expected Maximum Facilities Special Tax Revenues for the area included in the Final Map. Based on this comparison and after the Final Bond Sale, the Administrator shall apply the applicable subsection below:

4a. Final Map Produces More Than the Expected Maximum Facilities Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in a recorded Final Map (the “Subject Map”) will produce more than the Expected Facilities Maximum Special Tax Revenues for the area included in the Subject Map, **and there is still property within that Village that has not had a Final Map recorded on it**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall multiply the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall assign, as the Maximum Facilities Special Tax for each single family lot within the Subject Map and the remaining unmapped portions of the Village, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map and the remaining unmapped portions of the Village, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village less the total Maximum Facilities Special Tax Revenues that can be collected from Final Maps that have already been recorded within the Village.

4b. Final Map Produces More Than the Expected Maximum Facilities Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in the Subject Map will produce more than the Expected Maximum Facilities Special Tax Revenues for the area included in the Subject Map, **and all of the other property within that Village has had a Final Map recorded on it**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall multiply the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Facilities Special Tax for each Parcel. After the Maximum Facilities Special Tax has been determined for each Parcel, the Administrator shall calculate the total Maximum Facilities Special Tax Revenue that can be collected from the Village, subtract the Expected Maximum Facilities Special Tax Revenue for the Village, and add the difference to the CFD Buffer.

If property in the Subject Map is Single Family Detached Property, the Administrator shall assign, as the Maximum Facilities Special Tax for each single family lot within the Subject Map, the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue from the area within the Subject Map. After the Maximum Facilities Special Tax has been determined for each Parcel, the Administrator shall calculate the total Maximum Facilities Special Tax Revenue that can be collected from the Village, subtract the Expected Maximum Facilities Special Tax Revenue for the Village, and add the difference to the CFD Buffer.

4c. Final Map Produces Less Than the Expected Maximum Facilities Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in a Final Map that is submitted for approval (the “Subject Map”) will produce less than the Expected Maximum Facilities Special Tax Revenues for the area included in the Subject Map, **and there is still property within that Village that has not had a Final Map recorded on it**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall increase the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village up to the amount that, when multiplied by the acreage of Taxable Property within the Subject Map and the remainder of the Village, will produce the Expected Maximum Facilities Special Tax Revenues for that Village less the amount of Maximum Facilities Special Tax that can be collected from other Final Maps that have already recorded within the Village. The Administrator shall then apply the increased per-acre Maximum Facilities Special Tax to the acreage of Parcels within the Subject Map and within the remaining unmapped portions of the Village to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of Facilities Special Tax capacity was (i) due to remapping of the area by the subdivider to yield generally larger lots or lots of a different configuration than was originally expected, or (ii) the result of the originally expected lots not fitting into bounds of the legal parcel due to technical fit issues caused by public requirements such as larger setbacks, additional or widened easements, or due to the legal parcel being of an actual size that is insufficient to accommodate such lots.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map and the remaining unmapped areas in the Village, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village less the total Maximum Facilities Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 4 Base Maximum Facilities Special Tax Rate, there are still insufficient revenues to match the Expected Maximum Facilities Special Tax Revenues for the Village, the landowner may prepay the Facilities Special Tax obligation that corresponds to the reduced Maximum Facilities Special Tax revenues that will be generated within the Subject Map area to avoid an increase in the per-unit and/or per-acre Maximum Facilities Special Taxes within that Village that will occur pursuant to the steps outlined below. If a landowner chooses to make such a prepayment, the Administrator shall use Section H below to calculate the amount to be prepaid, and the full amount of the prepayment must be on deposit with the City prior to recordation of the Final Map.

If no prepayment is received prior to recordation of the Subject Map, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map and remaining unmapped portions of the Village:

Step 1. Sum the following:

- (i) the Maximum Facilities Special Tax revenues that can be collected from property within the Village that has already had a Final Map recorded (not including the Subject Map);
- (ii) the amount that would result if the Level 4 Base Maximum Facilities Special Tax Rate is applied to each Parcel within the Subject Map;
- (iii) the amount that would result if the Level 4 Base Maximum Facilities Special Tax Rate is applied to all single family lots expected on the remaining unmapped property within the Village.

Step 2. By reference to Attachment 2, identify the total Expected Maximum Facilities Special Tax Revenues for the Village within which the Subject Map is being recorded;

Step 3. Subtract the total revenues determined in Step 1 from the Expected Maximum Facilities Special Tax Revenues identified in Step 2.

Step 4. If the amount calculated in Step 3 is less than or equal to zero, use the Level 4 Base Maximum Facilities Special Tax Rate as the Maximum Facilities Special Tax for each Parcel within the Subject Map and for each single family lot expected in the remaining unmapped property within the Village.

If the amount calculated in Step 3 is greater than zero, apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map and each single family lot expected in the remaining unmapped property within the Village:

Step 4a. Using the amounts calculated in Step 1, determine, for each Parcel in the Subject Map and for each remaining unmapped Parcel in the Village, the Parcel's percentage share of the total Maximum Facilities Special Tax that would be collected if the Level 4 Base Maximum Facilities Special Tax Rate were applied to each Parcel within the Subject Map and each single family lot expected in the remaining unmapped property within the Village.

Step 4b. Multiply the percentages determined in Step 4a by the difference calculated in Step 3 above to determine the share of the

shortfall in Expected Maximum Facilities Special Tax Revenues that will be assigned to each Parcel.

Step 4c. For Parcels within the Subject Map, add the share of the shortfall assigned to each Parcel in Step 4b to the Level 4 Base Maximum Facilities Special Tax Rate to calculate the Maximum Facilities Special Tax that will apply to each Parcel within the Subject Map. For each remaining unmapped Parcel in the Village, add the share of the shortfall assigned to each Parcel in Step 4b to the amount calculated for each Parcel when the Level 4 Base Maximum Facilities Special Tax Rate is multiplied by the expected number of single family lots on each Parcel. The sum of these numbers shall be the Maximum Facilities Special Tax assigned to the Parcel until it is subdivided.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel in the Subject Map and the unmapped portions of the Village:

Step 1. Sum the following:

- (i) the Maximum Facilities Special Tax revenues that can be collected from property within the Village that has already had a Final Map recorded (not including the Subject Map);
- (ii) the amount that would result if the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is multiplied by the number of single family lots within the Subject Map;
- (iii) the amount that would result if the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is applied to all single family lots expected on the remaining unmapped property within the Village.

Step 2. By reference to Attachment 2, identify the total Expected Maximum Facilities Special Tax Revenues for the Village within which the Subject Map is being recorded.

Step 3. Subtract the total revenues determined in Step 1 from the Expected Maximum Facilities Special Tax Revenues identified in Step 2.

Step 4. If the amount calculated in Step 3 is less than or equal to zero, use the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 as the Maximum Facilities Special Tax for each Parcel within the Subject Map. Multiply this same Base Maximum Facilities Special Tax by the

number of single family lots expected on each Parcel of remaining unmapped property within the Village to determine the Maximum Facilities Special Tax to be assigned to each Parcel.

If the amount calculated in Step 3 is greater than zero, the Administrator shall first determine if the amount in the CFD Buffer is sufficient to cover this shortfall. If so, the Administrator shall reduce the amount of the CFD Buffer by the amount of the shortfall and shall use the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 as the Maximum Facilities Special Tax for each Parcel within the Subject Map. The Administrator shall determine the Maximum Facilities Special Tax for remaining unmapped property within the Village by multiplying this Base Maximum Facilities Special Tax Rate by the number of single family lots expected on each Parcel of unmapped property.

If the Administrator determines that the amount in the CFD Buffer is insufficient to cover the shortfall, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map and each single family lot expected in the remaining unmapped property within the Village:

Step 4a. Using the amounts calculated in Step 1, determine, for each Parcel in the Subject Map and for each remaining unmapped Parcel in the Village, the Parcel's percentage share of the total Maximum Facilities Special Tax that would be collected if the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is applied to each Parcel within the Subject Map and each single family lot expected in the remaining unmapped property within the Village.

Step 4b. Multiply the percentages determined in Step 4a by amount of the shortfall calculated in Step 3 above to determine the share of the shortfall that will be assigned to each Parcel.

Step 4c. For Parcels within the Subject Map, add the share of the shortfall assigned to each Parcel in Step 4b to the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 to calculate the Maximum Facilities Special Tax that will apply to each Parcel within the Subject Map. For each remaining unmapped Parcel in the Village, add the share of the shortfall assigned to each Parcel in Step 4b to the amount calculated for each Parcel when the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is multiplied by the expected number of single family lots on each Parcel. The sum of these numbers shall be the Maximum Facilities Special Tax assigned to the Parcel until it is subdivided.

4d. Final Map Produces Less Than the Expected Maximum Facilities Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village

If the Administrator determines that land uses in a Final Map that is submitted for approval (the “Subject Map”) will produce less than the Expected Maximum Facilities Special Tax Revenues for the area included in the Subject Map, **and there are no additional Final Maps to be recorded within the Village**, the Administrator shall determine the Maximum Facilities Special Tax for each Parcel within the Subject Map as follows:

If property in the Subject Map is Multi-Family Property, Townhome Property or Non-Residential Property, the Administrator shall increase the per-acre Maximum Facilities Special Tax that is shown in Column (D) of Attachment 2 for that Village up to the amount that, when multiplied by the acreage of Taxable Property within the Subject Map, will produce the Expected Maximum Facilities Special Tax Revenues for that Village less the amount of Maximum Facilities Special Tax that can be collected from other Final Maps that have already recorded within the Village. The Administrator shall then apply the increased per-acre Maximum Facilities Special Tax to the acreage of Parcels within the Subject Map to determine the Maximum Facilities Special Tax for each Parcel.

If property in the Subject Map is Single Family Detached Property, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of Facilities Special Tax capacity was (i) due to remapping of the area by the subdivider to yield generally larger lots or lots of a different configuration than was originally expected, or (ii) the result of the originally expected lots not fitting into bounds of the legal parcel due to technical fit issues caused by public requirements such as larger setbacks, additional or widened easements, or due to the legal parcel being of an actual size that is insufficient to accommodate such lots.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign the lowest Base Maximum Facilities Special Tax Rate that, when applied to each single family lot in the Subject Map, will produce an amount greater than or equal to the Expected Maximum Facilities Special Tax Revenue for the Village less the total Maximum Facilities Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 4 Base Maximum Facilities Special Tax Rate, there are still insufficient revenues to match the Expected Maximum Facilities Special Tax Revenues for the Village, the landowner may prepay the Facilities Special Tax obligation that corresponds to the reduced Maximum Facilities Special Tax revenues that will be generated within the Subject Map area to avoid an increase in the per-unit and/or per-acre Maximum Facilities Special Taxes within that Village that will occur pursuant to the steps outlined below. If a landowner chooses to make such a prepayment, the Administrator shall use Section H below to calculate the amount to be prepaid, and the full amount of the prepayment must be on deposit with the City prior to recordation of the Final Map.

If no prepayment is received prior to recordation of the Subject Map, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map:

Step 1. Sum the following:

- (i) the Maximum Facilities Special Tax revenues that can be collected from property within the Village that has already had a Final Map recorded (not including the Subject Map);
- (ii) the amount that would result if the Level 4 Base Maximum Facilities Special Tax Rate is applied to each Parcel within the Subject Map.

Step 2. By reference to Attachment 2, identify the total Expected Maximum Facilities Special Tax Revenues for the Village within which the Subject Map is being recorded.

Step 3. Subtract the total revenues determined in Step 1 from the Expected Maximum Facilities Special Tax Revenues identified in Step 2.

Step 4. If the amount calculated in Step 3 is less than or equal to zero, use the Level 4 Base Maximum Facilities Special Tax Rate as the Maximum Facilities Special Tax for each Parcel within the Subject Map.

If the amount calculated in Step 3 is greater than zero, apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map:

Step 4a. Using the amounts calculated in Step 1, determine, for each Parcel in the Subject Map, the Parcel's percentage share of the total Maximum Facilities Special Tax that would be collected if the Level 4 Base Maximum Facilities Special Tax Rate were applied to each Parcel within the Subject Map.

Step 4b. Multiply the percentages determined in Step 4a by the difference calculated in Step 3 above to determine the share of the shortfall in Expected Maximum Facilities Special Tax Revenues that will be assigned to each Parcel.

Step 4c. Add the share of the shortfall assigned to each Parcel in Step 4b to the Level 4 Base Maximum Facilities Special Tax Rate to calculate the Maximum Facilities Special Tax that will apply to each Parcel within the Subject Map.

If, in the sole discretion of the City, the loss of Facilities Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall apply

the following steps to determine the Maximum Facilities Special Tax for each Parcel in the Subject Map:

Step 1. Sum the following:

- (i) the Maximum Facilities Special Tax revenues that can be collected from property within the Village that has already had a Final Map recorded (not including the Subject Map);
- (ii) the amount that would result if the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is multiplied by the number of single family lots within the Subject Map.

Step 2. By reference to Attachment 2, identify the total Expected Maximum Facilities Special Tax Revenues for the Village within which the Subject Map is being recorded.

Step 3. Subtract the total revenues determined in Step 1 from the Expected Maximum Facilities Special Tax Revenues identified in Step 2.

Step 4. If the amount calculated in Step 3 is less than or equal to zero, use the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 as the Maximum Facilities Special Tax for each Parcel within the Subject Map.

If the amount calculated in Step 3 is greater than zero, the Administrator shall first determine if the amount in the CFD Buffer is sufficient to cover this shortfall. If so, the Administrator shall reduce the amount of the CFD Buffer by the amount of the shortfall and use the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 as the Maximum Facilities Special Tax for each Parcel within the Subject Map.

If the Administrator determines that the amount in the CFD Buffer is insufficient to cover the shortfall, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Parcel within the Subject Map:

Step 4a. Using the amounts calculated in Step 1, determine, for each Parcel in the Subject Map, the Parcel's percentage share of the total Maximum Facilities Special Tax that would be collected if the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 is applied to each Parcel within the Subject Map.

Step 4b. Multiply the percentages determined in Step 4a by amount of the shortfall calculated in Step 3 above to determine the share of the shortfall that will be assigned to each Parcel.

Step 4c. Add the share of the shortfall assigned to each Parcel in Step 4b to the Base Maximum Facilities Special Tax Rate assigned to the Village in Attachment 2 to calculate the Maximum Facilities Special Tax that will apply to each Parcel within the Subject Map.

The Maximum Facilities Special Tax calculated for a Parcel pursuant to Section C above shall be increased each Fiscal Year after the Fiscal Year in which the Maximum Facilities Special Tax is assigned to the Parcel by two percent (2%) of the amount in effect in the previous Fiscal Year.

Once a Maximum Facilities Special Tax has been assigned to a Parcel within a Final Map, the Maximum Facilities Special Tax shall not be reduced in future Fiscal Years regardless of changes in land use, Parcel size, ownership or Facilities Special Taxes assigned elsewhere in the Village. Pursuant to Section 53321 (d) of the Act, the Facilities Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels in the CFD and shall, in no event, exceed the Maximum Facilities Special Tax in effect for the Fiscal Year in which the Facilities Special Tax is being levied.

Services Special Tax

Following are the Maximum Services Special Tax rates, by Zone, for Developed Property in Fiscal Year 2006-07:

Land Use	Fiscal Year 2006-07 Maximum Services Special Tax		
	Zone 1	Zone 2	Zone 3
Single Family Detached Property	\$263.42 per Residential Unit	\$450 per Residential Unit	\$450 per Residential Unit
Townhome Property	\$263.42 per Residential Unit	\$450 per Residential Unit	\$450 per Residential Unit
Multi-Family Property	\$263.42 per Residential Unit	\$450 per Residential Unit	\$450 per Residential Unit
Non-Residential Property	\$0.0158 per square foot of gross Parcel area	\$0.25 per square foot of gross Parcel area	\$0.25 per square foot of gross Parcel area

The Maximum Services Special Taxes set forth above shall, on each July 1 commencing July 1, 2007, be escalated by the increase, if any, in the Local Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area for All Urban Consumers. The CPI used shall be as determined by the Bureau of Labor Statistics from April to April beginning with the period from April 2006 to April 2007.

D. CHANGES TO THE MAXIMUM FACILITIES SPECIAL TAX

1. Transfer of the Expected Maximum Facilities Special Tax Revenue from One Village to Another within a Given Zone

The Expected Maximum Facilities Special Tax Revenues in Attachment 2 were determined based on the Expected Land Uses for each Village and Zone. If the expected number of single family detached units, Acreage of Townhome Property, Acreage of Multi-Family Property or Acreage of Non-Residential Property is transferred from one Village to another in the same Zone prior to recordation of a Final Map within any portion of the Zone, the City may, in its sole discretion, allow for a transfer of the Expected Maximum Facilities Special Tax Revenue from one Village to the other within such Zone. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the Expected Maximum Facilities Special Tax Revenue as a result of the transfer. If such a transfer is requested, the Administrator shall apply the following steps to redistribute the Expected Maximum Facilities Special Tax Revenue among the Parcels:

- Step 1:** Determine the Maximum Facilities Special Tax Revenue associated with the land uses that will be transferred by multiplying the expected single family detached units, Acreage of Townhome Property, Acreage of Multi-Family Property or Acreage of Non-Residential Property by the “Base Maximum Facilities Special Tax Rate” identified for the units or acreage in Attachment 2 (escalated to the then-current Fiscal Year).

- Step 2:** Subtract the amount determined in Step 1 from the Expected Maximum Facilities Special Tax Revenue for the Village from which the number of single family detached units, Acreage of Townhome Property, Acreage of Multi-Family Property or Acreage of Non-Residential Property will be transferred to determine the new Expected Maximum Facilities Special Tax Revenue for the Village.

- Step 3:** Add the amount determined in Step 1 to the Expected Maximum Facilities Special Tax Revenue for the Village to which the number of single family detached units, Acreage of Townhome Property, Acreage of Multi-Family Property or Acreage of Non-Residential Property is being transferred to determine the new Expected Maximum Facilities Special Tax for the Village.

E. METHOD OF LEVY OF THE SPECIAL TAX

The Administrator shall determine the Special Tax to be levied on Taxable Property in CFD No. 2004-1 by application of the following steps:

1. *Facilities Special Tax*

Step 1. If, in any Fiscal Year, there are facilities authorized to be funded by CFD No. 2004-1 that have not yet been funded, the Maximum Facilities Special Tax determined pursuant to Section C above shall be levied on each Parcel of Developed Property in the CFD. If all authorized CFD facilities have been funded, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property in the CFD up to 100% of the Maximum Facilities Special Tax for each Parcel until the amount levied is equal to the Facilities Special Tax Requirement for the Fiscal Year.

Step 2. If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Facilities Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in the CFD, up to 100% of the Maximum Facilities Special Tax for Undeveloped Property for such Fiscal Year, as determined pursuant to Section C.

2. *Services Special Tax*

The Maximum Services Special Tax in CFD No. 2004-1 shall be levied each Fiscal Year unless and until the City makes a determination in any Fiscal Year that the revenues generated from levy of the Maximum Services Special Tax exceed the Services Special Tax Requirement for that Fiscal Year. If such a determination is made, the Services Special Tax shall be levied Proportionately on each Parcel of Developed Property in CFD No. 2004-1 up to 100% of the Maximum Services Special Tax for Developed Property determined pursuant to Section C above until the amount levy is equal to the Services Special Tax Requirement.

No Services Special Tax shall be levied in any Fiscal Year on Undeveloped Property.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2004-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities to be constructed directly from Facilities Special Tax proceeds have been completed. However, in no event shall Facilities Special Taxes be levied after Fiscal Year 2040-2041. The Services Special Tax will continue to be levied and collected unless and until the City determines that the Services Special Tax no longer needs to be levied to pay for Authorized Services.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied in any Fiscal Year on Public Property, unless property that was expected to be Taxable Property (as shown in Attachment 1) becomes Public Property after Services Special Tax Approval and the loss of such Taxable Property reduces the Expected Maximum Facilities Special Tax Revenues within a Village.

A public agency shall not accept dedication of or acquire the property without a mandatory prepayment of the special tax obligation assigned to the property, which shall be calculated using the prepayment formula set forth in Section H below, otherwise the Parcel shall be subject to a Facilities Special Tax levy as authorized by Sections 53317.3 and 53317.5 of the Act.

Notwithstanding the foregoing, if a Parcel that was expected to be Taxable Property becomes Public Property at the same time a Parcel that was expected to be Public Property becomes Taxable Property, the Maximum Facilities Special Tax that had been assigned to the Parcel that was previously Taxable Property can be shifted to the Parcel that had been Public Property and, to the extent such shift maintains the Expected Maximum Facilities Special Tax Revenues for that Village, the Parcel that is now Public Property shall not be subject to a prepayment or the levy of Facilities Special Taxes in future Fiscal Years.

In addition, no Facilities Special Tax shall be levied on Parcels that have fully prepaid the Facilities Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section H below, and no Services Special Tax shall be levied on Undeveloped Property.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section H:

“Remaining Facilities Costs” means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

“Public Facilities Requirements” means either \$22,000,000 in 2007 dollars, which shall increase on January 1, 2008, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if

the Engineering News Record is discontinued or otherwise not available, or such lower number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by CFD No. 2004-1. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 2004-1; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Facilities Special Tax revenues generated within that annexation area.

The Facilities Special Tax obligation applicable to an Assessor's Parcel in CFD No. 2004-1 may be prepaid and the obligation of the Assessor's Parcel to pay the Facilities Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. The Services Special Tax obligation may not be prepaid. An owner of an Assessor's Parcel intending to prepay the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

- Step 1.** Compute the total Maximum Facilities Special Tax that could be collected from the Assessor's Parcel prepaying the Facilities Special Tax in the Fiscal Year in which prepayment would be received by the City. If this Section H is being applied to calculate a prepayment pursuant to Section C or Section G above, use, for purposes of this Step 1, the amount by which the Expected Maximum Facilities Special Tax Revenues have been reduced due to the change in land use that necessitated the prepayment.

- Step 2.** Divide the Maximum Facilities Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the total Expected Maximum Facilities Special Tax Revenues for all property in the CFD, as shown in Attachment 2 of this RMA.

- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the “Redemption Premium”*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (the *“Defeasance Requirement”*).
- Step 10.** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (the *“Administrative Fees and Expenses”*).
- Step 11.** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the *“Reserve Fund Credit”*).
- Step 12.** The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the *“Prepayment Amount”*).

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. Notwithstanding the foregoing, partial prepayments shall

only be permitted if the total partial prepayment amount to be collected by the City at any one point in time (which may be the sum of partial prepayments for several parcels, all of which will be paid by the same party) is greater than or equal to \$50,000. The Maximum Facilities Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Facilities Special Tax that could have been levied prior to 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 Administrator.

I. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rates, method of apportionment, classification of properties or any definition applicable to the CFD.

J. LEVY AND COLLECTION OF MAXIMUM FACILITIES SPECIAL TAX FOR CITY FACILITIES AND SERVICES

Notwithstanding the definition of Facilities Special Tax Requirement and levy of Facilities Special Tax to pay the Facilities Special Tax Requirement contained herein, if the City determines that for any fiscal year ending on or after June 30, 2014, that the Facilities Special Tax Requirement for such fiscal year is less than the amount of the Maximum Facilities Special Tax that could be levied for such fiscal year, the City may increase the Facilities Special Tax to be levied for such fiscal year to equal the Maximum Facilities Special Tax. In such instances, the amount of Facilities Special Taxes collected in excess of the Facilities Special Tax Requirement for such fiscal year shall be utilized, at the sole discretion of the City, for any of the following purposes:

Any purpose related to facilities, as permitted under the Mello-Roos Community Facilities Act of 1982, including but not limited to the facilities described in Section 53313.5 of the California Government Code, as amended from time to time, provided that such facilities satisfy at least one of the following criteria: 1) augment, improve or expand existing District facilities that are primarily for the benefit of the District; or 2) repair or rehabilitate existing District facilities.

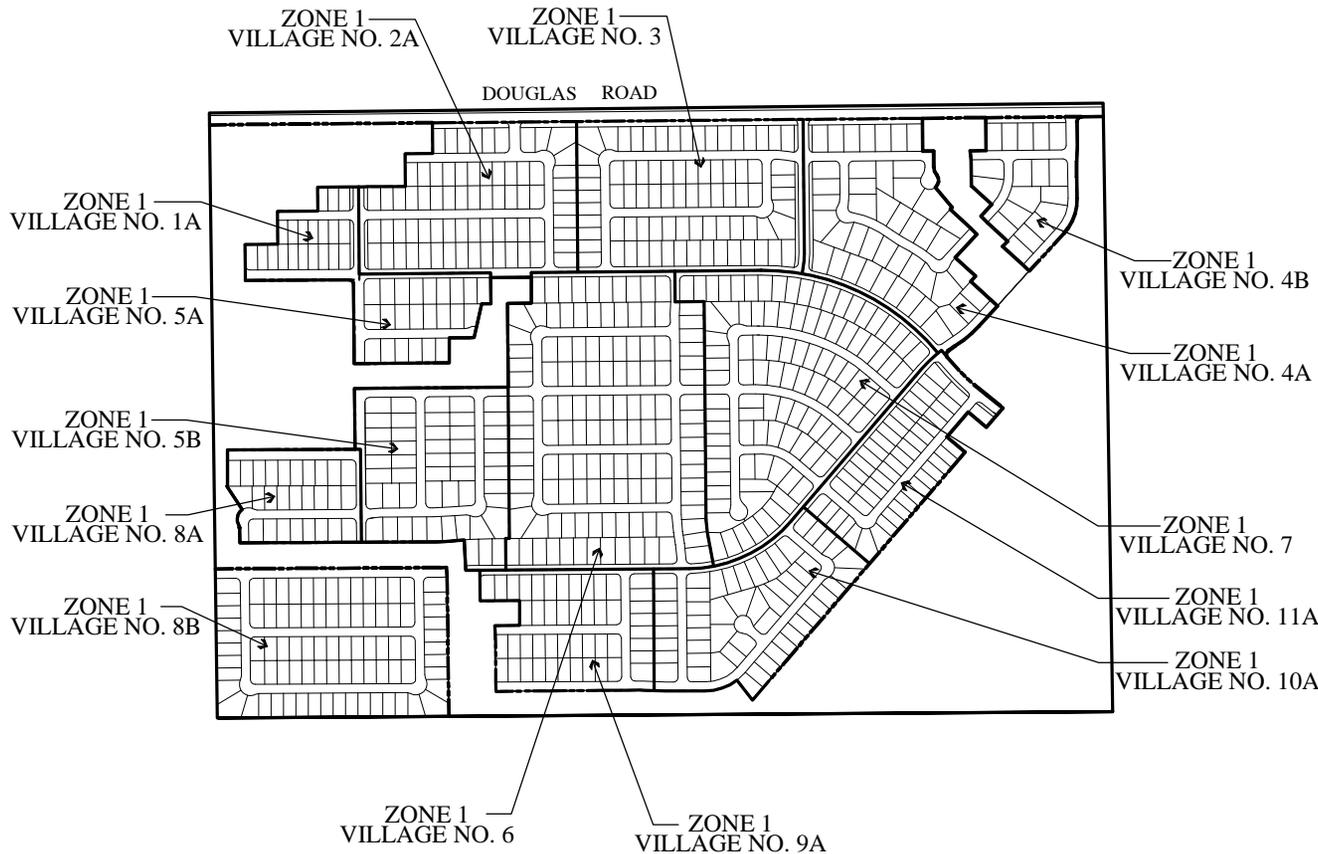
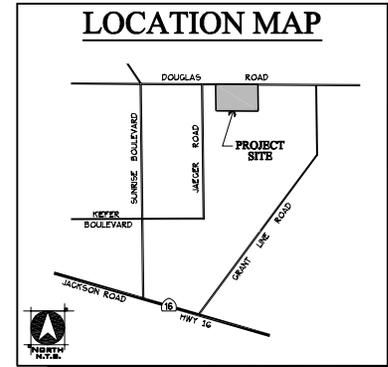
Prepayment of principal and/or interest on outstanding bonds of CFD No. 2004-1 or any bonds, lease obligations, certificates of participation or other obligations financing facilities described in Item 1 above.

In the event the City determines that such excess is not needed for any purpose described in Items 1 and 2 above, the City shall utilize such excess to acquire improvements in accordance with any agreement entered into with respect to CFD No. 2004-1 providing for acquisition of authorized improvements from the developer of such improvements, provided there remain facilities to be acquired under such agreement at that time.

ATTACHMENT 1

**Sunridge Park Area Community Facilities District No. 2004-1
Identification of Zones and Villages**

CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1
IDENTIFICATION OF TAX ZONE 1 AND ANTICIPATED LOTS
RANCHO CORDOVA, CALIFORNIA
 MAY 2004



LAND USE SUMMARY TABLE

ZONE 1 (SUNRIDGE PARK - PHASE I)

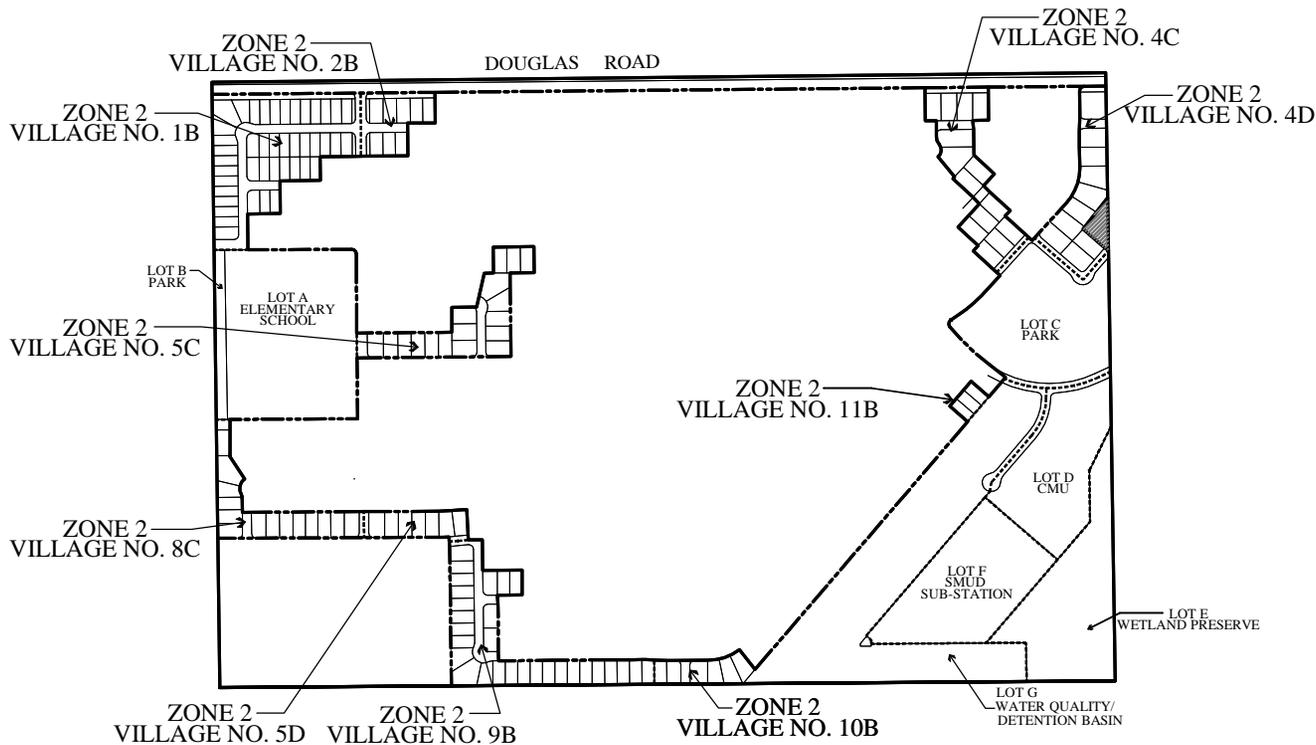
<u>UNIT/VILLAGE</u>	<u>TYPICAL LOT SIZE</u>	<u>NO. OF LOTS</u>	<u>NET ACRES</u>
VILLAGE 1A	45'x105'	20	-
VILLAGE 2A	55'x105'	71	-
VILLAGE 3	55'x105'	80	-
VILLAGE 4A	70'x121'	45	-
VILLAGE 4B	70'x121'	18	-
VILLAGE 5A	60'x110'	23	-
VILLAGE 5B	60'x110'	50	-
VILLAGE 6	60'x110'	128	-
VILLAGE 7	55'x105'	102	-
VILLAGE 8A	55'x105'	27	-
VILLAGE 8B	55'x105'	86	-
VILLAGE 9A	55'x105'	47	-
VILLAGE 10A	55'x105'	53	-
VILLAGE 11A	45'x105'	49	-
TOTAL ZONE 1		799	



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CITY OF RANCHO CORDOVA
SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1
IDENTIFICATION OF TAX ZONE 2 AND ANTICIPATED LOTS

RANCHO CORDOVA, CALIFORNIA
 JUNE 2006



LAND USE SUMMARY TABLE			
<i>ZONE 2 (SUNRIDGE PARK - PHASE II)</i>			
UNIT/VILLAGE	TYPICAL LOT SIZE	NO. OF LOTS	NET ACRES
VILLAGE 1B	45'x105'	43	-
VILLAGE 2B	55'x105'	8	-
VILLAGE 4C	70'x122'	14	-
VILLAGE 4D	70'x122'	10	-
VILLAGE 5C	60'x110'	17	-
VILLAGE 5D	60'x110'	7	-
VILLAGE 8C	55'x105'	14	-
VILLAGE 9B	55'x105'	29	-
VILLAGE 10B	55'x105'	6	-
VILLAGE 11B	45'x105'	3	-
LOT A	ELEM. SCHOOL		10.0
LOT B	PARK		0.8
LOT C	PARK		6.5
LOT D	CMU		5.3
LOT E	WETLAND PRESERVE		6.4
LOT F	SMUD SUB-STATION		6.5
LOT G	WQ/DETENTION		13.4
TOTAL ZONE 2		151	

NOTE: THE ORIGINAL VERSION OF ATTACHMENT #1 DEPICTING ZONE 2 INCLUDED A VILLAGE 12 AND A VILLAGE 13. VILLAGE 12 PREVIOUSLY EXISTED IN THE SAME LOCATION AS THE SOUTHERN PORTION OF THE CURRENT VILLAGE 4D AND THE WESTERN PORTION OF PARK LOT C. VILLAGE 13 PREVIOUSLY EXISTED IN THE SAME LOCATION AS THE SOUTHERN PORTION OF BOTH THE SMUD SUBSTATION LOT F AND THE WETLAND PRESERVE LOT E.



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CITY OF RANCHO CORDOVA SUNRIDGE PARK AREA COMMUNITY FACILITIES DISTRICT NO. 2004-1 IDENTIFICATION OF TAX ZONES AND ANTICIPATED LOTS

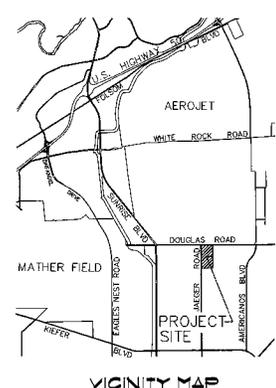
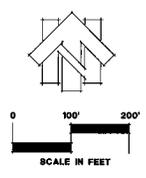
RANCHO CORDOVA, CALIFORNIA
JUNE 15, 2006



LAND USE SUMMARY

SUNRIDGE LOT J - ZONE 3

UNIT / VILLAGE	TYPICAL LOT SIZE / USE	# OF LOTS	NET ACRES
VILLAGE 1	55' X 125'	32	20.25
VILLAGE 2	45' X 110'	126	22.69
VILLAGE 3	60' X 115'	76	18.93
VILLAGE 4	32' X 85'	75	9.65
LOT 'F'	-	PARK	1.01
LOT 'L'	-	PARK	5.25
LOT 'M'	-	PARK	1.53
LOT 'I'	-	MINI-PARK	0.21
LOT 'J'	-	MINI-PARK	0.21



ZONE 3

**SUNRIDGE LOT J
SUN RIDGE SPECIFIC PLAN
CITY OF RANCHO CORDOVA, CALIFORNIA**

MSA
ENGINEERING
1001 NORTHWAY, DC
1400 WEST 100TH STREET
SANTA ANA, CA 92705
PHONE (714) 966-4045
FAX (714) 966-4057

ATTACHMENT 2

**Sunridge Park Area Community Facilities District No. 2004-1
Expected Land Uses and Expected Maximum Facilities Special Tax Revenues**

ATTACHMENT 2

Revised 03/14/07

Sunridge Park Area Community Facilities District No. 2004-1 Expected Land Uses and Expected Maximum Facilities Special Tax Revenues

Column (A)	Column (B)	Column (C)	Column (D)	Column (E)
Village Designations Within Each Zone [1]	Expected Lot Size (Single Family) or Land Use	Expected # of Single Family Units, Multi-Family Acres, Townhome Acres or Non-Residential Acres	Base Maximum Facilities Special Tax Rate per Unit (Single Family) and Maximum Special Tax per Acre (Multi-Family, Townhome Property and Non-Residential) [2]	Expected Maximum Facilities Special Tax Revenues [2]
ZONE 1				
Village 1A	45' x 105'	20 units	\$1,055	\$21,100
Village 2A	55' x 105'	71 units	\$1,155	\$82,005
Village 3	55' x 105'	80 units	\$1,155	\$92,400
Village 4A	70' x 122'	45 units	\$1,255	\$56,475
Village 4B	70' x 122'	18 units	\$1,255	\$22,590
Village 5A	60' x 110'	23 units	\$1,155	\$26,565
Village 5B	60' x 110'	50 units	\$1,155	\$57,750
Village 6	60' x 110'	128 units	\$1,155	\$147,840
Village 7	55' x 105'	102 units	\$1,155	\$117,810
Village 8A	55' x 105'	27 units	\$1,155	\$31,185
Village 8B	55' x 105'	86 units	\$1,155	\$99,330
Village 9A	55' x 105'	47 units	\$1,155	\$54,285
Village 10A	55' x 105'	53 units	\$1,155	\$61,215
Village 11A	45' x 105'	49 units	\$1,055	\$51,695
Subtotal, Zone 1				\$922,245
ZONE 2				
Village 1B	45' x 105'	43 units	\$1,055	\$45,365
Village 2B	55' x 105'	8 units	\$1,155	\$9,240
Village 4C	70' x 122'	14 units	\$1,255	\$17,570
Village 4D	70' x 122'	10 units	\$1,255	\$12,550
Village 5C	60' x 110'	17 units	\$1,155	\$19,635
Village 5D	60' x 110'	7 units	\$1,155	\$8,085
Village 8C	55' x 105'	14 units	\$1,155	\$16,170
Village 9B	55' x 105'	29 units	\$1,155	\$33,495
Village 10B	55' x 105'	6 units	\$1,155	\$6,930
Village 11B	45' x 105'	3 units	\$1,055	\$3,165
Village 12	45' x 105'	0 units	\$1,055	\$0
Village 13	Townhomes	0.0 acres	\$9,000	\$0
Subtotal, Zone 2				\$172,205
ZONE 3				
Village 1	55' x 105'	92 units	\$650	\$59,800
Village 2	45' x 105'	126 units	\$575	\$72,450
Village 3	60' x 110'	76 units	\$650	\$49,400
Village 4	32' x 80'	75 units	\$475	\$35,625
Subtotal, Zone 3				\$217,275
Expected Maximum Special Tax Revenues in CFD, Fiscal Year 2003-04				\$1,311,725
CFD Buffer				(\$6,595)
Net Amount of Maximum Special Tax Revenues to Secure Bonds (2003-04)				\$1,305,130

1. See Attachment 1 for the geographic area associated with each Zone and Village.
2. On July 1, 2004 and each July thereafter, the Maximum Special Tax and Expected Maximum Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

APPENDIX B

**THE APPRAISAL
(Without the Addenda)**

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July 6, 2007

Mr. Joe Chinn
Assistant City Manager
City of Rancho Cordova
2729 Prospect Drive
Rancho Cordova, California 95670

RE: Properties within Sunridge Park Area CFD No. 2004-1 (Series 2007)
Rancho Cordova, California 95742

Dear Mr. Chinn:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has analyzed market data for the purpose of estimating the hypothetical market value (*fee simple estate*) of the properties within Sunridge Park Area Community Facilities District (CFD) No. 2004-1, under the assumptions and conditions contained in this report.

The appraisal report has been prepared in accordance with appraisal standards and guidelines found in 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). This report documents a Self-Contained Appraisal Report and is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

The Sunridge Park Area CFD No. 2004-1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 1,319 single-family residential lots with typical lot sizes ranging from 2,560 to 8,540 square feet. The subject property consists of two contiguous projects identified as Sunridge Park and Sunridge - Lot J. Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. This master planned community is being developed in two phases by Sunridge Park, LLC, who sold the individual villages to four builders – Woodside Homes, Beazer Homes, Syncon Homes, and Kimball Hill Homes. Phase 1 consists of 799 lots and Phase 2 comprises 151 lots. As of the date of inspection, the Phase 1 lots were finished and the Phase 2 lots were unimproved. Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes, this project is proposed for subdivision into 369 single-family residential lots; however, site development has not commenced.

Both properties are located within the Sunridge Specific Plan (SRSP) area of the city of Rancho Cordova, Sacramento County, California. The Sunridge Specific Plan is part of the larger Sunrise

Self Contained Appraisal Report

Properties within Sunridge Park Area
Community Facilities District
No. 2004-1 (Series 2007)
Rancho Cordova, California 95742



Date of Report: July 6, 2007

Prepared For:

Mr. Joe Chinn
Assistant City Manager
City of Rancho Cordova
2729 Prospect Drive
Rancho Cordova, California 95670

Prepared By:

P. Richard Seevers, MAI
Nelson M. Wong, Appraiser

Douglas Community Plan, which encompasses 6,042± acres of land area envisioned for as many as 22,503 dwelling units upon build out. The SRSP is generally located east of Sunrise Boulevard, north of Kiefer Boulevard, west of Grant Line Road and south of Douglas Road. It comprises approximately 2,632 acres and is located with the General Plan Urban Policy Area identified as a New Urban Growth Area within the General Plan.

Sunridge Park Area CFD No. 2004-1 is segregated into three zones, with Zone 1 consisting of Sunridge Park – Phase 1, Zone 2 comprising Sunridge Park – Phase 2, and Zone 3 representing Sunridge - Lot J. The following table details the land areas encompassing the proposed District.

Designation	Acreage	No. of Lots	Typical Lot Size (SF)	Density (Units/Acre)	Owner/ Developer
Sunridge Park - Phase 1 (Zone 1)					
Village 1A	3.50	20	4,725	5.71	Woodside Bella Brisas, Inc.
Village 2A	13.20	71	5,775	5.38	Sunridge Park, LP
Village 3	15.40	80	5,775	5.19	Rancho 80, LLC
Village 4A	13.10	45	8,540	3.44	Woodside Mariposa, Inc.
Village 4B	5.40	18	8,540	3.33	Woodside Mariposa, Inc.
Village 5A	4.80	23	6,600	4.79	Sunridge Park, LP
Village 5B	10.90	50	6,600	4.59	Sunridge Park, LP
Village 6	25.70	128	6,600	4.98	Woodside Eclipse Inc.
Village 7	20.10	102	6,050	5.07	Woodside Vistas, Inc.
Village 8A	5.30	27	5,775	5.09	Woodside Vistas, Inc.
Village 8B	15.50	86	5,775	5.55	Woodside Vistas, Inc.
Village 9A	8.60	47	5,775	5.47	Beazer Homes Holding Corporation
Village 10A	10.70	53	5,775	4.95	Beazer Homes Holding Corporation
Village 11A	7.70	49	4,725	6.36	Woodside Bella Brisas, Inc.
Total - Zone 1	159.90	799			
Sunridge Park - Phase 2 (Zone 2)					
Village 1B	6.64	43	4,725	6.48	Woodside Bella Brisas, Inc.
Village 2B	1.53	8	5,775	5.23	Sunridge Park, LP
Village 4C	3.40	14	8,540	4.12	Pleasant Valley Investments, LC
Village 4D	2.90	10	8,540	3.45	Pleasant Valley Investments, LC
Village 5C	3.30	17	6,600	5.15	Sunridge Park, LP
Village 5D	1.30	7	6,600	5.38	Sunridge Park, LP
Village 8C	2.49	14	5,775	5.62	Pleasant Valley Investments, LC
Village 9B	4.83	29	5,775	6.00	Beazer Homes Holding Corporation
Village 10B	1.14	6	5,775	5.26	Beazer Homes Holding Corporation
Village 11B	0.33	3	4,725	9.09	Pleasant Valley Investments, LC
Total - Zone 2	27.86	151			
Sunridge Lot J (Zone 3)					
Village 1	17.54	92	5,775	5.25	Cresleigh Homes
Village 2	20.52	126	4,725	6.14	Cresleigh Homes
Village 3	17.25	76	6,600	4.41	Cresleigh Homes
Village 4	8.90	75	2,560	8.43	Cresleigh Homes
Total - Zone 3	64.21	369			
Total	251.97	1,319			

Note: Pleasant Valley Investments, LC is Woodside Homes, Sunridge Park, LP is Kimball Hill Homes and Rancho 80, LLC is Syncon Homes

While several homes have either been completed or are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we will only consider the value of the underlying land. There are also a number of land areas (e.g., school sites, parks, open space and commercial sites) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

We have been requested to provide estimates of hypothetical market value of the subject property as of our date of inspection (June 20, 2007). The value estimates 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 each acting prudently, knowledgeably, for their own self-interest, and assuming neither is under duress.

The financing provided through the bond issuance will be used for improvements to Douglas Road, Jaeger Road and Americanos Boulevard. These improvements include—but are not limited to—roadways, drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

In light of the fact that the improvements to be financed by the District bonds were not in place as of our date of inspection, the value estimates are subject to a hypothetical condition, defined as “that which is contrary to what exists but is supposed for the purposes of analysis.”¹ Specifically, the hypothetical market value estimates assume the completion of the public facilities to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds). The estimates of value also account for the impact of the lien of the Special Tax securing the bonds. The following estimates represent the hypothetical market values for each ownership entity. As a result of our analysis, it is our opinion the hypothetical market values of the subject property, in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 9 through 12), as of June 20, 2007, are...

Owner/Developer	Hypothetical Market Value
Pleasant Valley Investments, LC (Woodside Homes)	\$67,050,000
Sunridge Park, LP (Kimball Hill Homes)	\$21,450,000
Rancho 80, LLC (Syncon Homes)	\$10,250,000
Beazer Homes Holding Corporation	\$15,470,000
Cresleigh Homes	\$26,210,000
Cumulative Value	\$140,430,000

¹The Uniform Standards of Professional Appraisal Practice, 2006 ed. (Appraisal Standards Board), 3.

Mr. Joe Chinn
July 6, 2007
Page 4

The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

This letter must remain attached to the report, which contains 118 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

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

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

Sincerely,



P. Richard SeEVERS, MAI
State Certification No.: AG001723
Expires: August 12, 2008

/smh



Nelson M. Wong, Appraiser
State Certification No. AG034862
Expiration Date: August 12, 2008

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property: The appraised property comprises the land within the boundaries of Sunridge Park Area Community Facilities District No. 2004-1.

Location: The Sunridge Park development is situated along the south line of Douglas Road, east of Jaeger Road. Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. Both properties are located within the city of Rancho Cordova, Sacramento County, California.

Land Use: The properties within the District consist of 1,319 single-family residential lots at various stages of development (unimproved and improved).

Assessor’s Parcel Number(s): The subject properties encompass numerous assessor’s parcels, which are detailed in the *Property Identification and Legal Data* section of this report.

Owner(s) of Record: Title to the subject property is vested with numerous ownership entities, also provided in the *Property Identification and Legal Data* section.

Zoning and Entitlements: The subject property has a combination of RD-4, RD-5, RD-7 and RD-10 zoning, which are single-family residential zones designated to provide areas with overall densities not to exceed four, five, seven and ten units per gross acre, respectively. Additionally, both developments have either tentative or final subdivision map recordation permitting single-family residential development.

Each of the lots within Sunridge Park – Phase 1 is identified by a separate assessor’s parcel number. Although the final maps have recorded for Villages 4C, 9B, 10B and 11B within Sunridge Park – Phase 2, individual assessor’s parcel numbers have not yet been assigned. Village 1B has a recorded final map and has been assigned new parcel numbers. All of the other villages within Phase 2 have tentative subdivision map approval and are situated within the confines of single assessor’s parcels. This is also the case for Sunridge – Lot J.

Flood Zone: Flood Zone X (Unshaded) – Areas outside of the 100 and 500-year floodplains.

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

Developable Land Area (Excludes Tax Exempt Areas):
 Sunridge Park 187.76± acres
 Sunridge - Lot J 64.21± acres
 Total 251.97± acres

Highest and Best Use: Development as well balanced single-family residential subdivisions

Exposure Time: 12 months

Date of Inspection: June 20, 2007

Effective Date of Value: June 20, 2007

Date of Report: July 6, 2007

Property Rights Appraised: Fee simple estate

Conclusions of Hypothetical Market Value:

Owner/Developer	Hypothetical Market Value
Pleasant Valley Investments, LC (Woodside Homes)	\$67,050,000
Sunridge Park, LP (Kimball Hill Homes)	\$21,450,000
Rancho 80, LLC (Syncon Homes)	\$10,250,000
Beazer Homes Holding Corporation	\$15,470,000
Cresleigh Homes	\$26,210,000
Cumulative Value	\$140,430,000

The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

INTRODUCTION

Property Description and History

The Sunridge Park Area CFD No. 2004-1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 1,319 single-family residential lots with typical lot sizes ranging from 2,560 to 8,540 square feet. The subject property consists of two contiguous projects identified as Sunridge Park and Sunridge - Lot J. Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. This master planned community is being developed in two phases by Sunridge Park, LLC, who sold the individual villages to four builders – Woodside Homes, Beazer Homes, Syncon Homes, and Kimball Hill Homes. Phase 1 consists of 799 lots and Phase 2 comprises 151 lots. As of the date of inspection, the Phase 1 lots were finished and the Phase 2 lots were unimproved. Additionally, while several homes have either been completed or are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we will only consider the value of the underlying land. Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes, this project is proposed for subdivision into 369 single-family residential lots; however, site development has not commenced.

Sunridge Park Area CFD No. 2004-1 is segregated into three zones, with Zone 1 consisting of Sunridge Park – Phase 1, Zone 2 comprising Sunridge Park – Phase 2, and Zone 3 representing Sunridge - Lot J. The following tables detail the developable land areas encompassing the proposed District. There are also a number of land areas (e.g., school sites, parks, open space and commercial sites) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

Designation	Acreage	No. of Lots	Typical Lot Size (SF)	Density (Units/Acre)	Owner/ Developer
Sunridge Park - Phase 1 (Zone 1)					
Village 1A	3.50	20	4,725	5.71	Woodside Bella Brisas, Inc.
Village 2A	13.20	71	5,775	5.38	Sunridge Park, LP
Village 3	15.40	80	5,775	5.19	Rancho 80, LLC
Village 4A	13.10	45	8,540	3.44	Woodside Mariposa, Inc.
Village 4B	5.40	18	8,540	3.33	Woodside Mariposa, Inc.
Village 5A	4.80	23	6,600	4.79	Sunridge Park, LP
Village 5B	10.90	50	6,600	4.59	Sunridge Park, LP
Village 6	25.70	128	6,600	4.98	Woodside Eclipse Inc.
Village 7	20.10	102	6,050	5.07	Woodside Vistas, Inc.
Village 8A	5.30	27	5,775	5.09	Woodside Vistas, Inc.
Village 8B	15.50	86	5,775	5.55	Woodside Vistas, Inc.
Village 9A	8.60	47	5,775	5.47	Beazer Homes Holding Corporation
Village 10A	10.70	53	5,775	4.95	Beazer Homes Holding Corporation
Village 11A	<u>7.70</u>	<u>49</u>	4,725	6.36	Woodside Bella Brisas, Inc.
Total - Zone 1	159.90	799			

Designation	Acreage	No. of Lots	Typical Lot Size (SF)	Density (Units/Acre)	Owner/ Developer
Sunridge Park - Phase 2 (Zone 2)					
Village 1B	6.64	43	4,725	6.48	Woodside Bella Brisas, Inc.
Village 2B	1.53	8	5,775	5.23	Sunridge Park, LP
Village 4C	3.40	14	8,540	4.12	Pleasant Valley Investments, LC
Village 4D	2.90	10	8,540	3.45	Pleasant Valley Investments, LC
Village 5C	3.30	17	6,600	5.15	Sunridge Park, LP
Village 5D	1.30	7	6,600	5.38	Sunridge Park, LP
Village 8C	2.49	14	5,775	5.62	Pleasant Valley Investments, LC
Village 9B	4.83	29	5,775	6.00	Beazer Homes Holding Corporation
Village 10B	1.14	6	5,775	5.26	Beazer Homes Holding Corporation
Village 11B	<u>0.33</u>	<u>3</u>	4,725	9.09	Pleasant Valley Investments, LC
Total - Zone 2	27.86	151			
Sunridge Lot J (Zone 3)					
Village 1	17.54	92	5,775	5.25	Cresleigh Homes
Village 2	20.52	126	4,725	6.14	Cresleigh Homes
Village 3	17.25	76	6,600	4.41	Cresleigh Homes
Village 4	<u>8.90</u>	<u>75</u>	2,560	8.43	Cresleigh Homes
Total - Zone 3	64.21	369			
Total	251.97	1,319			

Note: Pleasant Valley Investments, LC is Woodside Homes, Sunridge Park, LP is Kimball Hill Homes and Rancho 80, LLC is Syncon Homes

Both properties are located within the Sunridge Specific Plan (SRSP) area of the city of Rancho Cordova, Sacramento County, California. The Sunridge Specific Plan is part of the larger Sunrise Douglas Community Plan, which encompasses 6,042± acres of land area envisioned for as many as 22,503 dwelling units upon build out. The SRSP is generally located east of Sunrise Boulevard, north of Kiefer Boulevard, west of Grant Line Road and south of Douglas Road. It comprises approximately 2,632 acres and is located with the General Plan Urban Policy Area identified as a New Urban Growth Area within the General Plan. Land uses in the subject’s immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the subject projects and neighboring master planned communities, such as Anatolia and North Douglas, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will continue to be incorporated into the area over the next several years.

According to an article published in the Sacramento Business Journal on February 1, 2007, the California Supreme Court ruled that the environmental impact report for the Sunrise Douglas Community Plan did not adequately address two issues: 1) the impacts on water supply once the area is built-out, and 2) the impact on two fish species - the Fall Run Chinook Salmon and the Central Valley Steelhead. Stephan Volker, the attorney who represented the Vineyard Area Citizens for Responsible Growth, Sierra Club and the Environmental Council of Sacramento in the appeal of the approval of the Sunrise Douglas Community Plan, believes a new environment report will be needed

and construction could be halted until the issues are addressed. However, the attorneys for the City of Rancho Cordova disagree and believe construction will not halt because of this ruling. It is unknown what effect this will have on the subject property. The value estimates provided in this report are premised on the assumption that the previously discussed ruling will not impede development of the subject property.

With respect to the sales history, each of the 11 single-family residential villages comprising Sunridge Park transferred from Sunridge Park, LLC to various merchant builders. The details of these transactions are summarized in the table on the following page. The reported sale prices are exclusive of bonds.

Designation	Buyer	No. of Lots	Contract Date	Close of Escrow	Sale Price	Sale Price/Lot
Phase 1 Lots						
Village 1	Pleasant Valley Investments, LC	20	9/11/2003	3/2004	\$1,088,124	\$54,406
Village 2	Sunridge Park, LP	71	8/13/2003	3/2004	\$4,856,613	\$68,403
Village 3	Rancho 80, LLC	80	8/13/2003	3/2004	\$5,280,400	\$66,005
Village 4	Pleasant Valley Investments, LC	63	1/20/2004	3/2004	\$5,855,515	\$92,945
Village 5	Sunridge Park, LP	73	9/12/2003	3/2004	\$5,321,335	\$72,895
Village 6	Pleasant Valley Investments, LC	128	9/11/2003	3/2004	\$8,830,963	\$68,992
Village 7	Pleasant Valley Investments, LC	102	9/11/2003	3/2004	\$6,585,426	\$64,563
Village 8	Pleasant Valley Investments, LC	113	9/11/2003	3/2004	\$6,883,324	\$60,914
Village 9	Beazer Homes Holding Corporation	47	9/4/2003	3/2004	\$3,088,560	\$65,714
Village 10	Beazer Homes Holding Corporation	53	9/4/2003	3/2004	\$3,554,928	\$67,074
Village 11	Pleasant Valley Investments, LC	49	9/11/2003	3/2004	\$2,586,383	\$52,783
Phase 2 Lots						
Village 1	Pleasant Valley Investments, LC	43	9/11/2003	3/2004	\$2,403,998	\$55,907
Village 2	Sunridge Park, LP	8	8/13/2003	3/2004	\$553,112	\$69,139
Village 4	Pleasant Valley Investments, LC	24	1/20/2004	3/2004	\$2,249,736	\$93,739
Village 5	Sunridge Park, LP	24	9/12/2003	3/2004	\$1,936,104	\$80,671
Village 8	Pleasant Valley Investments, LC	14	9/11/2003	3/2004	\$946,862	\$67,633
Village 9	Beazer Homes Holding Corporation	29	9/4/2003	3/2004	\$1,969,680	\$67,920
Village 10	Beazer Homes Holding Corporation	6	9/4/2003	3/2004	\$461,352	\$76,892
Village 11	Pleasant Valley Investments, LC	3	9/11/2003	3/2004	\$188,724	\$62,908

Note: Pleasant Valley Investments, LC is Woodside Homes, Sunridge Park, LP is Kimball Hill Homes and Rancho 80, LLC is Syncon Homes

While the previous transactions are arm's length, the purchase prices are not deemed representative of current market value due to the improvement in market conditions since the properties were placed under contract. Additionally, site development for all of the Phase 1 lots is finished, with numerous homes having been completed as well.

Sunridge-Lot J is currently situated within the confines of a single assessor's parcel identified as 067-0040-016. According to public records, this property has not been involved in any transactions within the previous three years. Furthermore, to the best of our knowledge, it is not currently being marketed for sale.

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market values of the subject property by ownership entity, assuming the completion of the primary infrastructure and facilities to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds). Market value is defined as follows:

- Market Value:** The most probable price that 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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
- Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their own best interest;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in U. S. Dollars or in terms of financial arrangements comparable thereto; and
 - The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

In light of the fact that the improvements to be financed by the District bonds were not in place as of our date of inspection, the value estimates are subject to a hypothetical condition, defined as "that which is contrary to what exists but is supposed for the purposes of analysis."³

Client, Intended User and Intended Use of the Appraisal

The client and intended user of this appraisal report is the City of Rancho Cordova. The appraisal report is intended for use in bond underwriting.

Property Rights Appraised

The value estimates derived 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.⁴

² Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.

³ The Uniform Standards of Professional Appraisal Practice, 2006 ed. (Appraisal Standards Board), 3.

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 113.

The rights appraised are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the value estimate reflects the completion of the public facilities to be financed by the Series 2007 bonds and accounts for the impact of the lien of the Special Tax securing the bonds.

Appraisal Report Format

This report documents a Self-Contained Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisal report has also been conducted in accordance with the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004).

Dates of Inspection, Value and Report

An inspection of the subject property was completed on June 20, 2007, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on July 6, 2007.

Scope of the Appraisal

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). The 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 conclusions be that of a disinterested third party.

We researched and documented several legal and physical aspects of the subject property. 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. Ryan Fong of River Rock Development and Mr. Steve Trythall of Cresleigh Homes, regarding the property history and development information. The sales history was verified by consulting public records. Various documents were provided for the appraisal, including a developer's budget, preliminary title reports, site maps, and development timeline. We contacted the City of Rancho Cordova Planning Department regarding zoning and entitlements. The earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the Sacramento County Treasurer-Tax Collector's Office.

We analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles, real estate conferences and interviews with various market

participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, we determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). In addition, we estimated a reasonable exposure time associated with the hypothetical market value estimates.

We have been requested to provide estimates of hypothetical market value of the subject property by ownership. The subdivision development method to value (discounted cash flow analysis) was relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to estimate value for a typical village (5,775 square foot lot size) within the subject developments. Then, we utilized the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 5,775 square foot lots. The resultant value (revenue) indicators were incorporated into a discounted cash flow analysis to estimate the hypothetical market value of the subject property by ownership entity, assuming the completion of the improvements to be financed by the Sunridge Park Area CFD No. 2004-1 bond issuance (Series 2007 bonds). It is noted that the sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the properties as a whole.

While several homes have either been completed or are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we only considered the value of the underlying land. There are also a number of land areas (e.g., school sites, parks, open space and commercial sites) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites have been excluded from our analysis.

The individuals involved in the preparation of this appraisal include Mr. P. Richard Seevers, MAI, and Mr. Nelson Wong, Appraiser. Mr. Wong inspected the subject property; collected and confirmed data related to the subject, comparables and the neighborhood/market area; analyzed market data; and prepared a draft report with preliminary estimates of value. Mr. Seevers inspected the property, offered professional guidance and instruction, reviewed the draft report and made necessary revisions.

**EXTRAORDINARY ASSUMPTIONS, SIGNIFICANT FACTORS AND
HYPOTHETICAL CONDITIONS**

Extraordinary Assumptions and Significant Factors

1. We have been provided site development cost projections for the subject property. In comparing these costs with the costs for other residential developments in the Sacramento region, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the value(s) concluded in this report. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the value opinion(s) contained herein could be affected. It is noted the site development budget for Sunridge – Lot J has not yet been prepared. Therefore, in calculating revenues for the Cresleigh Homes ownership entity, we analyzed the development budgets for several comparable projects and applied average site development costs based on typical lot sizes. Using these indicators, site development costs were deducted from the loaded lot indicators for each of the villages within Sunridge – Lot J.
2. According to an article published in the Sacramento Business Journal on February 1, 2007, the California Supreme Court ruled that the environmental impact report for the Sunrise Douglas Community Plan did not adequately address two issues: 1) the impacts on water supply once the area is built-out, and 2) the impact on two fish species - the Fall Run Chinook Salmon and the Central Valley Steelhead. Stephan Volker, the attorney who represented the Vineyard Area Citizens for Responsible Growth, Sierra Club and the Environmental Council of Sacramento in the appeal of the approval of the Sunrise Douglas Community Plan, believes a new environment report will be needed and construction could be halted until the issues are addressed. However, the attorneys for the City of Rancho Cordova disagree and believe construction will not halt because of this ruling. It is unknown what effect this will have on the subject property. The value estimates provided in this report are premised on the assumption that the previously discussed ruling will not impede development of the subject property.
3. On June 7, 2006, the California Native Plant Society, Defenders of Wildlife and Butte Environmental Counsel filed a lawsuit challenging actions by the Army Corps of Engineers, the Fish and Wildlife Service, and the United States Environmental Protection Agency relating to a “Conceptual Strategy” plan that was issued guide future development in the Sunrise-Douglas Community Plan. In November 2006, the plaintiffs moved for a preliminary injunction seeking, among other things, an order setting aside all Section 404 permits issued by the Corps and all Biological Opinions and Incidental Take Statements issued by the Fish & Wildlife Service for various projects within the Sunrise Douglas Community Plan Area, and stopping construction authorized by such permits at those projects. In July 2007, the court granted the plaintiffs’ motion, effectively suspending the Section 404 permits and preventing any further on-the-ground activity taken in reliance on the applicable Section 404 permits. The subject developments received Section 404 permits and filled the wetlands pursuant to the permit, prior to both the court’s injunction and the Plaintiffs’ amended motion for the injunction. Accordingly, the injunction effectively enjoins action which has already been taken pursuant to permits that were valid and in effect at the time the action was taken. The master developer and its attorneys are uncertain of what effect, if any, the injunction will have on the progress of development, but the injunction could potentially be moot because the permitted and now enjoined actions have been completed. However, the master developer is unable to indicate with certainty that continued construction will not be affected by the legal case.

4. The off-site improvements to be funded by the master developer and the District will ultimately serve future developments in the area. Consequently, the master developer will receive fee credits from the City of Rancho Cordova upon obtaining building permit. We have relied on the most recent fee credit estimates to derive a revenue estimate for the subject property. It is assumed these fee credits will not change significantly. If, at some future date, the credits are higher or lower than projected, the market value provided in this report could be positively or negatively affected.

Hypothetical Condition

1. The estimates of hypothetical market value assume the completion of the public infrastructure improvements to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds). A hypothetical condition is defined as “that which is contrary to what exists but is supposed for the purposes of analysis.”⁵

⁵The Uniform Standards of Professional Appraisal Practice, 2006 ed. (Appraisal Standards Board), 3.

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 a 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 report in its entirety for bond proposes.
15. The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors/ omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.
16. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
17. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
18. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.
19. 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 OF VALUE

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 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;
- I have made an inspection of the property that is the subject of this report;
- Nelson Wong, Appraiser, also inspected the subject property and provided significant professional appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice;
- 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 general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted;
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information;
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.



P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires: August 12, 2008)

CERTIFICATION OF VALUE

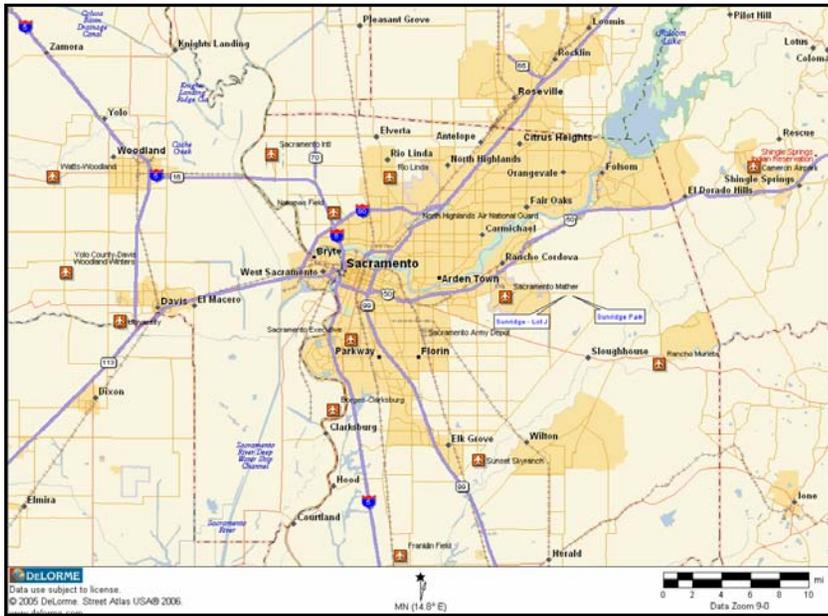
I certify that, to the best of my knowledge and belief:

- 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 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;
- I have made an inspection of the property that is the subject of this report;
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice;
- 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 general real estate appraiser certificate has never been revoked, suspended, cancelled or restricted;
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



NELSON M. WONG, APPRAISER
State Certification No.: AG034862 (Expires: August 12, 2008)

SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW



including college towns, tourist destinations, suburban communities and agricultural centers. The city of Sacramento is located approximately 385 miles north of Los Angeles, 500 miles south of Oregon, 85 miles northeast of San Francisco, 105 miles west of South Lake Tahoe, and 135 miles southwest of Reno, Nevada.

Geography & Climate

The geography, climate and seismic conditions in the region play an important role in the quality of life. The topography of the region ranges from relatively flat land along the valley floor, to steep mountain terrain in the eastern portion of the area. Elevations range from 15 feet below sea level near the Sacramento-San Joaquin River Delta, to 10,000 feet above sea level at the summit of the Sierra Nevada. The American and Sacramento Rivers are the two major waterways in the region. The American River flows west along the southern part of the Sacramento Area, joining the Sacramento River just northwest of Sacramento's Central Business District. The Sacramento River traverses south along the western side of the city of Sacramento.

The region's climate is fairly mild, with moderate rainfall in winter, virtually none in summer, and a relatively comfortable temperature range year-round. However, temperatures can reach over 100°F in the summer on the valley floor, and heavy rain and snowfall can occur during winter months in the northeastern part of the region in the mountainous areas of Placer and El Dorado Counties. Sacramento's climate is warm and dry in the summer with an average daytime high temperature of 93°F, and a comfortable 58° at night. During Sacramento's winter, daytime high temperatures are typically between 53° and 60°. During the rainy season from November through April, an accumulation of about 18 inches of rain is normal.

The region has relatively stable seismic conditions, especially compared to the San Francisco Bay Area and Southern California. Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake. Most of the region is not located within an Alquist-Priolo Earthquake Fault Zone. Yolo County is the only county with an Earthquake Fault Zone, located in a small portion of the northwest part of the county known as Jericho Valley. The Dunnigan Hills fault, located 19 miles northwest of the city of Sacramento, is the closest known active fault mapped by the California Division of Mines and Geology. The closest branches of the seismically active San Andreas fault system are the Antioch fault (42 miles southwest) and the Green Valley/Concord fault (45 miles southwest).

Recreation & Culture

The Sacramento Area appeals to a diverse range of interests, offering innumerable recreational and cultural opportunities. The American River Parkway offers 5,000 acres of recreation area along both

Introduction

The Sacramento Area is comprised of Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter Counties. Located in the north-central part of the state of California, the Sacramento Area has proven to be one of the fastest-growing markets among major metropolitan areas in the United States. In order to provide a closer look at the region's progressive growth and its outlook for the next few years, we will present information on geographical, social, demographic, economic and environmental influences within the region. In the final section, we will summarize the impact these forces have on the overall desirability and competitiveness of the region.

The six-county region encompasses approximately 6,561 square miles, from the Sacramento River Delta in the west to the Sierra Nevada mountain range in the east. At the center of the region is Sacramento County, which encompasses approximately 996 square miles near the middle of the Central Valley. The county's largest city, Sacramento, is the seat of government for the County, as well as the State Capital. Surrounding Sacramento are several smaller towns and communities,

sides of the river for 30 miles. Some of the destinations along the parkway are Discovery Park, Goethe Park, Nimbus Fish Hatchery, CSUS Aquatic Center, and Folsom Lake State Recreation Area. The parkway includes walking, biking and horseback riding trails, as well as picnic and beach areas. The Sacramento-San Joaquin Delta has over 1,000 miles of waterways. The rivers and lakes within the Sacramento Area offer boating, fishing and water-skiing opportunities. In addition, numerous parks and golf courses are located throughout the region.

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

Cultural attractions in the region include the Old Sacramento Historic District, California State Railroad Museum, Towe Auto Museum, Crocker Art Museum, Historic Governor’s Mansion, Sutter’s Fort State Historic Park and Sacramento Zoo. Sacramento is home to the Sacramento Opera Association, Sacramento Ballet, Sacramento Theatre Company, Sacramento Philharmonic Orchestra and Sacramento Traditional Jazz Society. A recent addition to the cultural landscape is the Robert and Margrit Mondavi Center for the Performing Arts on the campus of the University of California Davis. Annual events in Sacramento include the California State Fair, the Music Circus and the Sacramento Jazz Jubilee.

In terms of sports entertainment, the region is home to three professional athletic teams and numerous college teams. Sacramento acquired a National Basketball Association (NBA) franchise, the Kings, in 1985. The Kings play their home games in the 17,300-seat Arco Arena. In 1996, Sacramento was granted a franchise of the Women’s National Basketball Association (WNBA); the Sacramento Monarchs began their season in 1997 and also play their homes games at Arco Arena. The region is also home to the Sacramento River Cats, a triple-A minor league baseball team. The Sacramento Area often hosts regional, national and even international sporting events. For example, Sacramento hosted the track and field qualifying trials for the 2000 and 2004 Summer Olympics. Also, several professional golf tournaments have been hosted at area courses.

Population

The Sacramento Area is among the fastest-growing metropolitan areas in the United States, with growth of 20% between 1990 and 2000. The following table shows recent population growth in the six-county region.

POPULATION TRENDS						
County	2003	2004	2005	2006	2007	%/Yr
Sacramento	1,317,579	1,345,208	1,368,192	1,387,771	1,406,804	1.7%
Placer	283,847	296,455	307,653	317,498	324,495	3.6%
El Dorado	167,177	170,331	173,668	176,637	178,674	1.7%
Yolo	181,357	184,696	187,610	190,500	193,983	1.7%
Yuba	63,740	65,317	67,291	69,198	70,745	2.7%
Sutter	84,196	86,554	88,947	91,669	93,919	2.9%
Total	2,097,896	2,148,561	2,193,361	2,233,273	2,268,620	2.0%

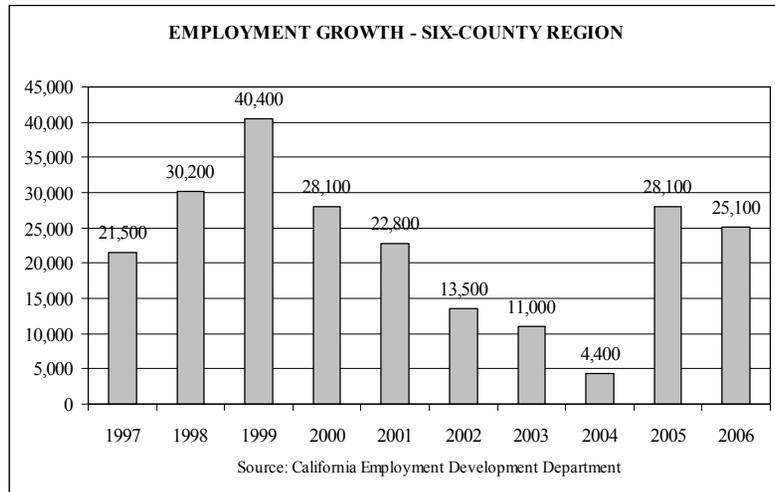
Source: California Department of Finance

The region’s population grew by 12% between 2001 and 2006, for an annual growth rate of 2.3%. Placer County has led the region with growth of 4.1% per year. Most of this growth has occurred in the cities of Roseville, Rocklin and Lincoln. The majority of the region’s growth is attributed to in-migration of residents from other California and U.S. areas. In fact, in each of the last five years, between 60% and 80% of the population growth was attributed to in-migration.

The population in the region is expected to continue growing. According to the California Department of Finance, the population in the Sacramento Area is projected to increase to about 2.4 million by 2010 and about 3 million by 2020. The region’s growth is expected to outpace the growth of nearly all other metropolitan areas in California, as well as the state as a whole.

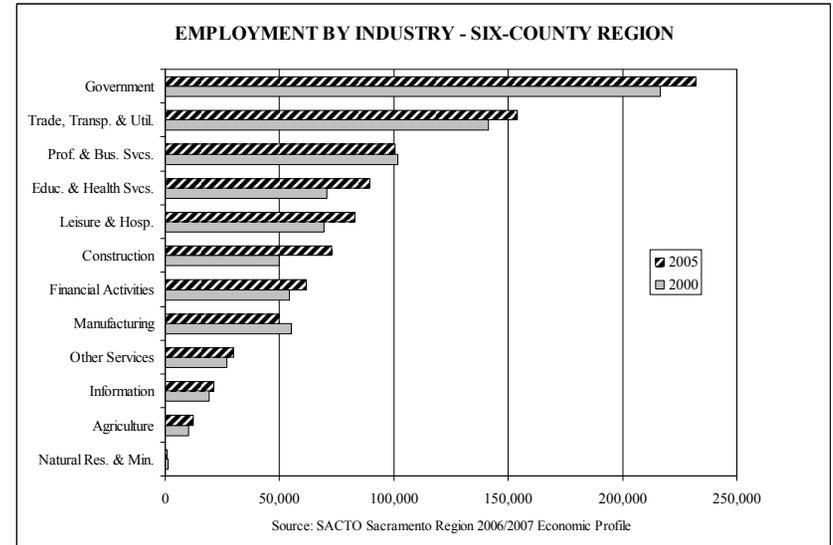
Employment

The Sacramento Area represents one of the strongest employment centers in California. While many areas in the state and nation experienced economic slowing and even recessions in the 2000-2003 period, employment growth in the Sacramento region has been positive each year for at least the last decade. The following table exhibits employment growth in the region over the past 10 years.



The local economy has transitioned from a government and agricultural center to a more diverse economy where the business services and trade sectors comprise nearly half of regional employment. Growing industries in the region include technology, clean energy, life sciences and healthcare. In 2005 Sacramento was one of the few places considered for a statewide stem cell research center. The region has become a western hub for data processing, customer call centers and other corporate back office support activities.

The following chart compares the region's employment by industry in 2000 and 2005. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+38%), followed by Educational & Health Services (+24%), Financial Activities (+21%) and Leisure & Hospitality (+17%). The only sectors to experience notable negative job growth in the past five years were Natural Resources & Mining (-33%) and Agriculture (-19%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.



Although government employment is becoming a smaller share of the total, this industry remains significant in the Sacramento region. In fact, government entities, including universities and school districts, account for about one-quarter of total employment in the region (down from 30% in 1990). The largest government employers are the State of California and Sacramento County. The decreasing share of total employment is not a result of a reduction in government jobs; in fact, employment in government grew by 6.3% between 2000 and 2005. The region's largest non-government employers are listed in the following table.

TOP 10 PRIVATE EMPLOYERS			
Company	Industry	Year Est. in Area	Employees
Kaiser Permanente	Healthcare	1,965	7,734
Raley's Inc.	Retail grocery	1,935	7,158
UC Davis Health System	Healthcare	1,973	6,897
Mercy/Catholic Healthcare West	Healthcare	1,896	6,845
Intel Corp.	Semiconductors	1,984	6,800
Sutter Health Sacramento Sierra	Healthcare	1,923	6,026
AT&T California (formerly SBC)	Telecommunications	1,881	4,697
Hewlett-Packard Co.	Computer hardware	1,979	4,000
Wal-Mart Stores Inc.	Retail	1,991	3,503
Target Corp.	Retail	1,962	3,435

Source: Sacramento Business Journal, Top 25 Book of Lists 2006

The following table details historical trends in labor force, employment and unemployment rates for the six individual counties and the Sacramento region as a whole.

EMPLOYMENT TRENDS BY COUNTY					
Sacramento County	1990	1995	2000	Oct. 2005	Oct. 2006
Labor Force	533,600	538,900	602,900	685,100	686,100
Employment	509,700	502,100	577,400	652,100	657,900
Unemployment Rate	4.5%	6.8%	4.2%	4.8%	4.1%
El Dorado County					
Labor Force	65,200	72,700	77,300	91,700	92,400
Employment	62,400	67,700	74,100	87,600	89,000
Unemployment Rate	4.4%	6.9%	4.1%	4.4%	3.7%
Placer County					
Labor Force	91,500	102,900	125,600	159,900	165,400
Employment	87,700	96,500	121,600	153,300	159,900
Unemployment Rate	4.1%	6.2%	3.1%	4.1%	3.4%
Yolo County					
Labor Force	76,100	87,300	93,100	95,900	95,000
Employment	71,000	81,300	89,100	91,400	91,300
Unemployment Rate	6.7%	6.9%	4.3%	4.8%	3.9%
Yuba County					
Labor Force	22,900	21,200	21,200	26,600	26,500
Employment	20,500	18,000	18,700	24,400	24,600
Unemployment Rate	10.3%	15.0%	11.8%	8.5%	7.2%
Sutter County					
Labor Force	34,200	34,600	36,700	41,200	41,100
Employment	29,500	28,600	31,900	38,000	38,600
Unemployment Rate	13.7%	17.2%	13.1%	7.6%	6.1%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,100,400	1,106,500
Employment	780,800	794,200	912,800	1,046,800	1,061,300
Unemployment Rate	5.2%	7.4%	4.6%	4.9%	4.1%

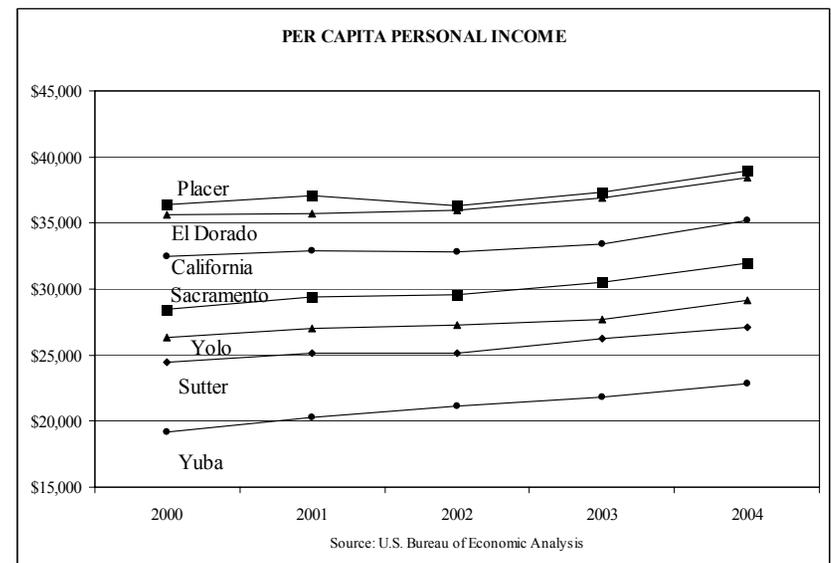
Source: California Employment Development Department

The unemployment rate in the Sacramento region was 4.1% as of October 2006, which marks a decrease from 4.9% in October 2005. This compares to 4.2% for the state of California and 4.1% for the nation. Most areas within the state and nation, including Sacramento, saw rising unemployment rates in 2001 and 2002, stabilization in 2003, and declines in 2004 through 2006. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater dependence on agricultural employment. Overall, unemployment in the Sacramento region has been steadier than most other metropolitan areas in California. This is an indication of the stability of the regional economy.

For the past five years, job growth in the region has been within the range of about 1% to 2% per year. Most local experts and forecasting organizations expect employment growth in the Sacramento Area to be around 2% for the year 2007. The consulting firm Economy.com expects the region's job growth to outpace the national average through 2009.

Personal Income

The following chart shows per capita personal income trends by county for the six counties within the Sacramento region, as well as the state of California.



As indicated in the chart above, Placer and El Dorado Counties exhibit the highest personal income levels in the region. This is attributed in part to the large degree of high-tech employment in those areas, and a significant amount of in-migration of high-income households from the Bay Area. Personal incomes in these counties trail those in only four other counties in the state: Marin, San Mateo, Contra Costa and Santa Clara. Sutter and Yuba Counties have the lowest incomes in the Sacramento region, related to significant agricultural employment in these areas.

Education & Healthcare

The educational institutions in the region produce a well-educated community and stable work force. The Sacramento region offers a number of alternatives in terms of higher education. Two large universities, the University of California Davis and Sacramento State University, are located in the region and are recognized throughout the nation. Seven community colleges are located within the greater Sacramento region, including Sierra College, American River, Cosumnes River, Sacramento City, Woodland Community College and Yuba College. Several private colleges are located in the area, as well as satellite campuses of colleges headquartered elsewhere. The region also contains numerous vocational schools, such as Heald Business College, ITT Technical Institute and MTI College. At least two additional private universities are planning to open in the Sacramento area in the future.

The Sacramento region has become a hub for general and specialized healthcare in Northern California and the Central Valley. There are currently 28 major medical centers within the six-county region, operated by providers such as Kaiser Permanente, UC Davis Health System, Shriners, Mercy/Catholic Healthcare West and Sutter Health System. Several of the larger medical organizations are expanding their facilities or have plans to do so. Kaiser is constructing a new women and children's health center in Roseville. Sutter is also completing a large expansion at its Roseville facility. The UC Davis Medical Center in Sacramento is building a \$40 million education building for medical students.

Transportation

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

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

Traffic congestion has intensified throughout the region in recent years along with population growth and the development of new suburban communities. Funding has been a challenge on both the State and Federal levels; however, several projects are proposed in the coming years. One major project completed in 2005 involved improving and reconfiguring the Douglas Boulevard/Sunrise Avenue interchange on Interstate 80 in Roseville. Another project in the planning pipeline is the 15-mile Placer Parkway, which would provide a new east-west route between State Highway 99/70 in Sutter County and State Highway 65 in Roseville. A bypass of State Highway 65 around the city of Lincoln is also planned.

The main public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by other local public and private transit operators. Regional Transit covers a 418-square mile service area that is serviced by 258 buses and 76 light rail vehicles, transporting over 27 million passengers annually. Light Rail began operation in 1987 along a two-pronged route linking Downtown Sacramento with populous suburbs to the east and north. In 2003 and 2004, RT completed extensions to the Meadowview area in South Sacramento and Sunrise Boulevard in Rancho Cordova to the east. In 2005, an eastward extension to the city of Folsom was completed. This route added seven new light rail stations and four park-and-ride lots, providing a viable transportation alternative for commuters on the Highway 50 corridor. During the next 20 years, RT plans to extend toward Elk Grove to the south, Natomas and the Sacramento International Airport to the north, Roseville to the east and Davis to the west.

The Sacramento region has access to a number of railroads. The north-south and east-west main lines of the Union Pacific Railroad intersect in Sacramento and, as a result of the merger of Union Pacific and Southern Pacific in 1996, Sacramento has access to the Burlington Northern Santa Fe Railway. Union Pacific's major freight classification facility for Northern California, Nevada and Oregon is located in Roseville. A \$140 million upgrade to handle additional traffic volume was completed over the past few years. Amtrak provides daily passenger service in all directions from Sacramento. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

Water transport is also available in the region. The Port of Sacramento is a deep-water port located 79 miles northeast of San Francisco in the city of West Sacramento, serving ocean-going vessels handling a variety of cargo types. The 30-foot depth of the channel, along with extensive rail and truck cargo handling facilities, make the Port highly productive for long distance shipping. The Port is equipped for handling bulk cargo and a number of agricultural and forest products. The Port has experienced shrinking revenue and net losses for several years, and is using cash reserves and real estate sales to cover the losses. A new operator for the port is expected in the near term.

Finally, the region benefits from several air transport facilities. Most notably, Sacramento International Airport is served by 14 carriers – Alaska, Aloha, America West, American, Continental, Delta, Frontier, Hawaiian, Horizon, JetBlue, Mexicana, Northwest, Southwest and United/United Express. In 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 10 million passengers traveled through Sacramento International Airport during 2005. Besides the International Airport, the region is also served by several smaller facilities, including Sacramento Executive Airport, Lincoln Regional Airport, Yuba County Airport, Sutter County Airport, and Mather Airport (formerly Mather Air Force Base). In addition to passengers, Sacramento International and Mather Airport processed over 260 million pounds of airfreight in 2005.

Environment

As development in the region expands, various environmental issues exist, including water supply, air quality, flood control, endangered habitat/species, and open space preservation. Numerous environmental organizations are constantly addressing these issues as they pertain to the Sacramento region, and land developers face increasing time and costs due to environmental constraints.

The Sacramento Area benefits from abundant water resources. Purveyors draw surface water from the American, Sacramento and Feather Rivers, and pump groundwater from underground sources in the Sacramento Valley. The Sierra Nevada snowfields, about 70 miles east of Sacramento, normally provide a plentiful water supply during the dry summer months. According to the California Department of Water Resource's California Water Plan, approximately 30% of the Sacramento River Region is irrigated with groundwater. Nevertheless, water supply and quality issues continue to be environmental concerns in the area. The significant rate of growth that has occurred over the last decade has notably increased the demand for water, and the delivery of water to southern portions of the state continues to be a hot political and environmental issue. The future impact on all users depends on the natural replenishment of the water sources by geological factors, as no new dams are anticipated in the near future.

Air quality continues to be a concern in the Sacramento Valley. The region is designated a severe ozone "non-attainment area" by the U.S. Environmental Protection Agency (EPA). This non-attainment area includes all of Sacramento County and parts of El Dorado, Placer, Solano, Sutter and Yolo Counties. During the summer, the region fails to meet both the State and Federal health standards for ozone on a number of days. Because the Sacramento Valley is shaped like a bowl, smog presents a critical problem in the summer, when an inversion layer traps pollutants close to the ground, causing unhealthy air quality levels. However, in the past decade, air quality has improved in the Sacramento region. Factors contributing to the improvement include cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, statewide regulation on the amount of solvents in consumer products, and Federal regulations on solvents contained in painting

products. In addition, policymakers have taken steps to improve and expand public transportation systems in the region.

Another environmental concern in the area is flooding, in light of Sacramento's location along two major rivers with several creeks and tributaries. Major floods occurred in multiple areas in 1986 and 1997. Most flood-prone areas are concentrated in western Sacramento County and eastern Yolo County, where the American and Sacramento Rivers converge. The Sacramento Area Flood Control Agency (SAFCA) was established in 1989 to coordinate a regional effort to finance, implement and maintain facilities necessary to provide flood protection. Many proposed improvements were approved and funded by the SAFCA Assessment District, established in June 1996. A large portion of these improvements was completed in 1998, which resulted in a new flood designation outside the 100-year flood zone for most areas in northern Sacramento County. As a result of significant improvements to river and creek levees, in early 2005 the Federal Emergency Management Agency (FEMA) revised flood maps to designate the American River floodplain outside the 100-year flood zone. This area includes most of eastern and central Sacramento County. As a result, property owners in these areas are no longer required to maintain flood insurance. In 2006, another new map declared neighborhoods in the southern portion of the county out of the 100-year floodplain as well.

Despite the above improvements, the region continues to face flood concerns. In early January 2007, FEMA announced it will revise its flood-risk maps to show Natomas (northern Sacramento County) as a Special Flood Hazard Area. The action came in response to a ruling last year by the U.S. Army Corps of Engineers, which found that Natomas levees no longer meet a minimal 100-year flood protection standard. Starting in November 2007, flood insurance will be required for properties in Natomas with federally backed mortgages or home-equity loans. SAFCA is working on a \$414 million plan to improve Natomas levees. The plan hinges on a new Assessment District that will be presented to voters in March. If the plan is approved, 100-year protection could be restored to Natomas by 2010.

Ongoing and future flood control projects include raising Folsom Dam by seven feet; installing new gates on Folsom Dam; constructing a new bridge over the American River just below Folsom Dam; and completing major levee-strengthening work already under way. The remaining work involving Folsom Dam will likely take more than a decade to complete, but will result in SAFCA's ultimate goal of 200-year flood protection for the entire region.

With rapid increases in development in the past few years, there has been growing concern regarding the protection of endangered habitats and species and the conservation of open space. Most development projects in the region, particularly in Placer and Yolo Counties, face opposition from various special interest groups. With regard to endangered habitats and species, development in the region is subject to Federal and State laws concerning this issue. The region contains an extensive list of endangered species and a significant amount of environmentally sensitive land, including vernal pools, wetlands, woodlands and grasslands. In 2002, the U.S. Fish and Wildlife Service

proposed designating 154,000 acres in Sacramento and Placer counties as critical habitat for endangered species living in vernal pools. However, in August 2005, the Bush administration issued a revised rule exempting large portions of both counties where developers intend to build. As a result, only 37,098 acres in Sacramento County were designated as critical habitat. Most of this acreage is in the county's rural, southeastern corner, which is not currently planned for development. Placer County, meanwhile, was largely removed from the critical habitat category, with only 2,580 acres affected.

Summary

The Sacramento region is an integral part of California and the U.S. in terms of population, employment, government and economic productivity. The region has established itself as one of the strongest and most stable economies in the state. Several geographical, social and economic advantages have induced businesses and residents to relocate to the Sacramento region from other parts of the state and nation. In 2004, the Milken Institute, a highly regarded economic research organization, ranked Sacramento 15th out of 296 U.S. metropolitan areas for “best-performing” economies in the nation, based on criteria such as wage and salary growth, job growth and high-tech output growth. In 2004, the business publication *Business 2.0* ranked the Sacramento region 11th out of 61 metropolitan areas most likely to become “boom towns” during the next four years. With the growing recognition of Sacramento’s many advantages, investor confidence in the Sacramento Area has grown.

In 2002 and 2003, the Sacramento Area, along with most of the state and nation, experienced some slowing in the economy. The weakening economy was attributed to several factors, including the energy crisis of 2000, the rapid slowdown in the technology sector, the events of September 11, 2001, national and international recessions, and the State budget crisis. During 2004 through 2006, the local economy showed signs of improvement, with large gains in the housing market and moderate job growth. In 2007, job growth is expected to be about 2%, which is toward the high end of the 1%-2% range of annual growth experienced in recent years.

The long-term outlook for the region is very good. Characterized by a diverse economy, mild climate, seismic stability, good water supply, ample recreational and cultural opportunities and expansive transportation systems, Sacramento has secured a locational advantage over similar sized markets. Further, the region remains relatively affordable compared to the Bay Area and Southern California. The combination of these resources and advantages provides a productive environment for current and prospective businesses, and a satisfying living environment for residents. These factors will continue to drive the demand for residential and commercial real estate for the foreseeable future.

NEIGHBORHOOD OVERVIEW



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.”⁶

Neighborhood Boundaries

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

⁶ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 160.

The subject property is located approximately 15 miles east of the Sacramento Central Business District (CBD), south of U.S. Highway 50, in the city of Rancho Cordova. More specifically, the appraised property is located generally east of Sunrise Boulevard, south of Douglas Road, west of Jaeger Road and north of Kiefer Boulevard. The neighborhood boundaries generally correspond to U.S. Highway 50 to the north, Jackson Road (Highway 16) to the south, Grant Line Road to the east and Excelsior Road to the west.

Demographics

The Rancho Cordova area has experienced continued growth since the mid 1980's. Most of the development consists of office, industrial and retail properties located south U.S. Highway 50. Closed in 1993, the largest employer in the area was Mather Air Force Base, which comprised a significant portion of the land in the neighborhood. It is now being utilized for air cargo and related industries. More recently, Rancho Cordova, along with other areas comprising the U.S. Highway 50 Corridor, have become best known as a prominent office location within the Sacramento region. This area is currently the largest suburban office submarket, in terms of gross square footage, within the Sacramento region.

The greater Rancho Cordova neighborhood is a mature suburban area, which encompasses all types of land uses, including single-family and multifamily residential, retail, office and industrial. The neighborhood is considered to be a major residential and employment center. Residential development is generally located north of U.S. Highway 50, while office and industrial parks, the former Mather Air Force Base and several large employers comprise most of the land uses south of U.S. Highway 50.

The subject's immediate area is currently comprised of agricultural land with rural residential development. As such, the total population of the neighborhood is limited. According to demographic reports, the population of the subject's neighborhood, which includes all areas within the 95742 zip code, is 283 persons. The median age is approximately 42 years and the median income of \$49,540 is above the national median income of \$39,728. The typical single-family home in the neighborhood is approximately 30-50 years old and is situated on a large amount of acreage. The quality and condition of the homes is considered to be fair relative to other areas of Sacramento. The area is currently in a period of stability, with no significant new developments in recent years. However, the subject's immediate area is on the verge of change. As proposed under the Sunridge Specific Plan there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that will be incorporated into the area. The near-term outlook is good and, as development continues to expand outward, the subject property is poised to take advantage of future urban development.

Transportation

Access to, from and within the defined neighborhood is adequately provided by several roadways. The major artery serving the neighborhood is U.S. Highway 50, a freeway that transverses the area in a southwest - northeast direction. To the west, U.S. Highway 50 connects with Interstate 80, Highway 99 and Interstate 5 at the Sacramento Central Business District (CBD). To the east, U.S. Highway 50 travels to El Dorado Hills, Placerville and South Lake Tahoe. Folsom Boulevard, another major arterial in the area, runs parallel to U.S. Highway 50 and was the original highway before the construction of the freeway. Other thoroughfares in the area include Sunrise Boulevard, Bradshaw Road and Zinfandel Drive, which all have overpasses crossing U.S. Highway 50. Sunrise Boulevard is a primary commercial arterial that extends north to Placer County. To the south, Sunrise Boulevard terminates at Grant Line Road, a primary street that provides access to the city of Elk Grove and links to Bond Road, Elk Grove Boulevard and State Highway 99.

Land Use Characteristics

As previously indicated, the subject's immediate area is primarily comprised of rural residential and agricultural uses in the process of conversion to residential development uses. However, there are a number of land uses located just outside the subject's area, including office, retail, multifamily housing projects, light industrial and public service facilities such as schools, churches, hospitals, recreational and cultural facilities.

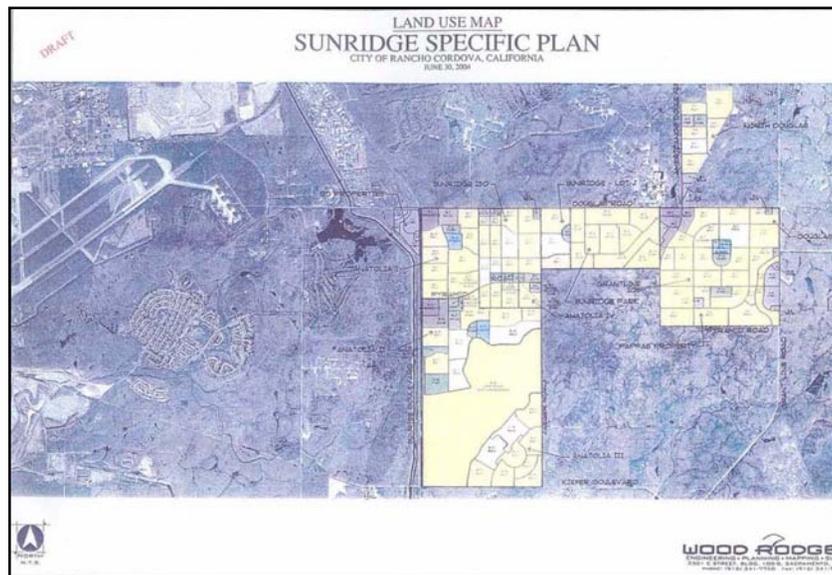
Office and industrial development is generally situated along Sunrise Boulevard, north of the subject property and south of U.S. Highway 50. While the Rancho Cordova residential market is considered to be mature, there are several newer single-family residential projects in the area. KB Homes sold-out three developments located adjacent to the former Mather Air Force Base. Targeted towards the entry level to middle-income homebuyers, the floor plans within these subdivisions generally range from 1,300 to 2,700 square feet. The majority of the existing residential developments are situated north of U.S. Highway 50. Furthermore, as will be discussed in the following section, a number of new developments in the Anatolia master planned community commenced marketing and sales of new residences a few years ago.

Recreational uses in the subject's neighborhood include the Mather Regional Park and Mather Golf Course, an 18-hole, par 72 public golfing facility.

Sunridge Specific Plan

The subject property is located within the Sunridge Specific Plan area, which is part of the larger Sunrise Douglas Community Plan. The Sunrise Douglas Community Plan encompasses an area of 6,042± acres and is envisioned for as many as 22,503 dwelling units upon build out. The Sunridge Specific Plan (SRSP) is generally located east of Sunrise Boulevard, north of Kiefer Boulevard, west

of Grant Line Road and south of Douglas Boulevard. The SRSP, which encompasses approximately 2,632 acres, was processed concurrently with the Sunrise Douglas Community Plan. The area is located with the General Plan Urban Policy Area and is identified as a New Urban Growth Area in the General Plan.



History

On July 28, 1993, the Sacramento County Board of Supervisors adopted Resolution 93-1034, initiating the planning process for the Sunrise Douglas Community Plan, of which the Sunridge Specific Plan would eventually become a part. The planning process began following adoption of a funding agreement by Resolution No. 94-0664 on June 1, 1994.

The Citizens Advisory Committee (CAC) for the Sunrise Douglas area considered an application for the preparation of a Specific Plan for the entire Sunrise Douglas Community Plan area and concluded deliberations in December 1994, with a favorable recommendation for land plan concepts and adoption of guiding principles. However, in 1995, the plan for a single Specific Plan coterminous with the entire Community Plan area was abandoned. On July 12, 1995, the Board of Supervisors adopted Resolution No. 95-0835, initiating a Community Plan for the entire Sunrise Douglas area within the General Plan policy. The single Specific Plan process was reconfigured to

provide for a series of smaller Specific Plan areas. The intent was to implement the Community Plan through a series of consistent, coordinated Specific Plans.

Encompassing approximately 2,632 acres, or 42.6% of the Sunrise Douglas Community Plan, the SRSP area has been subject to more detailed planning for land uses and infrastructure requirements. The proposed land uses are consistent with the holding capacities identified for the villages within the Sunrise Douglas Community Plan area. The circulation and infrastructure plans for the SRSP expand upon the generalized proposals for service to the Community Plan. All major infrastructure components were addressed in a number of technical studies that were completed by consultants in support of this application. The CAC was reconvened to consider a revised land use plan, patterned after the plan formerly considered by the committee, but amended to accommodate the concept of smaller Specific Plan areas. The CAC met on August 20, 1996, finding the revised plan to be substantially consistent with the December 1994 plan.

On July 17, 2002, the Sacramento County Board of Supervisors approved the General Plan Amendment for the Sunridge Specific Plan, the actual Sunridge Specific Plan, as well as the corresponding Sunridge Public Facilities Financing Plan. Further, the Board approved a water supply plan that would deliver treated groundwater to the community.

Status

The Sunrise Douglas Community Plan and Sunridge Specific Plan project was initiated by the Board of Supervisors in 1993. The draft land use plan and specific plan text have been prepared, technical studies have been completed, the Environmental Impact Report released and the project has been approved by the Policy Planning Commission. There were several lawsuits relating to the adequacy of the water supply, the proximity of Sacramento Rendering Company and affordable housing issues; however, with the exception of water supply, which is pending before the courts, these lawsuits have all been resolved.

The water issue began in 1999 when the State Department of Health Services indicated they would not allow permits for the construction of housing in the Sunrise-Douglas area, based on the wells proposed for the local project area. Five wells on the former Mather Air Force Base and other nearby areas were contaminated due to rocket testing and chemical manufacturing by Aerojet and Boeing. However, in July 2002, the North Vineyard Well Field (NVWF) plan was approved in conjunction with the Specific Plan approval. The water supply plan included the construction of a well field to extract groundwater from the basin underlying Zone 40, at a location sufficiently down-gradient to significantly reduce or eliminate the possibility of contamination to the well field by known contaminant plumes. The well fields and appurtenant facilities are located near the intersection of Excelsior and Florin Roads and deliver treated groundwater to Mather Field, the Sunrise Corridor, the Citizen's Security Park and the Sunrise-Douglas Community Plan area (includes the Sunridge

Specific Plan). These facilities are the source of potable water to the area. Conditions of the approval limit maximum average annual groundwater production at this location to 10,000 acre-feet. Analysis of ultimate NVWF production performed for the Specific Plan Area Draft Environmental Impact Report predicts that groundwater elevations in the vicinity of the well field may drop as much as 10 feet as a result of a decrease in groundwater elevation on existing private wells. Specific Plan Area owners volunteered to establish a well insurance program funded through development fees and administered by the Sacramento County Water Agency (SCWA). Funds from this program will be used to offset the cost of well rehabilitation or replacement in the vicinity of the proposed NVWF. Sun Ridge LLC and SCWA have entered into an agreement that defines the terms and conditions for establishing and administering this program.

With respect to the proximity of the Sunridge Specific Plan to the Sacramento Rendering Company (SRC), the master developers negotiated a cost sharing agreement with SRC to build enclosures to mitigate against nauseous odors. As such, this issue is not considered to adversely affect the subject property.

According to an article published in the Sacramento Business Journal on February 1, 2007, the California Supreme Court ruled that the environmental impact report for the Sunrise Douglas Community Plan did not adequately address two issues: 1) the impacts on water supply once the area is built-out, and 2) the impact on two fish species (the Fall Run Chinook Salmon and the Central Valley Steelhead). The attorney (Stephan Volker) who represented the Vineyard Area Citizens for Responsible Growth, Sierra Club and the Environmental Council of Sacramento in the appeal of the approval of the Sunrise Douglas Community Plan, believes a new environment report will be needed and construction could halt until the issues are addressed. However, the attorneys for the City of Rancho Cordova disagree and believe construction will not halt because of this ruling. It is unknown what effect this will have on the subject property.

On June 7, 2006, the California Native Plant Society, Defenders of Wildlife and Butte Environmental Counsel filed a lawsuit challenging actions by the Army Corps of Engineers, the Fish and Wildlife Service, and the United States Environmental Protection Agency relating to a "Conceptual Strategy" plan that was issued guide future development in the Sunrise-Douglas Community Plan. In November 2006, the plaintiffs moved for a preliminary injunction seeking, among other things, an order setting aside all Section 404 permits issued by the Corps and all Biological Opinions and Incidental Take Statements issued by the Fish & Wildlife Service for various projects within the Sunrise Douglas Community Plan Area, and stopping construction authorized by such permits at those projects. In July 2007, the court granted the plaintiffs' motion, effectively suspending the Section 404 permits and preventing any further on-the-ground activity taken in reliance on the applicable Section 404 permits. The subject developments received Section 404 permits and filled wetlands pursuant to the permit, prior to both the court's injunction and the Plaintiffs' amended motion for the injunction. Accordingly, the injunction effectively enjoins action

which has already been taken pursuant to permits that were valid and in effect at the time the action was taken. The master developer and its attorneys are uncertain of what effect, if any, the injunction will have on the progress of development, but the injunction could potentially be moot because the permitted and now enjoined actions have been completed. However, the master developer is unable to indicate with certainty that continued construction will not be affected by the legal case.

Anatolia Master Planned Community

The Anatolia master planned community comprises a large portion of the Sunridge Specific Plan and encompasses approximately 1,214 gross acres designated for the development of 3,109 single-family residential lots, a multifamily site, commercial parcels, two sites designated for medium density residential development (RD-10 zoning), parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. The project is being developed in four separate zones, with zones one and two almost built-out, zone three recently completed in-tract improvements and zone four is still unimproved.

Zone 1

There are nine individual villages allocated to the development of 1,049 lots in Zone 1 of this development, with typical lot sizes ranging from 3,182 to 7,475 square feet. Additionally, there is a commercial site (SC zoning), as well as a proposed 5.9-acre neighborhood park and a 9.9-acre school site.

Zone 2

Zone 2 is comprised of three parks, a school site, a commercial site, a multifamily site, and nine individual villages allocated to the development of 978 lots. The lots in Zone 2 range in size from 2,500 to 8,540 square feet. Furthermore, intended to be the centerpiece of the community, a 10,000 square foot recreational center, identified as The Club at Anatolia, was recently completed on a 3.83-acre site. This recreational center features a large fitness area, aerobics/meeting rooms, lounges and gathering areas. The exterior amenities include a swimming pool, children's pool, spa and gazebos. The operation and maintenance of The Club will be funded by the Homeowners Association (HOA) in the amount of \$65 per unit, per month that is projected to affect Zones 1, 2 and 4.

Zone 3

There are nine individual villages allocated to the development of 879 lots in Zone 3 of Anatolia, several of which are positioned contiguous to open space. The lots in Zone 3 range from 5,775 to 8,540 square feet and encompass 197.50 acres, including a proposed 5.0-acre park.

Zone 4

Zone 4 is located at the southwest quadrant of the proposed extension of Chrysanthy Boulevard and Jaeger Road, and will contain 203 single-family residential lots, plus a 2.6-acre park site.

The Anatolia master planned community was exposed to the market in August 2002 and attracted significant demand from various merchant builders, even at a time when litigations were ongoing and the future of the development was uncertain. Each of the initial 16 villages within Zones 1 and 2 sold to various merchant builders within one year of exposure to the market. These builders include GMAC (Lennar/U.S. Homes), JTS Communities, Pulte Homes, Morrison Homes, Tim Lewis Communities, Cambridge Homes and D.R. Horton, Inc. To date there have been 1,660 single-family homes constructed and sold to individual homebuyers.

Zone 5

Zone 5 is located at the southwest quadrant of Sunrise Boulevard and Douglas Road, and will contain a 129-lot cluster housing project, including 28 half-plex lots, and three commercial projects to be developed by BD Properties, LLC (2.4 acres), Cemo Commercial (4.63 acres) and Donahue Schriber (13.44 acres).

North Douglas Master Planned Community

The North Douglas master planned community consists of 665 single-family residential lots and a 7.9-acre site designated as a neighborhood park. There are eight separate villages within North Douglas, of which four villages are being developed by KB Homes, three villages are being developed by U.S. Homes (Lennar Corporation), and one village (Village 3) is being jointly developed by the two builders. The project was originally approved for 680 residential lots; however, 15 home sites have been designated as a water tank site. The final subdivision map has been recorded, and all of the lots are identified by individual assessor's parcel numbers. The typical lot sizes within the individual villages range from 3,150 to 5,775 square feet. All site work has been completed for Villages 1 through 7. Village 8 is being utilized as a temporary storm detention basin and consists of partially improved lots (rough graded).

Sunridge Park

Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. This master planned community is being developed in two phases by Sunridge Park, LLC, who sold the individual villages to four builders – Woodside Homes, Beazer Homes, Syncon Homes, and Kimball Hill Homes. Phase 1 consists of 799 lots and Phase 2 comprises 151 lots. The lots are currently at various stages of development (improved and unimproved), and home sales are currently underway. Typical lot sizes within this development range from 4,725 to 8,540 square feet.

Sunridge – Lot J

Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes, this project is proposed and approved for subdivision into 369 single-family residential lots; however, site development has not commenced. Also included are four neighborhood parks totaling 8.30± acres.

Douglas 103

The Douglas 103 property is located west of Grant Line Road and east of Jaeger Road. The development is situated within the confines of three separate assessor's parcels identified as 067-0040-017, -018 and -019, which contain approximately 100.71 acres of land area. The property has entitlements (tentative subdivision map approval) in place for the development of 301 residential lots and four commercial sites with a combined 19.5± acres. There are four separate residential villages, with typical lot sizes ranging from 2,100 to 8,470 square feet. The project will also include approximately 43.8 acres of wetland preserve areas and two neighborhood parks totaling 5.2 acres.

Conclusion

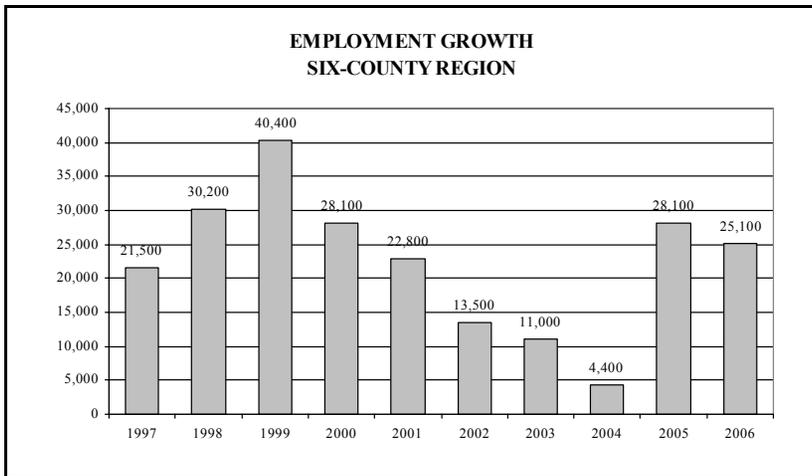
Rancho Cordova is generally characterized as a suburban area comprised of residential uses, commercial support services, and office and industrial uses. The area south of Folsom Boulevard, along U.S. Highway 50, has been in transformation over the past decade to a business and employment district. The greater neighborhood area is a suburb of metropolitan Sacramento, which has a good mix of offices, retail and commercial development. It is estimated, however, that approximately 65% of the vacant land in the subject's market area is planned for residential development.

SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

The regional area housing information is an important part of the appraisal report because it provides a macro observation of the community and forms the basis upon which judgments are made. The characteristics of the region’s residential real estate market influence the economic viability of the area, including the subject property. In order to familiarize the reader with the specifics of the Sacramento area new home market, some general information regarding supply and demand and current trends in the overall market will be discussed. Unless otherwise noted, within this section of the report the Sacramento Region refers to the six counties of Sacramento, El Dorado, Placer, Yolo, Yuba and Sutter.

Employment & Economy

During the late 1980s, the Sacramento Region was creating almost 28,000 new jobs per year, which stimulated a boom in housing demand during that period. Following the onset of the recession in 1990, employment growth turned negative in 1992, with corresponding declines in new home and resale home values. The region began a slow climb back to producing positive employment gains in 1993, which greatly contributed to the increase in housing demand during the late 1990s. The following chart illustrates employment growth in the Sacramento Region over the past decade.



Source: California Employment Development Department

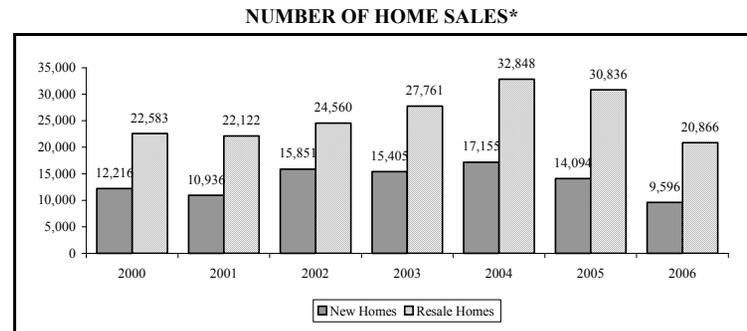
Since peaking in 1999, job growth in the region gradually decreased each year through 2004, then showed marked improvement in 2005 and 2006.

Based on information reported by the California Employment Development Department (EDD), the total number of non-farm jobs in the Sacramento Region increased by 19,500 jobs, or by 2.1%, in the year ending August 2006. The largest increases were seen in Leisure & Hospitality (5,200 jobs), Professional & Business Services (5,000 jobs), Government (3,900 jobs), Trade, Transportation & Utilities (2,900 jobs), and Education & Health Services (1,700 jobs). The only sectors to see job declines were Information and Financial Activities. The unemployment rate in the Sacramento Region averaged 4.8% in 2006, which was down from 5.0% in 2005.

For the year 2007, most experts predict moderate job growth in the range of about 2% for the Sacramento Region. Beyond that, the long-term outlook for employment in the region is good. According to EDD, employment in the Sacramento region is projected to grow 8.6% between 2005 and 2010 (about 1.7% per year on average), and 10.3% between 2010 and 2015 (about 2.1% per year). In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

Historical Trends

The following chart exhibits new and resale home sales in the Sacramento Region.



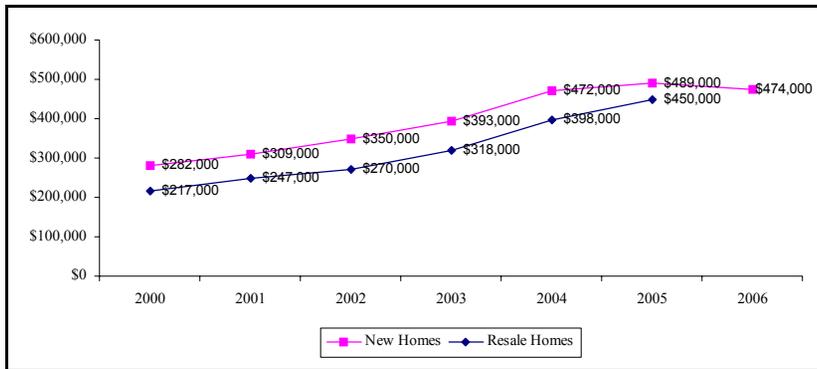
*Six-county region for new homes; four-county region for resale

Source: The Gregory Group (new); Lyon Real Estate (resale)

The chart indicates sales of new and resale homes declined in 2005 and 2006. However, the sales figures for 2005 and 2006 remain healthy compared to historical figures. In 2007, sales are expected to be similar to levels seen in 2006.

The following chart exhibits average new and resale home prices in the Sacramento Region.

AVERAGE HOME SALE PRICE*



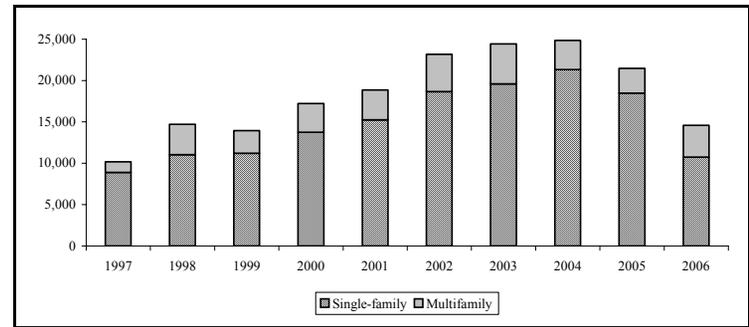
*Six-county region for new homes; four-county region for resale
 Source: The Gregory Group (new); Lyon Real Estate (resale)

As shown above, prices for both new and resale homes climbed steadily through 2005, then began to fall in 2006. Prices are expected to be flat or down for most types of product in 2007 compared to 2006, which reflects the moderation that is occurring as the market returns to a level of normal activity after a frenzied pace between 2000 and 2005.

Housing Permits

An operative measure of the condition of the region’s housing market is the number of housing permits issued over time. New residential permit activity has steadily increased in the Sacramento Region since 1996. The following table reflects new permit activity for the Sacramento Region.

RESIDENTIAL BUILDING PERMITS - SIX-COUNTY REGION



Source: The Gregory Group

A total of 2,864 building permits were issued during Fourth Quarter 2006 in the Sacramento Region, which represents a 32.1% decrease from a year ago. Of the 2,864 total permits, 1,817 were single-family and 1,047 were multifamily. Compared to a year ago, the single-family segment showed a decrease of 41.9%, and the number of multifamily permits increased by 28.2%. (Note: Permit data for First Quarter 2007 is not yet available.)

E/P Ratio Trends

Another viable measure of the new housing market strength is the E/P ratio. This ratio is a statistic that measures the new employment growth (non-farm) versus the new residential permits issued in the corresponding year. The benchmark balance recognized by the industry is that for every 1.2 new jobs created, there is normally a need or demand for one new housing unit (whether single-family or multifamily). Concerning the single-family side of the formula, whenever the E/P ratio for this type of unit alone is 1.5 or higher, then the marketplace is considered to be in a very favorable and strong demand condition.

The following table illustrates E/P ratio trends in the Sacramento Region.

E/P RATIO - SIX-COUNTY REGION

Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1996	19,200	9,351	2.05	8,470	2.27
1997	21,500	10,168	2.11	8,898	2.42
1998	30,200	14,694	2.06	11,035	2.74
1999	40,400	13,941	2.90	11,212	3.60
2000	28,100	17,225	1.63	13,744	2.04
2001	22,800	18,871	1.21	15,256	1.49
2002	13,500	23,177	0.58	18,665	0.72
2003	11,000	24,429	0.45	19,606	0.56
2004	4,400	24,840	0.18	21,339	0.21
2005	28,100	21,477	1.31	18,479	1.52
2006	25,100	14,574	1.72	10,730	2.34

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between in the late 1990s through 2001. This led to significant pent-up demand that played a part in the rapid price appreciation seen in the market between 2000 and 2005. The E/P ratio declined steadily between 2001 and 2004 as construction permit activity increased and job growth slowed. Job growth was very strong in the years 2005 and 2006, and is projected to be strong for the year 2007 as well, which should help maintain demand for new housing.

Population Trends

Another significant factor with direct influence on the region's housing market is population. Since the mid-1980s, the Sacramento Region has been significantly impacted by migration from the San Francisco Bay Area and Southern California urban centers, as well as areas outside the state of California. In contrast to the Los Angeles and San Francisco regions, most new Sacramento area residents come from within California seeking job opportunities, lower costs of housing and a less congested living environment.

The following table illustrates the total population of the Sacramento Region from 2001 through 2006, with corresponding growth for the periods noted.

POPULATION TRENDS

County	2001	2002	2003	2004	2005	2006	Annual Rate of Growth
Sacramento	1,252,509	1,287,246	1,317,806	1,344,867	1,366,937	1,385,607	2.0%
Placer	258,563	271,109	283,942	297,033	308,431	316,508	4.1%
El Dorado	160,486	164,066	167,238	170,205	173,511	176,204	1.9%
Yolo	172,677	177,575	181,337	184,673	187,575	190,344	2.0%
Yuba	61,060	62,382	63,749	65,237	67,394	69,827	2.7%
Sutter	80,208	81,912	84,177	86,694	89,170	91,450	2.7%
Total	1,985,503	2,044,290	2,098,249	2,148,709	2,193,018	2,229,940	2.3%

Source: California Department of Finance

New Home Sales

New home sales activity for the six counties over the past three years is detailed in the following table.

NEW HOME SALES

County	2004	2005	% Change	2006	% Change
Sacramento	9,385	7,718	-18.0%	4,723	-38.8%
El Dorado	1,055	580	-45.0%	356	-38.6%
Placer	3,309	2,609	-21.2%	2,600	-0.3%
Yolo	1,391	1,136	-18.3%	915	-19.5%
Yuba	1,391	1,249	-10.2%	550	-56.0%
Sutter	624	802	+28.5%	445	-44.5%
6-County Region	17,155	14,094	-17.8%	9,596	-31.9%

Source: The Gregory Group

The table above indicates the number of new home sales fell sharply in 2005 in almost all areas of the Sacramento Region. The only county to see an increase in sales volume in 2005 was Sutter County. El Dorado County experienced the sharpest decline, with a 45% reduction in new home sales. For the year 2006, all six counties had fewer new home sales compared to 2005. The declines were steep in all counties except Placer, which had only a slight decline of less than 1%.

While new homes sales were down for the year 2006 overall, the fourth quarter showed some very promising results. A total of 2,445 new homes were sold during Fourth Quarter 2006 in the six-county Sacramento Region. This represented a 57.8% increase compared to the last quarter of 2005, and a 25.0% increase from the previous quarter.

In First Quarter 2007, a total of 2,695 new homes were sold in the six-county Sacramento Region. This represents a 30.6% increase from a year ago (First Quarter 2006), and a 10.2% increase from last quarter (Fourth Quarter 2006). While sales levels were relatively strong, prices continued to decline. The average new home price in First Quarter 2007 was \$465,149, down 6.3% from a year

ago and down 2.0% from the previous quarter. The region's average home price reached a peak in Second Quarter 2006 and has declined in each subsequent quarter.

The following table compares average new homes prices for the current quarter compared to a year ago and last quarter.

AVERAGE NEW HOME PRICE

County	1 st Qtr. 2007	% Change	
		Last Qtr.	Last Year
Sacramento	\$430,367	-1.5%	-7.7%
El Dorado	\$813,705	-0.4%	+11.5%
Placer	\$524,278	-2.7%	-3.5%
Yolo	\$489,321	+1.3%	-9.6%
Yuba	\$345,897	-5.4%	-9.2%
Sutter	\$338,097	+0.2%	+0.2%
6-County Region	\$465,149	-2.0%	-6.3%

Source: The Gregory Group

The table above indicates new home sale prices were lower in most areas of the region compared to a year ago. El Dorado County was the only county to see a notable increase in average price from last year, with a strong gain of 11.5%. In most submarkets, prices are expected to continue to moderate throughout 2007 and likely into early 2008. Most market participants expect the average regional price correction to be in the 10-15% range from the peak in 2005/2006, with improvement projected to begin in 2008 or 2009.

Based on statistics compiled by The Gregory Group, new home trends over the past several quarters are presented in the following table.

NEW HOME TRENDS - SIX-COUNTY REGION

Category	3 rd Qtr. 2005	4 th Qtr. 2005	1 st Qtr. 2006	2 nd Qtr. 2006	3 rd Qtr. 2006	4 th Qtr. 2006	1 st Qtr. 2007
Avg. Price	\$492,985	\$489,329	\$496,305	\$498,027	\$484,019	\$474,482	\$465,149
Median Price	\$457,950	\$456,619	\$465,726	\$459,990	\$440,240	\$434,990	\$423,990
Avg. Home Size	2,360	2,343	2,404	2,347	2,310	2,306	2,288
Avg. Price/SF	\$215.72	\$215.97	\$213.02	\$221.76	\$217.95	\$215.21	\$213.27
Number of Sales	3,590	1,549	2,063	3,124	1,956	2,445	2,695
Sales per Week	1.08	0.45	0.59	0.72	0.43	0.56	0.56
Unsold Inventory	2,404	3,299	3,780	4,222	4,598	3,925	4,268
Weeks of Inventory	6	10	12	13	16	14	15

Source: The Gregory Group

The market has experienced rapid increases in unsold inventory starting around the second half of 2005. Most homebuilders are continuing to offer significant incentives to prospective buyers. These incentives include items such as cash contributions toward down payments and closing costs, payoff of Mello-Roos taxes, swimming pools, home upgrades, cars and vacations. Many builders are offering incentives to avoid or minimize reductions in base home prices, although many have lowered their prices as well.

Developer Market Share

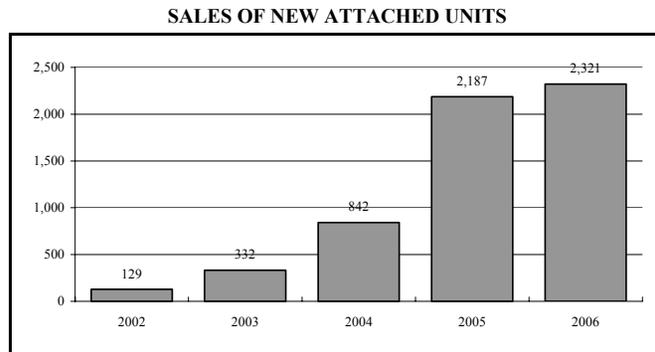
Based on year 2006 home sales, the five most active homebuilders in the Sacramento region were D.R. Horton Inc. (1,162 sales in 2006), Lennar Communities (1,103), KB Homes (802), Centex Homes (745) and Pacific West (395). The top five builders combined for about 44% of the local market share in 2006.

The Sacramento region, along with much of the rest of the country, is experiencing a trend in which fewer builders are capturing more and more of the market. As the market consolidates into fewer hands, the larger companies can command lower costs from suppliers and can afford to pay more for land. They can also more easily bear legal costs associated with securing entitlements or fighting opposition to development. According to a November 2005 article in The Wall Street Journal, five years ago the top five homebuilders controlled about 10% of the U.S. market; that share rose to about 25% in 2005 and is expected to top 50% within a decade.

Attached Housing Market

As prices for new and resale single-family homes in the Sacramento Region have escalated, the cost of ownership has increased. According to Grubb & Ellis, only 12% of Sacramento area households can afford the area's median-priced new home (and only about 25% can afford an existing home). As a result, demand has increased for more affordable alternatives such as condominiums, half-plexes and homes on very small lots.

Developers have quickly responded to this trend, constructing new condos and high-density housing, or converting apartments to condominiums. In 2002, only two attached projects were selling product in the region, with a total of 129 sales for the year. Since then, several condominium projects have been constructed or converted from apartments. The following chart shows the number of attached unit sales since 2002.



Source: The Gregory Group

According to data from The Gregory Group, shown above, sales of attached homes have increased dramatically in the past few years. As a percent of total home sales, attached product continues to capture more of the market. Representing less than 1% of all new home sales in 2002, attached units accounted for about 15% of the total in 2005 and 24% in 2006. As of First Quarter 2007, there were over 50 active developments offering attached units in the Sacramento Region. In addition, several projects are proposed for the coming years.

Foreclosure Activity

At the peak of the 2000-2005 housing boom, many first-time buyers relied on creative financing like adjustable-rate and interest-only loans, and subprime or "nonconforming" loans which allowed buyers to borrow more than they could have under prime or "conforming" loans. Interest rates have slowly risen over the past couple years, leading to higher mortgage payments for many recent buyers. Refinancing is often not a viable option because many of these homeowners owe more than their homes are worth because of declining prices in the market. The result is the Sacramento region, along with other areas in the state and nation, is seeing a significant increase in mortgage defaults and foreclosures. According to DataQuick Information Systems, there were 1,464 foreclosures in the six-county region in First Quarter 2007, up more than 10-fold from just 139 foreclosures in First Quarter 2006. Under current market conditions, lending standards have tightened significantly. However, foreclosures are expected to increase throughout 2007 and this will likely have a downward impact on pricing in the market.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, generally improved each year from 1995 through most of 2005, with the exception of 2001 when a slight decrease was seen due to a slowing national economy. The recent housing boom can be attributed to historically low interest rates, coupled with pent-up demand created by robust job growth around the turn of the century. Further, buyers have been drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, diversified employment base, variety of housing products, stable local economy and good climate.

The dramatic increase in new home prices in recent years has made single-family homes unaffordable to many entry-level homebuyers. This trend has resulted in increased demand for alternative locations, such as Sutter and Yuba Counties, and for alternatives such as small lots and attached product. Other areas of future development include Placer Vineyards near the Placer/Sacramento/Sutter County intersection, and Delta Shores in southern Sacramento County.

The late part of 2005 marked a turning point in the local housing market. For the first time in several years, the number of new home sales dropped significantly in the fourth quarter compared to the previous year. The first three quarters of 2006 brought continued slowing in sales rates, and slight price declines are now being seen in the market. In the fourth quarter, sales activity was stronger than expected but prices continued downward. The general consensus among local experts is that the Sacramento housing market is stabilizing to a more sustainable level of activity. The outlook for 2007 is for a similar number of sales as 2006. In terms of pricing, most product should see stable pricing or slight declines, with the average regional price correction expected to be in the 10-15% range from the peak in 2005/2006. Upper-end product could see more dramatic price corrections. Improvement in market conditions is expected some time in 2008 or 2009.

HOUSING MARKET ANALYSIS

In this section, we will begin with an analysis of the legal, physical and locational attributes of the subject property and a delineation of the subject’s competitive market area. Next, we will forecast demand and supply for similar product within the defined market area. This will lead to a conclusion of residual demand, and we will end with a conclusion as to the expected absorption to be achieved by the subject development.

Property Productivity Analysis

As described previously, the subject property is zoned and entitled for single-family residential development, which is consistent with the General Plan designation for the property. The size, shape and topography of the sites are considered adequate for residential development. Surrounding land uses include single-family residential subdivisions, rural residential development and undeveloped land. The property has good linkages to transportation networks, employment centers, commercial services and community facilities, including public schools and police/fire protection. All necessary utilities are available to the property. Overall, new housing has received steady acceptance in the surrounding area and the location is judged to be good for residential use.

Market Definition

In order to analyze current and forecast supply and demand, we must first define the geographic area from which demand comes and where the major competitive supply is located. This analysis is also useful in identifying the most probable user of the subject-type real estate.

The subject property is located in the city of Rancho Cordova, California. It is projected the predominant home purchasers for new residential product in Rancho Cordova are primarily those located along the U.S. Highway 50 corridor. For the purpose of this analysis, the housing market study will focus on the zip codes along this corridor. While it is expected that homebuyers will relocate from other areas of Sacramento County, as well as areas within neighboring El Dorado and Placer Counties, the market study area is considered the predominant area of homebuyers for the subject product line. According to demographic reports from Site To Do Business Online, published by the CCIM Institute, the current (2006) median household income for this market area is \$57,404, the median age is 37.8 years, and the average household size is 2.48 persons. The age groups with the highest percentages of total population are 45-54, 35-44 and 25-34.

Based on the results of our research, and considering the predominant homebuyer profile in the subject’s market area, we will further define the total new demand by the ability to pay for a home in the \$400,000 to \$600,000 price range, which is the general price range for new homes being constructed in the subject’s market area.

Demand Analysis

A fundamental (forecast) demand analysis will be performed to provide information about the number of households with the financial ability to pay for housing units in the price category selected for the subject property. In this analysis, we will begin with a projection of total housing units demanded in the forecast period, and then we will segment the forecast demand by housing type (single-family) and ability to pay. The forecast period will be five years.

The following table shows current and forecast demographic data for the subject’s market area. The data was obtained from Site To Do Business Online, published by the CCIM Institute. The result of this analysis is an estimate of the total forecast demand for housing units during the five-year projection period from 2006 to 2011.

Populations and Households Highway 50 Corridor		
Source: STDB		
	<u>2006</u>	<u>2011</u>
Population	482,045	536,612
Average Household Size	2.48	2.49
Households	193,999	215,334
New Households		21,335

Next, we will segment the demand by type of housing. In this analysis, we are concerned only with single-family housing. In order to project the percentage of total allocated to single-family housing, we have considered housing permit activity over the past three years within the market area. This data is presented below.

Single-family Housing Units Sacramento County			
Source: Census Bureau SOCDs Database			
	<u>All Housing</u>	<u>Single-family</u>	<u>% of Total</u>
Permits Issued 2003	13,960	10,554	75.6%
Permits Issued 2004	12,579	10,201	81.1%
Permits Issued 2005	11,545	8,646	74.9%

Recent data show single-family permits in the subject’s market area have comprised approximately 75% to 81% of total housing permits issued. We will utilize a projected single-family share of 75% of total housing in our analysis.

Now that we have narrowed the demand forecast to single-family housing, we must further narrow the demand to those units expected to be demanded within the price range selected for the subject-type project. The price category previously selected was \$400,000 to \$600,000. Thus, we must determine what percentage of single-family units are expected to be demanded within this price range, which is based on the ability of households to afford homes in this range.

In the following table, we have estimated the annual household income necessary to pay for homes in the selected price range. Several assumptions are involved in this analysis. We have concluded down payment, interest rate and loan terms based on typical financing under current market conditions. Further, we have identified appropriate property tax and insurance payments, as well as the maximum housing payment as a percent of total household income, based on discussions with lenders and other market participants.

Ability to Pay in Price Range			
Home Price		\$400,000	\$600,000
Down Payment	20%	(\$80,000)	(\$120,000)
Loan Amount		\$320,000	\$480,000
Interest Rate	6.50%		
Term (years)	30		
Monthly Mortgage Payment		\$2,023	\$3,034
Property Tax & Insurance as % of Price	1.2%	\$400	\$600
Total Monthly Housing Payment		\$2,423	\$3,634
Housing Payment as % of Income	35%		
Required Annual Household Income		\$83,061	\$124,592

The ability to pay is calculated by multiplying the required monthly payment by 12 months and dividing by the 35% of household income that can be spent on housing, after payment of taxes and insurance. The resulting income range of the predominant buyer for the housing product described above is approximately \$83,000 to \$125,000. It is noted, however, that with financing options currently available and common in the market, such as interest-only loans, first deeds of trust combined with equity lines of credit, adjustable rate mortgages, etc., the required annual incomes are typically lower than the estimates detailed above. For illustration purposes, the same parameters are used again, except under a different scenario in which an 80-10-10 (80% first mortgage, 10% home equity line, and 10% down payment) loan is used with an interest-only option. The interest rates applied are consistent with rates currently being offered in the market.

Ability to Pay in Price Range			
Home Price		\$400,000	\$600,000
Down Payment	10%	(\$40,000)	(\$60,000)
Loan Amount		\$360,000	\$540,000
1st Mortgage (80%) at 6.00% Int.-Only	6.00%		
HELOC (10%) at 8.00% Int.-Only	8.00%		
Monthly Mortgage Payment		\$1,867	\$2,800
Property Tax & Insurance as % of Price	1.2%	\$400	\$600
Total Monthly Housing Payment		\$2,267	\$3,400
Housing Payment as % of Income	35%		
Required Annual Household Income		\$77,714	\$116,571

The analysis indicates those households with annual incomes between approximately \$78,000 and \$115,000 are expected to demand housing in the price range selected. In order to determine the number of households associated with this information, we have looked to household income data in the subject's market area. The next table shows the current number of households by income category. The income range identified in our ability to pay calculation does not match exactly with the income ranges reported by Site To Do Business. Further, the subject's market is characterized by a tendency for households to buy below their income ability. As such, to some degree those earning more than \$115,000 are expected to purchase the subject homes.

In accordance with the discussion above, we have concluded the potential buyers for the subject-type housing would include all of the earners in the \$75,000 to \$99,999 income bracket, all of those in the \$100,000 to \$149,999 income bracket, and 50% of those in the \$150,000 to \$199,999 bracket. The following table shows the income breakdown for the market area, along with our conclusions regarding the expected percentage to pay for subject-type housing.

Households by Income Highway 50 Corridor (2006) Source: STDB				
Income Range	Number	% of Total	Expected to Pay in Price Range	
			(% total)	(units)
\$0 - \$15,000	20,477	10.6%	0%	0
\$15,000 - \$24,999	16,239	8.4%	0%	0
\$25,000 - \$34,999	19,859	10.2%	0%	0
\$35,000 - \$49,999	27,166	14.0%	0%	0
\$50,000 - \$74,999	38,565	19.9%	0%	0
\$75,000 - \$99,999	25,522	13.2%	100%	25,522
\$100,000 - \$149,999	28,447	14.7%	100%	28,447
\$150,000 - \$199,999	8,817	4.5%	50%	4,409
\$200,000 +	8,907	4.6%	0%	0
Total	193,999	100.0%		58,378
			% of Total:	30.1%

Based on the data and analysis presented thus far, the following is a summary of the forecast demand for single-family housing units in the \$400,000 to \$600,000 price range in the subject's market area.

Demand Analysis	
2006 - 2011 New Housing Units Demanded	21,335
Single-family Units	75% 16,001
Single-family Units in Price Range (Total New Demand)	30.1% 4,815

As noted, the study area only includes the zip codes located along the U.S. Highway 50 corridor. Based on our survey of sales agents marketing new homes in adjacent communities, such as Anatolia and Sunridge Park, homebuyers are coming from other areas of Sacramento County, as well as areas within neighboring El Dorado and Placer Counties. Additionally, numerous buyers represent those relocating from the Bay Area. Therefore, it is difficult, if not impossible, to determine the exact boundaries for the demand area; however, the market study area surveyed is considered the predominant area of homebuyers for the subject property. As a result, the demand forecast above is considered to be a conservative projection.

Supply Analysis

As reported by The Gregory Group, an enterprise that surveys active new home projects in California and Nevada, there were 24 single-family residential subdivisions actively marketing new, detached homes in the subject’s market area during the First Quarter of 2007. The following table summarizes these projects.

Existing Supply -- Competing Projects									
Source: The Gregory Group, 1st Quarter 2007									
Project	Builder	Avg. Lot Size (SF)	Avg. Home Size (SF)	Avg. Base Price	Units Planned	Units Offered	Units Sold	Unsold Inventory	Unoffered Inventory
Zinfandel Village at Stone Creek	Elliott Homes	6,600	2,220	\$510,200	413	365	365	0	48
The Tuscany Collection at Stone Creek	Elliott Homes	8,625	2,894	\$639,200	406	280	262	18	126
The Masters at Anatolia	JTS Communities	6,930	2,558	\$575,390	117	114	70	44	3
The Estates at Anatolia	JTS Communities	7,350	3,572	\$712,101	104	82	67	15	22
Laureate at Anatolia	Lennar Communities	8,400	3,362	\$602,490	116	101	91	10	15
Sorrento at Anatolia	Lennar Communities	6,090	2,703	\$524,283	149	146	143	3	3
Sedona at Anatolia	Tim Lewis Communities	5,775	2,392	\$469,900	105	105	93	12	0
Artistry at Anatolia	Lennar Communities	6,930	3,019	\$566,075	117	117	114	3	0
Traditions at Anatolia	Lennar Communities	5,775	2,225	\$397,990	151	148	143	5	3
Mastery at Anatolia	Cambridge Homes	8,400	3,306	\$635,000	92	62	53	9	30
The Alexander Collection at Stone Creek	Elliott Homes	4,800	1,809	\$442,200	196	143	122	21	53
Verona at Anatolia	William Lyon Homes	5,720	2,555	\$453,323	79	61	57	4	18
The Cottages at Capital Village	Beazer Homes	2,450	1,711	\$355,990	163	28	12	16	135
The Bungalows at Capital Village	Beazer Homes	4,140	1,901	\$374,990	151	47	35	12	104
The Brownstones at Capital Village	Beazer Homes	1,904	1,669	\$331,490	248	55	42	13	193
The Villas at Anatolia	Lennar Communities	2,250	1,513	\$348,990	99	99	93	6	0
Bella Brisas at Sunridge Park	Woodside Homes	4,950	2,158	\$361,990	115	33	28	5	82
Eclipse at Sunridge Park	Woodside Homes	6,600	2,834	\$485,240	131	9	2	7	122
Bacarra	Syncon Homes	5,775	2,466	\$493,490	80	8	4	4	72
Mariposa at Sunridge Park	Woodside Homes	8,540	2,916	\$481,657	87	16	2	14	71
The Vistas at Sunridge Park	Woodside Homes	5,775	2,628	\$453,657	228	25	10	15	203
Tesoro	Beazer Homes	5,775	1,753	\$348,490	136	60	52	8	76
Sunridge Park	Kimball Hill Homes	5,000	2,468	\$406,090	176	28	8	20	148
Anthology at Anatolia	Cambridge Homes	3,182	2,077	\$412,150	118	8	0	8	110
Total					3,777	2,140	1,868	272	1,637

The table above shows the unsold inventory and unoffered inventory for the active competing projects in the subject’s market area. While there are several projects proposed for Rancho Cordova that are estimated to begin marketing new homes over the next five-year period, specific project pricing and floor plan details within these communities have not yet been determined. In terms of planned supply, it is difficult to accurately predict future residential supply levels in the market area.

Therefore, the estimated remaining inventory of current active projects serves as the best estimate of supply over the next five years. The total forecasted supply is 1,909 units, equal to the unsold inventory (272 units) plus the unoffered inventory (1,637 units). It is noted though this estimated amount of unsold and unoffered inventory may not reflect the actual future supply of homes in the market area.

Residual Demand Analysis

Based on our forecasts for demand and supply for subject-type housing in the subject’s competitive market area, the following is a conclusion of residual demand for the forecast period.

Residual Demand 2006-2011	
Demand Forecast	4,815
Less: Supply Forecast	(1,909)
Residual Demand: Shortage or (Surplus)	2,906

The analysis thus far indicates positive residual demand for subject-type housing within the subject’s market area. As noted previously, the residual demand forecast is likely to provide a conservative estimate, due to homebuyers coming from outside the defined geographic area.

Subject Absorption Conclusion

Previously, we profiled the residential subdivisions actively marketing new, detached homes in the subject’s market area during the First Quarter of 2007. The following table summarizes absorption rates for these projects.

Absorption -- Competing Projects					
Source: The Gregory Group, 1st Quarter 2007					
Project	Builder	Avg. Home Size (SF)	Avg. Base Price	Sales per Month To Date	Quarter
Zinfandel Village at Stone Creek	Elliott Homes	2,220	510,200	5.34	1.3
The Tuscany Collection at Stone Creek	Elliott Homes	2,894	639,200	4.86	1.0
The Masters at Anatolia	JTS Communities	2,558	575,390	2.37	1.3
The Estates at Anatolia	JTS Communities	3,572	712,101	2.27	2.3
Laureate at Anatolia	Lennar Communities	3,362	602,490	3.46	2.0
Sorrento at Anatolia	Lennar Communities	2,703	524,283	5.54	5.6
Sedona at Anatolia	Tim Lewis Communities	2,392	469,900	3.60	1.3
Artistry at Anatolia	Lennar Communities	3,019	566,075	4.42	1.3
Traditions at Anatolia	Lennar Communities	2,225	397,990	5.44	4.3
Mastery at Anatolia	Cambridge Homes	3,306	635,000	2.07	1.3
The Alexander Collection at Stone Creek	Elliott Homes	1,809	442,200	4.81	2.0
Verona at Anatolia	William Lyon Homes	2,555	453,323	2.75	4.0
The Cottages at Capital Village	Beazer Homes	1,711	355,990	0.64	-0.3
The Bungalows at Capital Village	Beazer Homes	1,901	374,990	1.88	6.0
The Brownstones at Capital Village	Beazer Homes	1,669	331,490	2.26	3.6
The Villas at Anatolia	Lennar Communities	1,513	348,990	6.67	8.3
Bella Brisas at Sunridge Park	Woodside Homes	2,158	361,990	3.01	11.2
Eclipse at Sunridge Park	Woodside Homes	2,834	485,240	0.22	3.3
Bacarra	Syncon Homes	2,466	493,490	0.42	-1.0
Mariposa at Sunridge Park	Woodside Homes	2,916	481,657	0.22	0.3
The Vistas at Sunridge Park	Woodside Homes	2,628	453,657	1.08	0.0
Tesoro	Beazer Homes	1,753	348,490	8.28	1.3
Sunridge Park	Kimball Hill Homes	2,468	406,090	1.19	0.0
Anthology at Anatolia	Cambridge Homes	2,077	412,150	0.00	10.3
Minimum				0.0	-1.0
Maximum				8.3	11.2
Average				3.0	2.9
Median				2.6	1.7

Market conditions first showed signs of moderation in Fall 2005, when some projects in the area lowered base pricing and/or began offering significant incentives. Regional new home sales in 2006 are down compared to 2005, which is attributable to moderating market conditions and increasing interest rates. Demand for single-family residential development in the subject's area is projected to continue to moderate or stabilize into the near-term. Over this period, projects with reasonable pricing are expected to achieve steady absorption rates.

During the First Quarter of 2007, the absorption rates among the active projects within the subject's market area generally exhibited a tendency towards 1.5 to 3 sales per month. Most of the active projects have experienced slower absorption rates in recent months compared to prior quarters. This is a trend occurring throughout the region and much of the state and nation as the housing market stabilizes. The residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Absorption and pricing figures are lower compared to the robust growth experienced over the boom years of 2000 to 2005. In an effort to attract prospective homebuyers, many homebuilders are now offering incentives such as cash contributions toward down payments and closing costs, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period of moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further. However, the residential market is not anticipated to remain in the current state of moderation over the long-term. It is noted that overall absorption figures increased from the 4th Quarter 2006 to the 1st Quarter 2007 in the subject's market area, which is expected given decreasing prices and/or increasing incentives.

In attempting to estimate the exposure time that would be required for the disposition of homes, we have considered both the historical and recent absorption rates for active projects in the area, as well as current and projected market conditions. Considering the absorption being achieved at similar projects, along with the moderation occurring in the residential housing market in the overall region, a projected absorption of three sales per month, per product line is concluded for the subject property. It is noted that the amount of entitled residential land that is near-ready for development in the subject's market area is limited. In addition, the residential market is not expected to remain in a contraction period over the long-term. As such, while absorption for the subject development is projected to be slower over the next year compared to historical figures for competitive developments, it is expected the residential sector will rebound and stabilize from the lows experienced in 2006.

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The properties within Sunridge Park Area CFD No. 2004-1 consist of two contiguous single-family residential projects identified as Sunridge Park and Sunridge - Lot J. Sunridge Park is situated along the south line of Douglas Road, east of Jaeger Road, while Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. Both properties are located in the city of Rancho Cordova, Sacramento County, California.

Assessor's Parcel Number(s)

A complete list of the assessor's parcel numbers encompassing the subject property is presented below.

Designation	Assessor's Parcel Number(s)	Owner/ Developer
Sunridge Park - Phase 1 (Zone 1)		
Village 1A	067-0820-001 through -020	Woodside Bella Brisas, Inc.
Village 2A	067-0820-021 through -049 and 067-0890-001 through -042	Sunridge Park, LP
Village 3	067-0830-001 through -080	Rancho 80, LLC
Village 4A	067-0850-001 through -037 and -059 through -066	Woodside Mariposa, Inc.
Village 4B	067-0850-038 through -055	Woodside Mariposa, Inc.
Village 5A	067-0820-050 through -058 and 067-0910-001 through -014	Sunridge Park, LP
Village 5B	067-0800-114 through -118, 067-0860-048 through -050 and 067-0900-001 through -042	Sunridge Park, LP
Village 6	067-0840-001 through -117 and 067-0860-051 through -061	Woodside Eclipse Inc.
Village 7	067-0810-049 through -051, 067-0870-054 through -060 and 067-0880-001 through -092	Woodside Vistas, Inc.
Village 8A	067-0800-083 through -109	Woodside Vistas, Inc.
Village 8B	067-0800-001 through -082 and -110 through -113	Woodside Vistas, Inc.
Village 9A	067-0860-001 through -047	Beazer Homes Holding Corporation
Village 10A	067-0870-001 through -053	Beazer Homes Holding Corporation
Village 11A	067-0810-001 through -048 and -052	Woodside Bella Brisas, Inc.
Sunridge Park - Phase 2 (Zone 2)		
Village 1B	067-0930-001 through -043	Woodside Bella Brisas, Inc.
Village 2B	067-0780-001	Sunridge Park, LP
Village 4C	067-0780-009	Pleasant Valley Investments, LC
Village 4D	067-0780-024	Pleasant Valley Investments, LC
Village 5C	067-0780-003	Sunridge Park, LP
Village 5D	067-0780-005	Sunridge Park, LP
Village 8C	067-0780-004	Pleasant Valley Investments, LC
Village 9B	067-0780-006	Beazer Homes Holding Corporation
Village 10B	067-0780-007	Beazer Homes Holding Corporation
Village 11B	067-0780-008	Pleasant Valley Investments, LC
Sunridge Lot J (Zone 3)		
Village 1	067-0040-016 (portion)	Cresleigh Homes
Village 2	067-0040-016 (portion)	Cresleigh Homes
Village 3	067-0040-016 (portion)	Cresleigh Homes
Village 4	067-0040-016 (portion)	Cresleigh Homes
Total		

Note: Pleasant Valley Investments, LC is Woodside Homes, Sunridge Park, LP is Kimball Hill Homes and Rancho 80, LLC is Syncon Homes

Owner(s) of Record

Title to the subject property is vested with numerous ownership entities, as detailed in the preceding table.

Property 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 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 occur, 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 district 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.

According to the Sacramento County Treasurer-Tax Collector’s Office, the subject property is located in tax rate area 08-004, which has an annual tax rate of 1.0072% based on assessed value. Additionally, the appraised property will be encumbered by the Sunridge Park Area Community Facilities District (CFD) No. 2004-1 bond. With respect to special taxes, we have relied upon the *Rate and Method of Apportionment* document prepared by Goodwin Consulting Group, Inc. (March 21, 2007) to determine the annual special tax levy on the subject property. The base year annual special taxes under the Sunridge Park Area CFD No. 2004-1 bond district are detailed in the table on the following page. The special taxes are subject to a 2% annual escalation factor.

Sunridge Park Area CFD No. 2004-1

Designation	No. of Units	Typical Lot Size	Base Year Special Tax Per Lot
Sunridge Park			
Village 1	63	4,725	\$1,055 per lot
Village 2	79	5,775	\$1,155 per lot
Village 3	80	5,775	\$1,155 per lot
Village 4	87	8,540	\$1,255 per lot
Village 5	97	6,600	\$1,155 per lot
Village 6	128	6,600	\$1,155 per lot
Village 7	102	6,050	\$1,155 per lot
Village 8	127	5,775	\$1,155 per lot
Village 9	76	5,775	\$1,155 per lot
Village 10	59	5,775	\$1,155 per lot
Village 11	52	4,725	\$1,055 per lot
Sunridge-Lot J			
Village 1	92	5,775	\$650 per lot
Village 2	126	4,725	\$575 per lot
Village 3	76	6,600	\$650 per lot
Village 4	75	2,560	\$475 per lot

The financing provided through the Sunridge Park Area CFD No. 2004-1 bond issuance (Series 2007 bonds) will be used for improvements to Douglas Road, Jaeger Road and Americanos Boulevard. These improvements include—but are not limited to—roadways, drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The subject will also be encumbered by a municipal services district. As detailed in the *Rate and Method of Apportionment*, the maximum annual special tax for the services district is \$450 per dwelling unit. This district is subject to an escalation factor to be consistent with the local Consumer Price Index (CPI), as determined by the Bureau of Labor Statistics.

Conditions of Title

Preliminary title reports for each individual village, prepared by Placer Title Company, were provided for use in this appraisal. While the appraiser has reviewed the conditions of title and has determined no adverse impact on value, the appraiser assumes no negative title restrictions have been recorded since the dates of the preliminary title reports. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

Source: City of Rancho Cordova Planning Department
Zoning: RD-4, RD-5, RD-7 and RD-10
Purpose: The RD-4, RD-5, RD-7 and RD-10 ordinances are single-family residential zones designated to provide areas with overall densities not to exceed four, five, seven and ten units per gross acre, respectively. Other stipulations are detailed below:

Zoning	Maximum Density	Minimum Lot Size	Minimum Lot Width
RD-4	4 units/acre	8,500	65 feet
RD-5	5 units/acre	5,200	52 feet
RD-7	7 units/acre	4,000	40 feet
RD-10	10 units/acre	4,000	40 feet

Entitlements: According to the City of Rancho Cordova Planning Department, Sunridge Park – Phase 1 has a recorded final subdivision map in place. Although the final maps have recorded for Villages 4C, 9B, 10B and 11B within Sunridge Park – Phase 2, individual assessor’s parcel numbers have not yet been assigned. Village 1B has a recorded final map and has been assigned new parcel numbers. All of the other villages within Phase 2 have tentative subdivision map and are situated within the confines of single assessor’s parcels. This is also the case for Sunridge – Lot J.

Conclusion: Based on the subject’s underlying zoning designations and entitlements, the subject property represents a legally conforming use as proposed.

Flood Zone

Source: Digital Media Services (www.floodmaps.com)
Flood Zone: The subject property is situated within Flood Zone X (unshaded), described as areas outside of the 100- and 500-year floodplains. It is noted that wetland delineation maps have been prepared identifying areas (4.95 acres) subject to flooding due to seasonal wetlands, vernal pools and intermittent drainage. However, the issuance of the 404 Permit allows these areas to be filled and developed. Thus, this issue is not considered to have any adverse impact on the subject property.
Map Panel: 060262-0330D
Panel Date: July 6, 1998

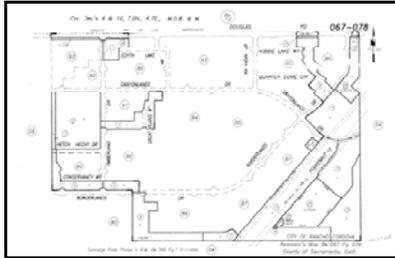
Earthquake Zone

According to the Seismic Safety Commission, the subject property is located within Zone 3, areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 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 that currently impact the subject. According to the preliminary title reports provided for this appraisal (see Addenda), the subject contains easements for roadways and public utilities. However, these easements are typical for the area and are not considered to adversely affect the value or marketability of the subject property. The appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed any easements do not have an impact on the opinion(s) of value contained 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(s) of value contained herein.

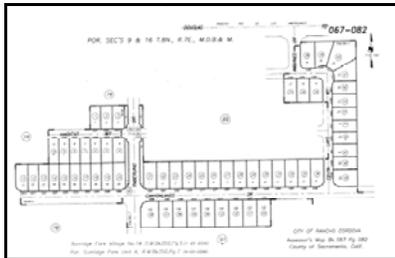
Sunridge Park Assessor's Parcel Maps



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Book 67, Page 86

Sunridge Park Assessor's Parcel Maps (Continued)



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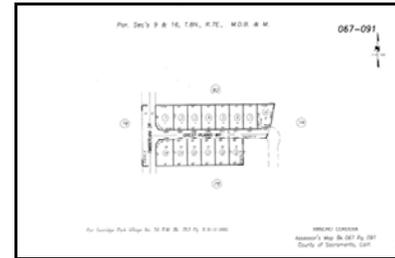
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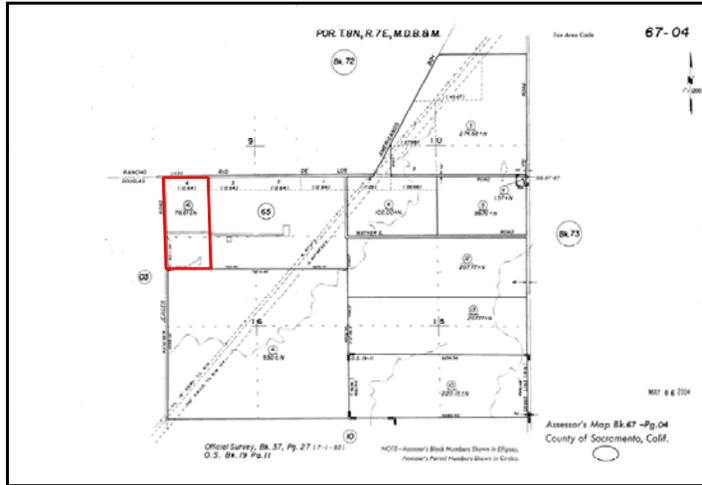


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Parcel Map
Not Available

Book 67, Page 93

Sunridge – Lot J Assessor’s Parcel Map



Book 67, Page 4

SITE DESCRIPTION

The Sunridge Park Area CFD No. 2004-1 bond issuance is scheduled to fund certain portions of public improvements required for the development of 1,319 single-family residential lots with typical lot sizes ranging from 2,560 to 8,540 square feet. The subject property consists of two contiguous projects identified as Sunridge Park and Sunridge - Lot J. Sunridge Park is located along the south line of Douglas Road, east of Jaeger Road. This master planned community is being developed in two phases by Sunridge Park, LLC, who sold the individual villages to four builders – Woodside Homes, Beazer Homes, Syncon Homes, and Kimball Hill Homes. Phase 1 consists of 799 lots and Phase 2 comprises 151 lots. As of the date of inspection, the Phase 1 lots were finished and the Phase 2 lots were unimproved. Sunridge - Lot J is located adjacent to Sunridge Park to the west, at the southeast corner of Douglas Road and Jaeger Road. To be developed by Cresleigh Homes, this project is proposed for subdivision into 369 single-family residential lots; however, site development has not commenced.

Sunridge Park Area CFD No. 2004-1 is segregated into three zones, with Zone 1 consisting of Sunridge Park – Phase 1, Zone 2 comprising Sunridge Park – Phase 2, and Zone 3 representing Sunridge - Lot J. The following tables detail the developable land areas encompassing the proposed District. There are also a number of land areas (e.g., school sites, parks, open space and commercial sites) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

Sunridge Park Area CFD No. 2004-1

Designation	Acres	No. of Lots	Typical Lot Size (SF)	Density (Units/Acre)	Owner/ Developer
Sunridge Park - Phase 1 (Zone 1)					
Village 1A	3.50	20	4,725	5.71	Woodside Bella Brisas, Inc.
Village 2A	13.20	71	5,775	5.38	Sunridge Park, LP
Village 3	15.40	80	5,775	5.19	Rancho 80, LLC
Village 4A	13.10	45	8,540	3.44	Woodside Mariposa, Inc.
Village 4B	5.40	18	8,540	3.33	Woodside Mariposa, Inc.
Village 5A	4.80	23	6,600	4.79	Sunridge Park, LP
Village 5B	10.90	50	6,600	4.59	Sunridge Park, LP
Village 6	25.70	128	6,600	4.98	Woodside Eclipse Inc.
Village 7	20.10	102	6,050	5.07	Woodside Vistas, Inc.
Village 8A	5.30	27	5,775	5.09	Woodside Vistas, Inc.
Village 8B	15.50	86	5,775	5.55	Woodside Vistas, Inc.
Village 9A	8.60	47	5,775	5.47	Beazer Homes Holding Corporation
Village 10A	10.70	53	5,775	4.95	Beazer Homes Holding Corporation
Village 11A	7.70	49	4,725	6.36	Woodside Bella Brisas, Inc.
Total - Zone 1	159.90	799			

Sunridge Park Area CFD No. 2004-1 (Continued)

Designation	Acreage	No. of Lots	Typical Lot Size (SF)	Density (Units/Acre)	Owner/ Developer
Sunridge Park - Phase 2 (Zone 2)					
Village 1B	6.64	43	4,725	6.48	Woodside Bella Brisas, Inc.
Village 2B	1.53	8	5,775	5.23	Sunridge Park, LP
Village 4C	3.40	14	8,540	4.12	Pleasant Valley Investments, LC
Village 4D	2.90	10	8,540	3.45	Pleasant Valley Investments, LC
Village 5C	3.30	17	6,600	5.15	Sunridge Park, LP
Village 5D	1.30	7	6,600	5.38	Sunridge Park, LP
Village 8C	2.49	14	5,775	5.62	Pleasant Valley Investments, LC
Village 9B	4.83	29	5,775	6.00	Beazer Homes Holding Corporation
Village 10B	1.14	6	5,775	5.26	Beazer Homes Holding Corporation
Village 11B	<u>0.33</u>	<u>3</u>	4,725	9.09	Pleasant Valley Investments, LC
<i>Total - Zone 2</i>	<i>27.86</i>	<i>151</i>			
Sunridge Lot J (Zone 3)					
Village 1	17.54	92	5,775	5.25	Cresleigh Homes
Village 2	20.52	126	4,725	6.14	Cresleigh Homes
Village 3	17.25	76	6,600	4.41	Cresleigh Homes
Village 4	<u>8.90</u>	<u>75</u>	2,560	8.43	Cresleigh Homes
<i>Total - Zone 3</i>	<i>64.21</i>	<i>369</i>			
Total	251.97	1,319			

Note: Pleasant Valley Investments, LC is Woodside Homes, Sunridge Park, LP is Kimball Hill Homes and Rancho 80, LLC is Syncon Homes

The subject property is further described as follows:

Size and Shape: Sunridge Park Area Community Facilities District No. 2004-1 contains 251.97 acres, excluding the tax exempt areas, and is situated within the confines of several assessor's parcels that are, for the most part, irregular in shape.

Assessor's Parcel Number(s): Please reference the *Property Identification and Legal Data* section of this report for a complete list of assessor's parcel numbers encompassing the subject property.

Topography: The topography of the property is generally level.

Soils: The appraiser has not been provided a soils report made to determine the load bearing capacity of the subject property. Based on the surrounding improvements, as well as recent home construction within Sunridge Park, 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.

Drainage: Based on our physical inspection of the subject property, drainage appears to be adequate.

Frontage/Access: Both Sunridge Park and Sunridge – Lot J have frontage along the south line of Douglas Road. The primary point of entry into Sunridge Park is from Douglas Road, while Sunridge - Lot J has access from Douglas Road and Jaeger Road.

Adjacent Uses:
 North: Vacant land and security park (industrial)
 South: Vacant land
 East: Vacant land
 West: Single-family residential development

Utilities: Public utilities, including electricity, natural gas, water and telephone service, are available to the subject property and are served by the following providers:

Water: Sacramento County
Sewer: Sacramento County
Natural Gas: Pacific Gas and Electric
Electricity: Sacramento Municipal Utility District
Telephone: AT&T
Fire: Sacramento Metropolitan Fire Dept.
School: Elk Grove Unified School District

Environmental Issues: At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. 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. The client is urged to retain an expert in the field if desired.

Development Plan: The development plan for the subject calls for the construction of 1,319 single-family residences situated on lots ranging from 2,560 to 8,540 square feet.

Functional Adequacy: Sunridge Park has an interior street system to serve

all of the villages within this development. These streets connect with Douglas Road. Site work has not yet commenced for Sunridge – Lot J, but this development will also have an interior street system that will connect with Douglas Road and Jaeger Road. Based upon this plan, overall functional utility is considered good.

Wetlands:

A wetlands mitigation plan has been completed to establish the guidelines for issuance of the Section 404 Permits by the U.S. Army Corps of Engineers. According to Section 404 of the Clean Water Act, a permit is required to discharge dredged or fill materials into waters of the United States, including wetlands. The U.S. Army Corps of Engineers is the permitting authority. A 404 Permit is therefore required before any wetland or wetland impacted area can be developed. The 404 Permits have been issued for the subject developments.

Wetland delineation maps have been prepared by Foothill Associates (August 9, 2005) that identify areas (4.95 acres) subject to flooding due to seasonal wetlands, vernal pools and intermittent drainage. However, the issuance of the 404 Permit allows these areas to be filled and developed. Thus, this issue is not considered to have an adverse impact on the subject property.

Offsite Improvements:

As of the date of value, the subject required significant offsite improvement work. The financing provided through the bond issuance will be used for improvements to Douglas Road, Jaeger Road and Americanos Boulevard. These improvements include—but are not limited to—roadways, drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The hypothetical market value estimates contained herein assume the completion of the public facilities to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds).

Permits and Fees:

The subject's permits and fees pertaining to home construction costs average approximately \$74,903 per unit within Sunridge Park – Phase 1 and \$79,903 per

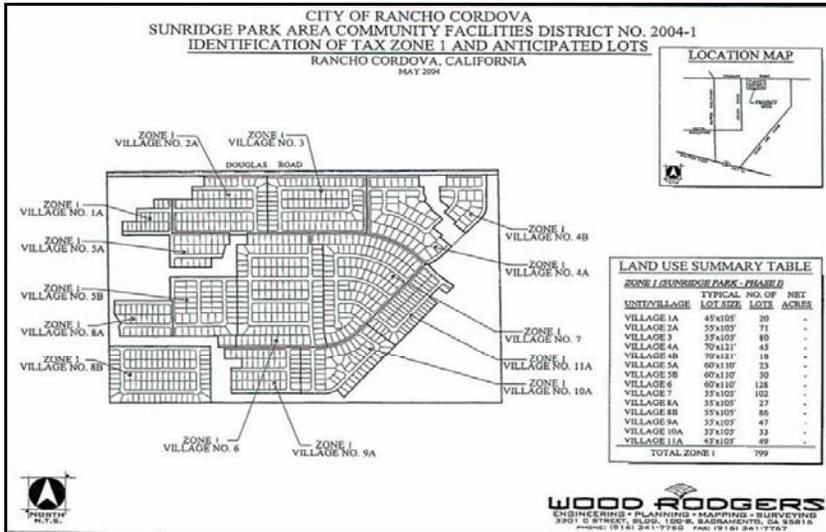
unit within Sunridge Park – Phase 2 and Sunridge – Lot J, which is similar relative to competing projects located throughout the market area. The \$5,000 per unit difference is associated with an additional park development fee.

The off-site improvements to be funded by the master developer and the District will ultimately serve future developments in the area. Consequently, the master developer will receive fee credits from the City of Rancho Cordova upon obtaining building permit. These fee credits are projected at \$11,284 per unit. Thus, in the analysis of the subject property, we will consider permits and fees net of the fee credits.

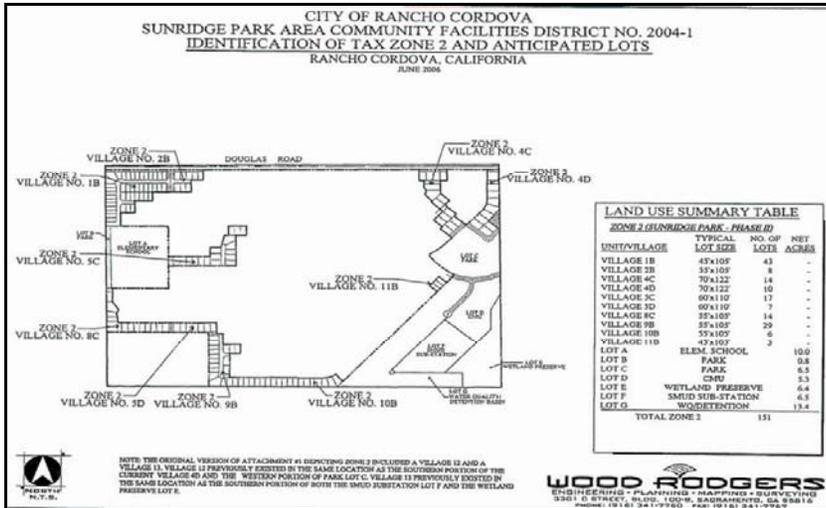
Conclusion:

The configuration and size of the subject property are considered adequate for development. The ongoing demand for single-family product bodes well for the projects. We expect the subject property to be competitive with the other local developments, as well as projects located elsewhere throughout the Sacramento Region.

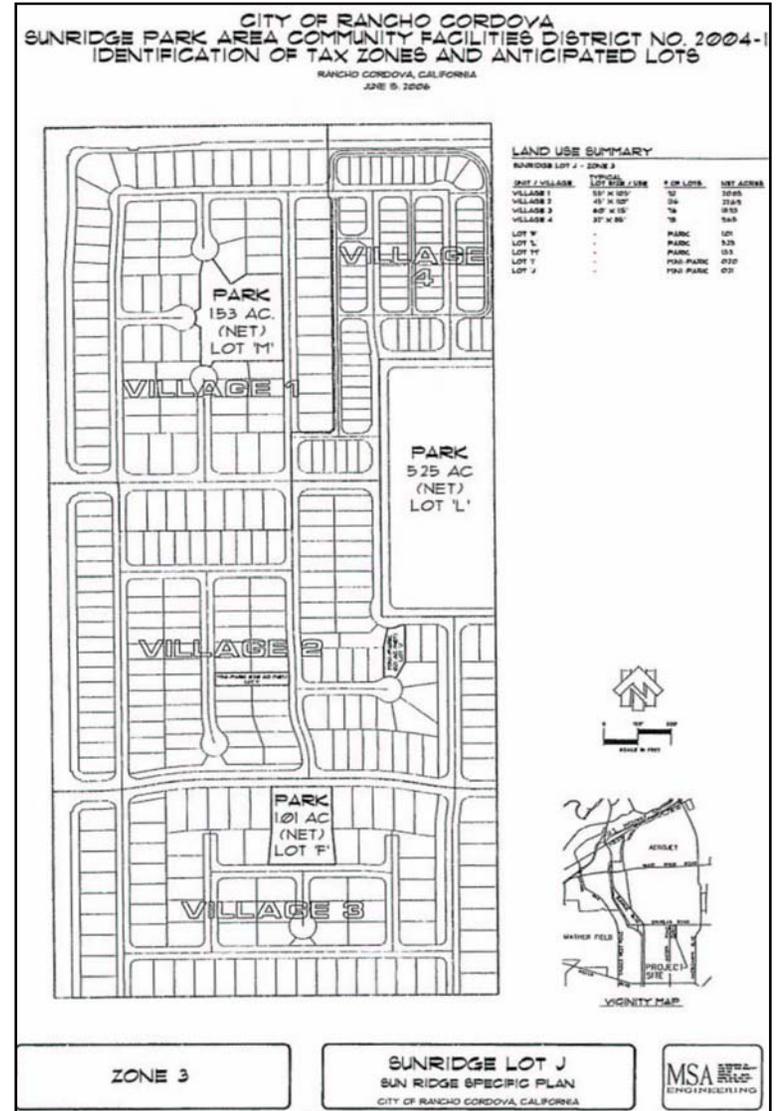
SUNRIDGE PARK – PHASE 1 (ZONE 1)



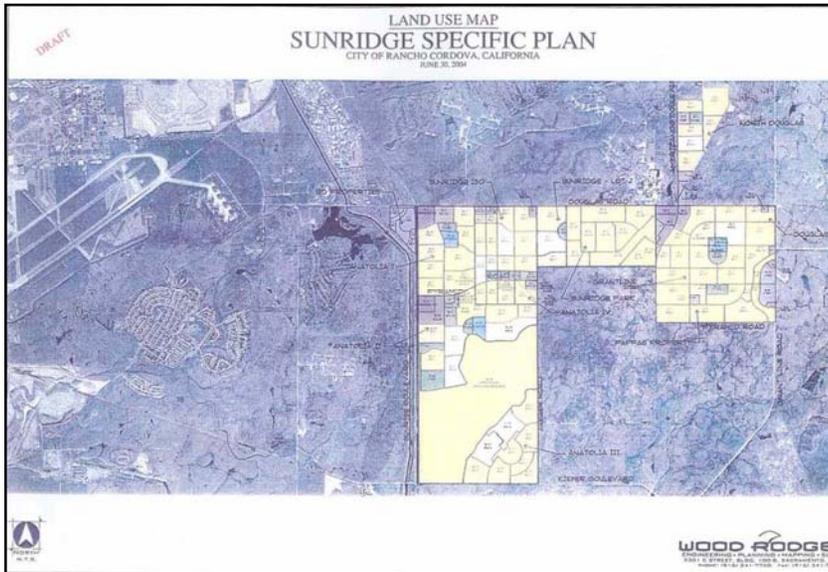
SUNRIDGE PARK – PHASE 2 (ZONE 2)



SUNRIDGE - LOT J (ZONE 3)



SUNRIDGE SPECIFIC PLAN MAP



FACILITIES TO BE FINANCED BY THE DISTRICT

This report will address the hypothetical market values of the subject property assuming completion of the improvements to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds). The improvements authorized to be financed by the District are detailed in a document entitled *Rate and Method of Apportionment*, prepared by Goodwin Consulting Group, Inc. and dated March 21, 2007. A copy of this document is included in the Addenda to this report. The primary facilities authorized to be constructed with the bond proceeds will be used for improvements to Douglas Road, Jaeger Road and Americanos Boulevard. These improvements include—but are not limited to—roadways, drainage, water, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls and other miscellaneous improvements.

The cited list of facilities are proposed to include incidental expenses associated with the formation of the Mello-Roos Community Facilities Act of 1982, including - but not limited to - the cost of planning, engineering and designing the facilities, the cost associated with the creation of the District, the issuance of bonds thereof, the determination of the amount of the assessment, the collection of the assessment, the payment of the assessment or costs otherwise incurred in order to carry out the authorized purposes of the District, and any other expenses incidental to the construction, completion and inspection of the facilities.

SUBJECT PHOTOGRAPHS

SUNRIDGE PARK



Looking southwest from Douglas Road



South view of the Sunridge Park



Looking east along Canyonlands Drive



Southeast view from Canyonlands Drive



Westerly view of the subject



Model complex

SUNRIDGE – LOT J



Looking south from Douglas Road



Southeast view from Douglas Road



Looking west along Douglas Road



Looking east along Douglas Road

HIGHEST AND BEST USE ANALYSIS

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, which 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.⁷

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the property as though vacant. The second analysis (highest and best use as improved) is not relevant due to the fact that we are appraising the property as vacant land. Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report.

Highest and Best Use – As Vacant

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

Legal Permissibility

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. As discussed in the *Property Identification and Legal Data* section of this report, the developable areas of the subject property have a combination of RD-4, RD-5, RD-7 and RD-10 zoning. According to the City of Rancho Cordova Municipal Code, these ordinances are single-family residential zones designated to provide areas with overall densities not to exceed four, five, seven and ten units per gross acre, respectively. Other stipulations are detailed below:

Zoning	Maximum Density	Minimum Lot Size	Minimum Lot Width
RD-4	4 units/acre	8,500	65 feet
RD-5	5 units/acre	5,200	52 feet
RD-7	7 units/acre	4,000	40 feet
RD-10	10 units/acre	4,000	40 feet

This area has undergone extensive planning and review, and zoning modifications are highly unlikely. Additionally, with respect to entitlements, the subject property has either tentative or final subdivision map permitting the development of 1,319 detached residential lots. Based on the subject’s underlying zoning designation and entitlements, the legally permissible use of the property is limited to single-family residential development.

⁷ *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 135.

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, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a singular potential use for single-family residential development, at this point the physical characteristics are examined to see if they are suited for the legally permissible use conclusion.

Locational considerations include the compatibility and position of the subject property with respect to surrounding uses. Based on our physical inspection of the subject property, we know of no reason why the property would not support any legal development. The property is located in Flood Zone X (unshaded), described as areas outside of the 100- and 500-year floodplains. In addition, the property is not located within a Fault-Rupture Hazard Zone. Frontage, visibility and access are provided along Douglas Road and Jaeger Road. Furthermore, all public utility services are available to the subject property. Evidence of construction on adjacent parcels provides additional support for the possibility of development. Typical roadway and utility easements exist, but they are not unusual in any way. It is assumed any easements do not adversely affect the subject’s potential for development.

With respect to wetlands, a wetlands mitigation plan has been completed to establish the guidelines for issuance of the Section 404 Permits by the U.S. Army Corps of Engineers. According to Section 404 of the Clean Water Act, a permit is required to discharge dredged or fill materials into waters of the United States, including wetlands. The U.S. Army Corps of Engineers is the permitting authority. A 404 Permit is therefore required before any wetland or wetland impacted area can be developed. The 404 Permits have been issued for the subject property. It is noted that wetland delineation maps have been prepared by Foothill Associates (August 9, 2005) that identify areas (4.95 acres) subject to flooding due to seasonal wetlands, vernal pools and intermittent drainage. However, the issuance of the 404 Permit allows these areas to be filled and developed. Thus, this issue is not considered to have any adverse impact on the subject property.

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate herein is predicated on the assumption that there is no material on or in the property that would cause a loss of value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

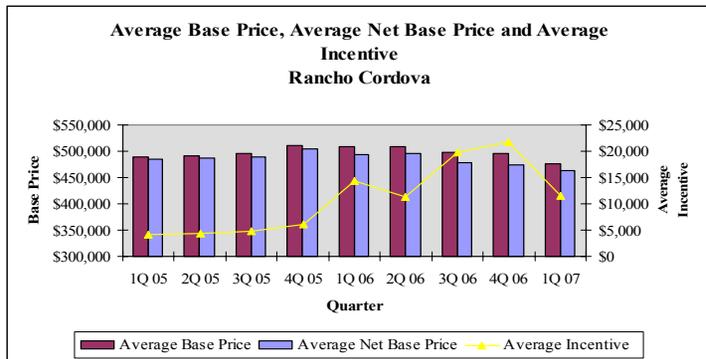
Overall, the subject property has physical characteristics that support the legally permissible uses.

Financial Feasibility

A determination of financial feasibility is dependent on regional supply and demand influences. The subject property is located in the city of Rancho Cordova, which has experienced stable population and employment growth over the past several years. Sales of new homes throughout the region have improved significantly over recent years; however, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Absorption and pricing figures are lower compared to the robust growth experienced over the past few years. The following table details the average new home pricing within several submarkets of Sacramento over the past two years, as reported by The Gregory Group, an enterprise that tracks the regional housing market.

City/Community (Average Price/ Quarter Sales)	2005				2006				2007	Quarter % Change	Year Ago % Change
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr		
Rancho Cordova	\$488,865 262	\$491,776 376	\$494,616 402	\$510,307 235	\$508,013 204	\$507,649 222	\$498,320 161	\$495,110 170	\$475,381 230	-4.0%	-6.4%
Elk Grove	\$521,007 276	\$542,715 248	\$576,638 150	\$548,574 45	\$548,423 63	\$542,339 85	\$509,119 27	\$498,365 34	\$498,548 71	0.0%	-9.1%
Folsom	\$508,478 99	\$524,470 165	\$499,196 257	\$472,955 41	\$464,234 181	\$470,024 147	\$446,310 114	\$452,726 110	\$474,022 162	4.7%	2.1%
Sacramento County	\$459,795 2,660	\$465,699 2,082	\$463,240 2,047	\$464,641 929	\$466,442 1,101	\$465,967 1,530	\$444,088 999	\$436,780 1,093	\$430,367 1,251	-1.5%	-7.7%
										14.5%	13.6%

In an effort to attract prospective homebuyers, many homebuilders have been offering incentives such as cash contributions toward down payments and closing costs, payoff of Mello-Roos taxes, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period of moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further. A chart summarizing pricing trends since the 1st Quarter of 2005 in Rancho Cordova is provided below.



With respect to absorption in the region as a whole, sales of new and resale homes have generally declined since the Third Quarter of 2005. Market participants (home builders, brokers, etc.) attribute a portion of the decline to speculative investors canceling contracts. Additionally, the absorption figures for 2006 were lower compared to previous years. However, the residential market is not anticipated to remain in the current state of moderation over the long-term. As detailed in the table on the previous page, overall absorption figures increased from the 4th Quarter 2006 to the 1st Quarter 2007 in all four markets surveyed, which is expected given decreasing prices and/or increasing incentives.

In considering the feasibility of a single-family subdivision on the subject property, reference is made to the *Housing Market Overview* and *Housing Market Analysis* sections of this report. The subject’s proximity to the employment sectors throughout the region has been beneficial for the numerous residential projects recently developed, and currently developing, in Rancho Cordova and neighboring areas. The demand for residential product proximate to employment centers and community amenities has led to increases in home prices over previous years. However, as noted, home prices are moderating in the current market environment, especially considering the incentives and concessions being offered by builders.

Upon examining the housing market in the subject’s immediate area, current pricing and absorption rates suggest profit levels and rates of return that are still attractive to builders. Additionally, the amount of entitled residential land that is near-ready for development in the subject’s market area is limited. Based on the preceding discussion, and considering the stable demand for new housing in the Sacramento area, single-family residential development is considered a financially feasible use of the subject property. Given price points for competitive developments throughout the Rancho Cordova area, it is concluded the target market would be middle to upper-income homebuyers throughout the Sacramento region.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, single-family residential development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Therefore, considering the subject’s specific characteristics, the highest and best use of the subject property is for the development of well balanced single-family residential subdivisions.

APPROACHES TO VALUE

The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property.⁸ 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. In the valuation of the subject property, two additional approaches – the extraction technique and the subdivision development method – 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.⁹

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 follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.¹⁰

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 is 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 income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.¹¹

Yield capitalization is the capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.¹²

⁸ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.

⁹ The Dictionary of Real Estate Appraisal, 67.

¹⁰ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.

¹¹ The Dictionary of Real Estate Appraisal, 88.

¹² The Dictionary of Real Estate Appraisal, 315.

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

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹³

Extraction Technique (Residual Analysis)

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.¹⁴

Subdivision Development Method

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales; 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 market value of property.¹⁵

APPRAISAL METHODOLOGY

We have been requested to provide estimates of hypothetical market value of the subject property by ownership. The subdivision development method to value (discounted cash flow analysis) will be relied upon in the analysis of the subject property. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to estimate value for a typical village (5,775 square foot lot size) within the subject developments. Then, we will utilize the data set and other market indicators to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 5,775 square foot lots. The resultant value (revenue) indicators will then be incorporated into a discounted cash flow analysis to estimate the hypothetical market value of each ownership entity, assuming the completion of the improvements to be financed by the Sunridge Park Area CFD No. 2004-1 bond issuance (Series 2007 bonds). It is noted that the sum of the hypothetical market values for the individual ownership entities represents the cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the properties as a whole.

While several homes have either been completed or are currently under construction, the contributory value of the improvements is beyond the scope of our analysis. Therefore, in estimating the hypothetical market values of the subject property, we will only consider the value of the underlying land. There are also a number of land areas (e.g., school sites, parks, open space and commercial sites) that are within the boundaries of the District but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis.

¹³ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 143.

¹⁴ The Dictionary of Real Estate Appraisal, 106.

¹⁵ The Dictionary of Real Estate Appraisal, 279.

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subject property will be estimated by employing the subdivision development method, defined as follows:

SUBDIVISION DEVELOPMENT METHOD

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price; 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 market value of the property.¹⁶

The four main items of the discounted cash flow analysis are listed as follows:

- **Revenue** – the gross income (aggregate value) is derived in this section.
- **Absorption Analysis** – the time frame required to sell off the lots. 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 sell-off are calculated in this section – including administration, marketing and commission costs, as well as taxes and special assessments.
- **Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Our discussions of these four concepts begin below, with the discounted cash flow analysis offered at the end of this section.

REVENUE

In estimating revenue for the subject property, we will derive loaded lot indicators for the residential villages by analyzing comparable sales of recent transactions in the market area. As a supporting value indicator, we will use the residual analysis, or extraction technique.

Sales Comparison Approach

In the sales comparison approach, the hypothetical market values of the subject's individual villages will be estimated by a comparison to similar properties that have 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.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 12th Edition, published by the Appraisal Institute, 2001 – “*The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market.*”

In the case of land used for production oriented residential development, this process typically entails the analysis of an entitled site on a finished, or fully improved, lot basis. Bulk sales of final mapped and fully improved lots, as well as tentatively mapped unimproved lots will be analyzed. Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because they may have different permits and fees. Lots possessing permits and fees relatively lower than similar comparable lots will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs, bonds and permits and fees.

After deriving a loaded lot indicator for the subject property from comparable sales data, the permits and fees for a typical lot within the subject property, as well as site development costs, will be subtracted from the derived loaded lot indicator. The site development costs per lot quantifies the amount of development needed to transform the unimproved lots into improved lots. Improved lot status includes the completion of in-tract development. As of the date of inspection, the Phase 1 lots within Sunridge Park were finished, while site work has not been completed for Phase 2 of Sunridge Park or Sunridge - Lot J. The valuation considers any site development costs that have been incurred to date. Additionally, the value estimates assume the improvements to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds) are in place and available for use.

The subject property and several of the comparables utilized in our analysis have a special assessment (bond) obligation. The comparables will be analyzed to reflect the impact of the bond indebtedness on value. Additionally, there are differences in Homeowner's Association (HOA) dues between the comparable sales and the subject property, with some projects not encumbered by an HOA fee. The projects with HOA dues typically have common area amenities that are maintained by the fees. Therefore, the amount of HOA dues is considered to be offset by the amenities provided by those dues.

There are approximately six different lot size groupings represented by the subject's proposed single-family residential lots: 2,560 square feet, 4,725 square feet, 5,775 square feet, 6,050 square feet, 6,600 square feet, and 8,540 square feet. The largest single group of lots, in terms of lot count,

¹⁶The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 279.

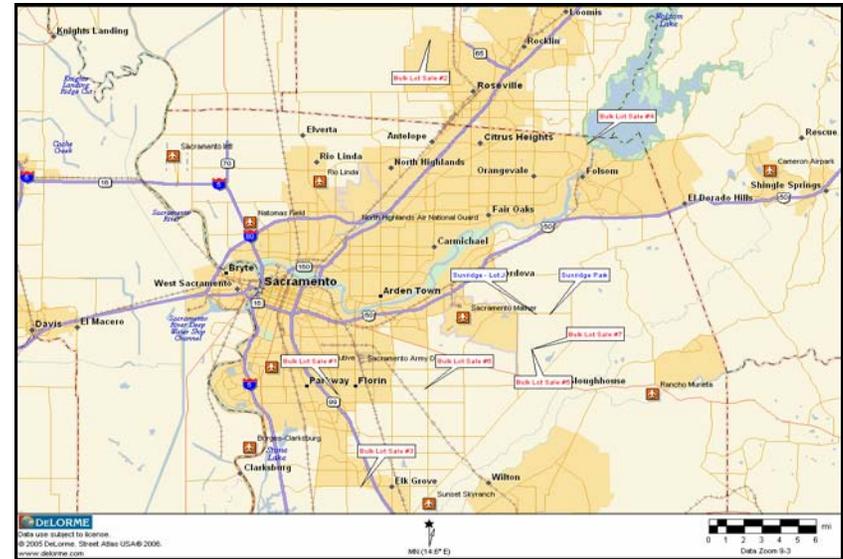
is the subject's 5,775 square foot lots. Thus, to facilitate the following analysis, we will use the 5,775 square foot lot grouping as the basis for our valuation. At the end of this section, the data set and other market indicators will be relied upon to establish the incremental value difference between each of the lot groupings that are either smaller or larger than the subject's 5,775 square foot lots.

The survey of recent transactions revealed seven comparables in the subject's market area and surrounding submarkets that are considered good indicators of hypothetical market value for the subject property. The sales cover the period from February 2005 to October 2006 and range in quantity from 19 to 272 lots. The sales relied upon in this analysis are summarized in the table on the following page, along with a location map. Detailed sales sheets and an adjustment discussion follow the summary table.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	S/Lot	Costs to Complete*	Permits and Fees	PV of Bonds	Loaded Lot Value	Typical Lot Size
1	Parkside & Dahlia Garden S/S of Orange Avenue, N/O Pomegranate Ave., W/O Stockton Boulevard Sacramento, Sacramento County	Oct-06	\$7,650,000	75	\$102,000	\$23,187	\$20,000	\$0	\$145,187	4,950
2	Portion of Parcel DC-31 East side of Diamond Creek Boulevard, north of Blue Oaks Boulevard Roseville, Placer County	Sep-06	\$13,116,097	131	\$100,123	\$19,980	\$45,000	\$19,574	\$184,677	2,500
3	Laguna Ridge, Village 4 East side of Big Horn Boulevard, south of Elk Grove Boulevard Elk Grove	Jun-06	\$14,647,500	155	\$94,500	\$63,250	\$45,960	\$18,170	\$221,880	4,725
4	Estacio Estates South of Folsom Dam Road, east of Lakeside Way Folsom	Apr-06	\$2,285,000	19	\$120,263	\$71,500	\$19,052	\$0	\$210,815	3,050
5	Anatolia III - Villages 22 and 24 (Portion) Along the west line of Jaeger Road, north of Kiefer Boulevard Rancho Cordova	Sep-05	\$13,725,000	75	\$183,000	\$0	\$50,000	\$15,898	\$248,898	5,775
6	Vineyard Creek (Portion) South side of Florin Road, west of Bradshaw Road Sacramento County	Aug-05	\$36,720,000	272	\$135,000	\$106,261	\$30,895	\$2,753	\$274,909	6,600
7	Anatolia III - Villages 22 and 23 (Portion) North line of Kiefer Boulevard, west of Jaeger Road Rancho Cordova	Feb-05	\$14,300,000	110	\$130,000	\$33,000	\$50,000	\$15,898	\$228,898	5,775

* Inclusive of a 10% allocation for profit



COMPARABLE BULK LOT SALE 1

Property Identification

Project Name Parkside and Dahlia Garden
 Location South line of Orange Avenue, north line of Pomegranate, west of Stockton Boulevard
 APN 050-0331-001, 002, -003; 050-0331-024, -025, -026; 050-0323-010
 City Sacramento
 County Sacramento

Sale Data

Grantor Jerry Slinkard, et al
 Grantee Blackstone Development
 Contract Date October 2006
 Closing Date N/A
 Property Rights Conveyed Fee Simple
 Conditions of Sale Market
 Financing Terms Cash Equivalent
 Sale Price \$7,650,000
 Annual Special Assessments per Lot \$0

Land Data

Zoning RD5
 Topography Level to Slightly Sloping
 Utilities All Available
 Number of Lots 75
 Land Area (Acres) 11.00
 Density (Units per Acre) 7.00
 Development Status at Sale Unimproved Lots
 Typical Lot Size (SF) 4,950

Indicators (Per Lot)

Sale Price \$ 102,000
 Site Development Costs \$ 21,079
 Developer's Incentive \$ 2,108
 Finished Lot Indicator \$ 125,187
 Permits and Fees \$ 20,000
 Loaded Lot Indicator \$ 145,187

Remarks

This property is the pending sale of the Parkside and Dahlia Garden subdivisions, which contain typical lot sizes of 4,500 square feet (32 lots within Parkside) and 4,950 square feet (43 lots within Dahlia Garden). Parkside and Dahlia Garden are adjacent properties. The developer plans to construct three floor plans for sale ranging from 1,500 to 2,000 square feet on both properties.

COMPARABLE BULK LOT SALE 2

Property Identification

Project Name Parcel DC-31 (portion of)
 Location East side of Diamond Creek Boulevard, north of Blue Oaks Boulevard
 APN 017-115-032 (portion of)
 City Roseville
 County Placer

Sale Data

Grantor Diamond Creek Partners, Ltd.
 Grantee Centex Homes
 Contract Date September 2006
 Property Rights Conveyed Fee Simple
 Conditions of Sale Market
 Financing Terms Cash Equivalent
 Sale Price \$13,116,097
 Annual Special Assessments per Lot \$1,422

Land Data

Zoning RS/DS – Small Lot Residential
 Topography Generally level
 Utilities All Available
 Number of Lots 131
 Development Status at Sale Unimproved Lots
 Typical Lot Size (SF) 2,500

Indicators (Per Lot)

Sale Price \$ 100,123
 Site Development Costs \$ 18,164
 Developer's Incentive \$ 1,816
 Finished Lot Indicator \$ 120,103
 PV of Bonds \$ 19,574
 Permits and Fees \$ 45,000
 Loaded Lot Indicator \$ 184,677

Remarks

This comparable represents a portion of the Diamond Creek development, which is also proposed for the development of eight townhouse lots and a 6.52-acre site planned for the construction of multi-story, mixed-use commercial and residential buildings with ground level retail/office space and 352 residential condominium units (including 50 affordable housing units) situated above the commercial space. The 131 lots comprising the single-family component went into contract in September 2006 to Centex Homes. The purchase price was determined based on a static residual analysis, and the contract has a clause that the final price can be adjusted upward if market conditions improve prior to the scheduled close date of April 2007.

COMPARABLE BULK LOT SALE 3**Property Identification**

Project Name	Laguna Ridge, Village 4
Location	East side of Big Horn Boulevard, south of Elk Grove Boulevard
APN	132-0270-024 and -026 (portions)
City	Elk Grove
County	Sacramento

Sale Data

Grantor	Reynen & Bardis Communities
Grantee	MBK Homes
Contract Date	June 2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$14,647,500
Annual Special Assessments per Lot	\$1,320

Land Data

Zoning	RD-7, Single-Family Residential
Topography	Level
Utilities	All Available
Number of Lots	155
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	4,725

Indicators (Per Lot)

Sale Price	\$ 94,500
Site Development Costs	\$ 57,500
Developer's Incentive	<u>\$ 5,750</u>
Finished Lot Indicator	\$ 157,750
PV of Bonds	\$ 18,170
Permits and Fees	<u>\$ 45,960</u>
Loaded Lot Indicator	\$ 221,880

Remarks

This comparable represents the June 2006 sale of Village 4 within the Laguna Ridge master planned community in the city of Elk Grove. According to a representative of the buyer, the seller finished the lots under a separate contract. Escrow closed in November 2006.

COMPARABLE BULK LOT SALE 4**Property Identification**

Project Name	Estacio Estates
Location	South of Folsom Dam Road, east of Lakeside Way
APN	227-0190-032
City	Folsom
County	Sacramento

Sale Data

Grantor	Parkinson Trust
Grantee	Caramazza Development Company
Contract Date	April 2006
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,285,000
Annual Special Assessments per Lot	\$0

Land Data

Zoning	R1-M-PD
Topography	Generally Level
Utilities	All Available
Number of Lots	19
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	3,050

Indicators (Per Lot)

Sale Price	\$ 120,263
Site Development Costs	\$ 65,000
Developer's Incentive	<u>\$ 6,500</u>
Finished Lot Indicator	\$ 191,763
PV of Bonds	\$ 0
Permits and Fees	<u>\$ 19,052</u>
Loaded Lot Indicator	\$ 210,815

Remarks

Based on the developer's budget, the total costs to improve the lots equate to \$1,235,000 or approximately \$65,000 per lot. The costs appear reasonable considering the continual increases in development costs, as well as the fact that the budget includes off-site work related to roadway and sound wall improvements. Additionally, a portion of the impact fees (\$228,000) is payable at final map recordation and is included in the site development budget. The approved lot sizes range from 2,614 to 5,576 square feet, with a typical lot size of 3,050 square feet. It is noted that there are power lines over the western portion of the parcel; however, the power lines are situated above open space.

COMPARABLE BULK LOT SALE 5

Property Identification

Project Name	Anatolia III– Portion of Villages 22 and 24
Location	West side of Jaeger Road, north of Kiefer Boulevard
APN	067-0090-004 and -017 (portions)
City	Rancho Cordova
County	Sacramento

Sale Data

Grantor	Lennar Renaissance, Inc.
Grantee	Corinthian Land Investments
Contract Date	September 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$13,725,000
Annual Special Assessments per Lot	\$1,155

Land Data

Zoning	RD-5, Single-family Residential
Topography	Level
Utilities	All Available
Number of Lots	75
Development Status at Sale	Improved Lots
Typical Lot Size (SF)	5,775

Indicators (Per Lot)

Sale Price	\$ 183,000
Site Development Costs	\$ 0
Developer's Incentive	<u>\$ 0</u>
Finished Lot Indicator	\$ 183,000
PV of Bonds	\$ 15,898
Permits and Fees	<u>\$ 50,000</u>
Loaded Lot Indicator	\$ 248,898

Remarks

This comparable is located in the Anatolia master planned community. Corinthian Homes purchased 69 lots within Village 22 and 6 lots within Village 24, for a total of 75 lots. The typical lot size within both villages is 5,775 square feet. The seller was responsible for all site improvements.

COMPARABLE BULK LOT SALE 6

Property Identification

Project Name	Vineyard Creek (portion)
Location	South side of Florin Road, west of Bradshaw Road
APN	065-0052-033 through -036 and 065-0080-087 (portions)
City	Unincorporated
County	Sacramento

Sale Data

Grantor	Lennar Communities, Inc.
Grantee	Standard Pacific Corp.
Sale Date	August 12, 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$36,720,000
Annual Special Assessments per Lot	\$200

Land Data

Zoning	Single-Family Residential
Topography	Level
Utilities	All Available
Number of Lots	272
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	6,600

Indicators (Per Lot)

Sale Price	\$ 135,000
Site Development Costs	\$ 96,601
Developer's Incentive	<u>\$ 9,660</u>
Finished Lot Indicator	\$ 241,261
PV of Bonds	\$ 2,753
Permits and Fees	<u>\$ 30,895</u>
Loaded Lot Indicator	\$ 274,909

Remarks

This comparable sale is a portion of the overall sale of Vineyard Creek in the North Vineyard Station Specific Plan. The total purchase price for 375 single-family residential lots and 6.90 acres of multifamily residential land was \$53,855,000. The overall purchase price was calculated per component. Specifically, the buyer paid \$135,000 per 6,600 square foot lot (272 lots total), \$125,000 per 4,725 square foot lot (103 lots total) and \$600,000 per acre of multifamily residential land (6.90 acres total). Total permits and fees paid by the developer in Vineyard Creek are estimated to be approximately \$67,547 per lot; however, fee credits attributable to sizeable infrastructure improvements constructed by the developer will lower the effective permits and fees to \$30,895/lot.

COMPARABLE BULK LOT SALE 7

Property Identification

Project Name	Anatolia III, Villages 22 and 23 (portion)
Location	North of Kiefer Boulevard, west of Jaeger Road
APN	067-0090-004 and -017 (portions)
City	Rancho Cordova
County	Sacramento

Sale Data

Grantor	U.S. Homes
Grantee	Centex Homes
Contract Date	February 2005
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$14,300,000
Annual Special Assessments per Lot	\$1,155

Land Data

Zoning	Single-family Residential
Topography	Level
Utilities	All Available
Number of Lots	110
Development Status at Sale	Unimproved Lots
Typical Lot Size (SF)	5,775

Indicators (Per Lot)

Sale Price	\$ 130,000
Site Development Costs	\$ 30,000
Developer's Incentive	<u>\$ 3,000</u>
Finished Lot Indicator	\$ 163,000
PV of Bonds	\$ 15,898
Permits and Fees	<u>\$ 50,000</u>
Loaded Lot Indicator	\$ 228,898

Remarks

This comparable is located in the Anatolia master planned community. Centex Homes purchased 15 lots within Village 22 and 95 lots within Village 23, for a total of 110 lots. The typical lot size within both villages is 5,775 square feet.

Adjustments

Many merchant builders compare properties based on a finished lot basis. However, two similar properties may possess different finished lot prices because of differing permits and fees. Properties possessing a lower permit and fee schedule relative to other properties will have a higher finished lot price, all else being equal. Thus, in the following analysis, we analyze sales comparables on a *loaded lot* basis. Loaded lot values incorporate the unimproved lot price, site development costs and permits and fees, plus any differences relating to bonds. These items are discussed in the following paragraphs.

Site Development Costs

With the exception of Comparable #5, all of the sales represent unimproved lot transactions and, as such, site development costs are added to equate these comparables to finished lots for comparison purposes. In order to account for the profit associated with improving the lots, a profit allocation in the amount of 10% of the site development costs is also incorporated.

Permits and Fees (Impact Fees)

The permits and fees are applied on a dollar-for-dollar basis. After the conclusion of loaded lot value (with permits and fees paid), we then subtract the amount of the subject's permits and fees to arrive at our estimate of revenue.

Bonds and Assessments

Mello-Roos districts encumber several of the comparables utilized for this analysis, as well as the subject property. The comparables are adjusted based on the impact of bond indebtedness on value (included in the loaded lot indicators). The adjustment is derived by calculating a present value amount for the bond encumbrance based on the annual assessment payment, an interest rate of 6.0% and a 30-year maturity period.

Additional Adjustments

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. 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.

Percentage or dollar adjustments are considered appropriate in order to isolate and quantify the adjustments on the comparable sales data. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions
- Physical features

- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, 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.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Property Rights Conveyed

Expenditures After Sale

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. 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.

This category includes all costs required after the transaction. Other than site development costs, which have already been accounted for, none of the comparables have expenditures after sale. Thus, no adjustments are necessary in this category.

Financing Terms

Market Conditions

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, therefore, do not require adjustments.

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable 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 municipality, 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.

Conditions of Sale

In evaluating market conditions, changes between the 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 in the subject's market area have steadily improved over the past several years, but the residential sector appears to be stabilizing or moderating in the current market environment. The following table details the average new home pricing within Rancho Cordova and several other neighboring submarkets over the past two years, as reported by The Gregory Group.

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,

City/Community (Average Price/ Quarter Sales)	2005				2006				2007	Quarter % Change	Year Ago % Change
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr		
Rancho Cordova	\$488,865 262	\$491,776 376	\$494,616 402	\$510,307 235	\$508,013 204	\$507,649 222	\$498,320 161	\$495,110 170	\$475,381 230	-4.0% 35.3%	-6.4% 12.7%
Elk Grove	\$521,007 276	\$542,715 248	\$576,638 150	\$548,574 45	\$548,423 63	\$542,339 85	\$509,119 27	\$498,365 34	\$498,548 71	0.0% 108.8%	-9.1% 12.7%
Folsom	\$508,478 99	\$524,470 165	\$499,196 257	\$472,955 41	\$464,234 181	\$470,024 147	\$446,310 114	\$452,726 110	\$474,022 162	4.7% 47.3%	2.1% -10.5%
Sacramento County	\$459,795 2,660	\$465,699 2,082	\$463,240 2,047	\$464,641 929	\$466,442 1,101	\$465,967 1,530	\$444,088 999	\$436,780 1,093	\$430,367 1,251	-1.5% 14.5%	-7.7% 13.6%

In an effort to attract prospective homebuyers, many homebuilders are now offering incentives such as cash contributions toward down payments and closing costs, payoff of Mello-Roos taxes, swimming pools, home upgrades, cars and vacations. These incentives have been initiated to generate interest during the period of moderating demand. Thus, in addition to decreases in overall base prices, incentives and concessions have increased during the same time period, effectively reducing base prices further.

To reflect the moderation and/or stabilization in the residential market, Comparables #3 through #6 are adjusted downward. The degree of adjustment corresponds with the changes in net base pricing for new homes in the market area. Conversely, Comparable #7 represents an early-2005 transaction, at a time when the market was still experiencing appreciation. As such, an upward adjustment is applied to this sale. Finally, Comparables #1 and #2 were negotiated during the current contracting real estate cycle; thus, no adjustments are necessary.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location

The subject property is located within the city of Rancho Cordova and is considered to have a good overall location. All the comparables are located in areas of the Sacramento Region deemed similar to the subject's location with respect to surrounding land uses, desirability, property values, etc. The comparables generally have the same overall desirability to the most probable buyer or user. No adjustments are deemed necessary in this category.

Community Appeal

Comparable #4 represents a 19-lot infill subdivision. The community appeal associated with this sale is judged to be inferior to the subject property, warranting an upward adjustment. No other adjustments are required for community appeal.

Number of Lots

Generally, there is an inverse relationship between the number of lots and price per lot such that projects (or phases) with a greater number of lots sell for a lower price per lot compared to projects (or phases) with a fewer number of lots due to the discounting associated with larger transactions. With 19 lots, the lot count for Comparable #4 is significantly lower than the subject's villages, requiring a downward adjustment. None of the other comparables have a lot count that differs enough from the subject's individual villages to warrant an adjustment.

Lot Sizes

In the following analysis, the sales require upward adjustments for inferior (smaller) lot sizes and downward adjustments for superior (larger) lot sizes compared to the subject's 5,775 square foot lot size category. The degree of adjustment is dependent on the size disparity between the comparables and the subject's 5,775 square foot lot size. A higher per unit adjustment factor is considered reasonable for Comparables #2 and #4 relative to the balance of the sales, since these developments have significantly smaller lots compared to the subject property.

Site Utility

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the lots. Each of the comparable properties possesses similar site utility as the subject property; no adjustments are necessary.

Lot Premiums and Discounts

This analysis is concerned with the hypothetical market value of the subject property in bulk. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence on the value of the property in bulk. All of the comparables have a similar degree of lot premiums as the subject property, with no adjustments required.

Zoning

Similar to the subject property, all of the sales are designated for single-family residential development; no adjustments are necessary.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subject's 5,775 square foot lot category, which forms the basis of our analysis, the data set required adjustments for discrepancy in typical lot size, both larger and smaller than 5,775 square feet. While sales of new homes throughout the Sacramento region have improved significantly over the past several years, the residential sector is experiencing moderation with respect to pricing and absorption in the current market environment. Consequently, downward adjustments for market conditions were applied to several of the comparable sales. As discussed, additional adjustments were applied for differing physical characteristics between the comparables and the subject property. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the comparables and the subject, an indicator of **\$210,000** per loaded lot for the standard 5,775 square foot lots offered by the subject property is concluded via the sales comparison approach. The estimate of hypothetical market value is inclusive of permits and fees and bonds (present value).

Residual Analysis (Extraction Technique)

As a supporting indication of hypothetical loaded lot value, we will utilize the extraction technique. The extraction technique considers the likely selling prices of homes to be offered at the subject developments and then reduces that value by the direct costs, indirect costs and developer’s profit for the construction of a home. The result of this analysis represents an estimate of the residual lot value for an improved lot.

Based on the profile of the area residential market, and considering the approved lot sizes, the subject property could be developed with a range of new homes that would target the middle to upper-income buyer segments of the new home market.

Typical Home Price

Using the subject’s standard lot size (5,775 square feet), the typical home price is estimated based on comparable subdivisions in the subject’s market area. We have conducted a survey of residential subdivisions considered similar to the potential development of the subject project. The following table details the specifics of the market data collected. All of the developments are located within Rancho Cordova, and the data is taken from The Gregory Group Housing Report (1st Quarter 2007).

Project	Builder	Planned Units	No. of Units Sold	Lot Size (SF)	Total Monthly Sales Rate	Average Floor Plan (SF)	Average Base Price
Zinfandel Village at Stone Creek	Elliott Homes	413	365	6,600	5.34	2,220	\$510,200
The Tuscany Collection at Stone Creek	Elliott Homes	406	262	8,625	4.86	2,894	\$639,200
The Masters at Anatolia	JTS Communities	117	70	6,930	2.37	2,558	\$575,390
The Estates at Anatolia	JTS Communities	104	67	7,350	2.27	3,572	\$712,101
Laureate at Anatolia	Lennar Communities	116	91	8,400	3.46	3,362	\$602,490
Sorrento at Anatolia	Lennar Communities	149	143	6,090	5.54	2,703	\$524,283
Sedona at Anatolia	Tim Lewis Communities	105	93	5,775	3.60	2,392	\$469,900
Artistry at Anatolia	Lennar Communities	117	114	6,930	4.42	3,019	\$566,075
Traditions at Anatolia	Lennar Communities	151	143	5,775	5.44	2,225	\$397,990
Mastery at Anatolia	Cambridge Homes	92	53	8,400	2.07	3,306	\$635,000
The Alexander Collection at Stone Creek	Elliott Homes	196	122	4,800	4.81	1,809	\$442,200
Verona at Anatolia	William Lyon Homes	79	57	5,720	2.75	2,555	\$453,323
The Cottages at Capital Village	Beazer Homes	163	12	2,450	0.64	1,711	\$355,990
The Bungalows at Capital Village	Beazer Homes	151	35	4,140	1.88	1,901	\$374,990
The Villas at Capital Village	Beazer Homes	222	45	Condo	2.42	1,508	\$317,490
The Brownstones at Capital Village	Beazer Homes	248	42	1,904	2.26	1,669	\$331,490
The Villas at Anatolia	Lennar Communities	99	93	2,250	6.67	1,513	\$348,990
Bella Brisas at Sunridge Park	Woodside Homes	115	28	4,950	3.01	2,158	\$361,990
Eclipse at Sunridge Park	Woodside Homes	131	2	6,600	0.22	2,834	\$485,240
Bacarra	Syncon Homes	80	4	5,775	0.42	2,466	\$493,490
Mariposa at Sunridge Park	Woodside Homes	87	2	8,540	0.22	2,916	\$481,657
The Vistas at Sunridge Park	Woodside Homes	228	10	5,775	1.08	2,628	\$453,657
Ellenwood Commons	Parkcrest Development	26	0	Condo	0.00	1,409	\$395,000
Tesoro	Beazer Homes	136	52	5,775	8.28	1,753	\$348,490
Sunridge Park	Kimball Hill Homes	176	8	5,000	1.19	2,468	\$406,090
Stanford Court	Cassano Development Company	85	21	Condo	3.47	1,638	\$384,394
Anthology at Anatolia	Cambridge Homes	118	0	3,182	0.00	2,077	\$412,150

Based on the type of product currently being offered in Rancho Cordova, and given the specifics of the subject property, we have estimated a hypothetical average floor plan of 2,400 square feet. The average base price is estimated based on an examination of the base prices in relation to living area for comparable homes. Considering these factors, an average base price of \$475,000 is concluded, consistent with the average new home price reported for the Rancho Cordova area as of the First Quarter of 2007 (\$475,381). This typical floor plan will serve as the basis for the extraction technique.

Present Value of Bonds

The subject is encumbered by the Sunridge Park Area Community Facilities District (CFD) No. 2004-1 bond, which has a maximum annual special tax of \$1,155 per unit for the 5,775 square foot lot size category. The hypothetical floor plan is adjusted to account for the impact of bond indebtedness on value. We have established a present value amount for the bond encumbrance based on the annual assessment payment, an interest rate of 6.0% and the 30-year maturity period. The adjustment equates to \$15,900, rounded.

Construction Costs

Construction costs typically include both direct and indirect construction costs. Direct construction costs include all expenditures for the labor and materials needed in the actual construction of the units. Indirect construction items typically include site supervision, field office, maintenance and security, plan check fees, architecture and engineering. Comparable projects were surveyed in an effort to estimate direct construction costs. The following table details cost estimates reported from other projects within the Sacramento region.

Project Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Elk Grove	2006	2,300	\$64.91
		2,583	\$62.50
		2,803	\$60.37
		2,950	\$59.56
Sacramento	2006	1,871	\$60.00
		2,043	\$62.00
		2,087	\$63.50
		2,331	\$61.00
Rancho Cordova	2006	1,829	\$70.64
		2,019	\$70.86
		2,132	\$69.48
		2,321	\$69.82
Sacramento	2006	768	\$99.00
		1,253	\$76.90
		2,034	\$64.46
		2,370	\$62.90
Roseville (Cluster Housing)	2005	1,142	\$82.67
		1,233	\$75.45
		1,376	\$70.75
		1,639	\$66.01

Analyzing the cost comparables presented, average direct costs in the amount of \$70 per square foot are estimated for the subject property. As further support, we analyzed data contained in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Based on that comparison, the direct cost estimate appears reasonable.

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 5% to 20% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, and model home costs, which are accounted for separately). A factor towards the middle of the range, or 12%, is selected for indirect costs, exclusive of the additional indirect expenses that are accounted for separately.

General and Administrative

General and administrative 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% of revenue, depending on the specifics of the development. Based on industry surveys, 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%. Considering the specifics of the subject property, a figure of 5.0% of revenue, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense category.

Developer's Overhead and Profit

Profit is based on the perceived risk associated with the development. Under the existing market conditions, low profit expectations are the result of the market's focus on more affordable projects 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.

Developer surveys conducted during the current real estate cycle elicited the following responses:

Data Source	Profit Expectations
John Bacigalupi - Beazer Homes (Jan. 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 (Jan. 2007)	10% for typical single-family projects, up to a maximum of 35%
Sid Dunmore - Dunmore Homes	10% minimum static profit
Mike Winn - Reynen & Bardis (Oct. 2005)	12% to 25% profit pre-tax; typical development timeline of 5 to 8 years
Doug Eikenbary - William Lyon Homes (Aug. 2005)	8% to 10% target profit for both single-family subdivisions and master-planned communities; typical development timeline of 1 to 2 years
Mike Grant - Premier Homes	12% static profit
Anonymous source - Lennar	8% static profit for subdivisions with strong selling products in accepted, non-pioneering locations
John Johnson - Pulte Homes	7% static profit for starter homes in affordable markets; higher for areas with entitlement risk
Michael Courtney - Standard Pacific	8% static profit for starter homes and 10% for high-end homes, even for fast moving markets and product types

Based on current market conditions in the subject's market area and the responses provided in the developer survey, a profit margin of 10% of the indicated sale price is considered reasonable for the hypothetical 2,400 square foot plan.

Conclusion – Residual Analysis

The residual analysis, based upon the cited factors, is presented below. As discussed under the *Highest and Best Use*, the subject development is considered most profitable as new home production subdivision targeted towards middle to upper-income homebuyers. The extraction technique is similar to an analysis performed by a merchant builder and does not require an absorption analysis or any further discounting.

Living Area (SF)	2,400
Sale Price	\$475,000
Special Tax	\$15,900
Total Consideration	\$490,900
Less:	
Direct costs of construction (\$70 per sf)	(\$168,000)
Indirect costs at 12% of direct costs	(\$20,160)
General and administrative (3% of sales price)	(\$14,250)
Sales and marketing (5% of sales price)	(\$23,750)
Developer's profit	(\$47,500)
Loaded Lot Value	\$217,240
Rounded	\$217,000

Reconciliation of Loaded Lot Value

The value estimates derived for the typical village (5,775 square foot lots) within the subject property are presented below:

<i>Sales Comparison Approach</i>	\$210,000/lot
<i>Extraction Technique</i>	\$217,000/lot

Generally, the sales comparison approach is deemed the best overall method in the valuation of vacant land. The extraction technique was employed as the supporting indication of value. Under this premise, the land value of the subject property is derived as a remainder amount based on the most likely end product. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach. Considering the information cited above, we have concluded a hypothetical loaded lot value of **\$210,000 per lot** for the subject's 5,775 square foot lots, consistent with the indication given by the sales comparison approach.

Using the 5,775 square foot base lot size, which represents the largest single group of lots in terms of lot count, we have made qualitative adjustments to the remaining category of lots to derive final estimates of value for each lot grouping represented within the subject property. In addition to lot size discrepancy, project location and configuration are also considered in the valuation of the residential villages. The overall locations, configurations and lot premiums are considered to be similar within all of the subject's villages. Therefore, the only differences in value relate to lot size discrepancies. Similar to the adjustments applied in the sales comparison approach, a higher adjustment factor is applied to the villages with 2,560 square foot lots due to their higher overall densities and configurations. The following table details the loaded lot value conclusions for each lot size category.

Typical Lot Size (SF)	Description	Loaded Lot Value
2,560	Standard	\$162,000
4,725	Standard	\$202,000
5,775	Standard	\$210,000
6,050	Standard	\$212,000
6,600	Standard	\$217,000
8,540	Standard	\$232,000

Conclusion of Revenue

Loaded lot values were previously estimated for the separate lot size configurations and/or villages. In order to estimate revenue for the subject property, deductions are required for site development costs and permits and fees.

The subject's permits and fees pertaining to home construction costs average approximately \$74,903 per unit within Sunridge Park – Phase 1 and \$79,903 per unit within Sunridge Park – Phase 2 and Sunridge – Lot J, which is similar relative to competing projects located throughout the market area. However, the off-site improvements to be funded by the master developer and the District will ultimately serve future developments in the area. Consequently, the builders will receive fee credits from the City of Rancho Cordova upon obtaining building permit. These fee credits are projected at \$11,284 per unit. In the analysis of the subject property, we will consider permits and fees net of the fee credits.

The site development costs are based on the developer's budget and appear reasonable relative to comparable projects located throughout the Greater Sacramento Region. Site development for all of the villages within Phase 1 of Sunridge Park has been completed; therefore, no deductions for site costs are required to these villages. Other lots within this project are unimproved. The estimate of revenue for this development will take into account any site development costs that have been incurred to date. It is noted the site development budget for Sunridge – Lot J has not yet been prepared. Therefore, in calculating revenues for the Cresleigh Homes ownership entity, we will analyze the development budgets for several comparable projects and apply average site development costs. For reference, the following table details the reported site development costs for several projects throughout the Sacramento region:

Location	Date of Estimate	Number of Lots	Typical Lot Size (SF)	Development Costs per Lot
Sacramento	2006	19	4,184	\$43,500
Antelope	2006	14	6,300	\$30,000
Sacramento	2006	100	1,584	\$44,134
Rancho Cordova	2006	129	2,000	\$16,286
Elk Grove	2006	24	6,300	\$26,500
Roseville	2006	73	6,200	\$20,500
Folsom	2006	21	2,614	\$42,686
Sacramento	2006	19	4,184	\$43,500
Citrus Heights	2006	13	1,258	\$44,397
Sacramento	2005	71	3,900	\$32,543
Elk Grove	2005	181	2,072	\$43,048
Sacramento	2005	7	3,000	\$22,429
Sacramento	2005	150	2,500	\$19,733

Using these indicators, site development costs are expected to average \$30,000 per lot for the villages within Sunridge – Lot J. If, at some future date, the actual improvement costs are reported to be different from the projected costs utilized in our analysis, the appraiser reserves the right to amend the value opinion(s) contained herein. Similar to the profit factor utilized in deriving the finished lot indicator for the comparable sales (unimproved lot comparables), a profit factor of 10% is also incorporated into the site development costs. We will deduct estimated site development costs from the loaded lot indicators of the individual villages.

Revenues are generated by the sale of each of the villages and will be integrated into the discounted cash flow analysis (subdivision development method) in order to reflect the bulk, or wholesale, hypothetical market values of the subject property. The revenue for the subject property is estimated in the following table and is arranged by ownership entity.

Zone	Village	No. of Lots	Typical Lot Size (SF)	Concluded Loaded Lot Value	Net Permits and Fees	Site Dev. Costs	Value Per Lot	Total	Rounded
Pleasant Valley Investments, LC (Woodside Homes)									
Zone 1	Village 1A	20	4,725	\$202,000	(\$63,619)	\$0	\$138,381	\$2,767,620	\$2,770,000
Zone 1	Village 4A	45	8,540	\$232,000	(\$63,619)	\$0	\$168,381	\$7,577,145	\$7,580,000
Zone 1	Village 4B	18	8,540	\$232,000	(\$63,619)	\$0	\$168,381	\$3,030,858	\$3,030,000
Zone 1	Village 6	128	6,600	\$217,000	(\$63,619)	\$0	\$153,381	\$19,632,768	\$19,630,000
Zone 1	Village 7	102	6,050	\$212,000	(\$63,619)	\$0	\$148,381	\$15,134,862	\$15,130,000
Zone 1	Village 8A	27	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$3,952,287	\$3,950,000
Zone 1	Village 8B	86	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$12,588,766	\$12,590,000
Zone 1	Village 11A	49	4,725	\$202,000	(\$63,619)	\$0	\$138,381	\$6,780,669	\$6,780,000
Zone 2	Village 1B	43	4,725	\$202,000	(\$68,619)	(\$25,025)	\$108,356	\$4,659,308	\$4,660,000
Zone 2	Village 4C	14	8,540	\$232,000	(\$68,619)	(\$33,108)	\$130,273	\$1,823,825	\$1,820,000
Zone 2	Village 4D	10	8,540	\$232,000	(\$68,619)	(\$33,108)	\$130,273	\$1,302,732	\$1,300,000
Zone 2	Village 8C	14	5,775	\$210,000	(\$68,619)	(\$53,494)	\$87,887	\$1,230,417	\$1,230,000
Zone 2	Village 11B	3	4,725	\$202,000	(\$68,619)	(\$24,251)	\$109,130	\$327,391	\$330,000
Total									\$80,800,000
Sunridge Park, LP (Kimball Hill Homes)									
Zone 1	Village 2A	71	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$10,393,051	\$10,390,000
Zone 1	Village 5A	23	6,600	\$217,000	(\$63,619)	\$0	\$153,381	\$3,527,763	\$3,530,000
Zone 1	Village 5B	50	6,600	\$217,000	(\$63,619)	\$0	\$153,381	\$7,669,050	\$7,670,000
Zone 2	Village 2B	8	5,775	\$210,000	(\$68,619)	(\$17,868)	\$123,513	\$988,101	\$990,000
Zone 2	Village 5C	17	6,600	\$217,000	(\$68,619)	(\$25,687)	\$122,694	\$2,085,795	\$2,090,000
Zone 2	Village 5D	7	6,600	\$217,000	(\$68,619)	(\$25,687)	\$122,694	\$858,857	\$860,000
Total									\$25,530,000
Rancho 80, LLC (Syncon Homes)									
Zone 1	Village 3	80	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$11,710,480	\$11,710,000
Beazer Homes Holding Corporation									
Zone 1	Village 9A	47	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$6,879,907	\$6,880,000
Zone 1	Village 10A	53	5,775	\$210,000	(\$63,619)	\$0	\$146,381	\$7,758,193	\$7,760,000
Zone 2	Village 9B	29	5,775	\$210,000	(\$68,619)	(\$33,000)	\$108,381	\$3,143,049	\$3,140,000
Zone 2	Village 10B	6	5,775	\$210,000	(\$68,619)	(\$33,000)	\$108,381	\$650,286	\$650,000
Total									\$18,430,000
Cresleigh Homes									
Zone 3	Village 1	92	5,775	\$210,000	(\$68,619)	(\$33,000)	\$108,381	\$9,971,052	\$9,970,000
Zone 3	Village 2	126	4,725	\$202,000	(\$68,619)	(\$33,000)	\$100,381	\$12,648,006	\$12,650,000
Zone 3	Village 3	76	6,600	\$217,000	(\$68,619)	(\$33,000)	\$115,381	\$8,768,956	\$8,770,000
Zone 3	Village 4	75	2,560	\$162,000	(\$68,619)	(\$33,000)	\$60,381	\$4,528,575	\$4,530,000
Total									\$35,920,000

ABSORPTION ANALYSIS

In developing an estimate of the absorption period for the subject property, we have attempted to consider both the impacts for present market conditions as well as 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. Estimating absorption is based on several factors. One consideration is the past experience of local residential developers marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The continued demand for single-family homes in the subject's market area, coupled with the limited supply of entitled land near ready for development, should bode well for the subject property.

California's Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential land. For instance, in the city of Lincoln, in south Placer County, is the Lincoln Crossing master planned community. This development is located just west of State Highway 65, south of Moore Road, and incorporates 1,066 acres of land. Lincoln Crossing is being developed in two phases, bisected by the proposed State Highway 65 Bypass, scheduled to begin this year. Phase I includes 541 acres north of the State Highway 65 Bypass and will include 1,138 single-family residential lots, two school sites, 10 acres of multifamily residential land, 17.9 acres of commercial land and 8 acres of office land. Development of Phase I was recently completed. Phase II, which includes 525 acres south of the proposed State Highway 65 Bypass, contains an additional 1,555 single-family residential lots, 17.6 acres of commercial land, and an 8-acre school site. The balance, 54 acres, will be used as right-of-way to support the Bypass. Phase II development began in Summer 2003, with completion in late-2004. Shortly after entering the market, 828 lots within Phase I of Lincoln Crossing were sold within one year to merchant builders, including KB Homes, Centex Homes and Morrison Homes.

Further illustrating the demand for developable residential land throughout the Central Valley, in the city of Lathrop, in San Joaquin County, just south of the city of Stockton, Pacific Union Homes is developing the Mossdale Landing master planned community, which, at build-out, will include 998 detached single-family residences. In terms of market acceptance, all of Phase I of the Mossdale Landing development, which includes 550 proposed single-family lots, had sold to merchant builders within one year, and development is currently underway.

As merchant builders have looked to offer more affordable homes in outlying areas proximate to Sacramento, major activity has occurred in the Plumas Lake Specific Plan Area of Yuba County (located approximately 25 minutes north of Sacramento), which contains over 5,200 acres of land proposed to be developed with more than 12,000 residences over the next 20 years. Despite concerns about levee stability in the area, merchant builders have not shown pause. Most of the activity has occurred in the southern area of the Specific Plan, which currently is being developed by Cresleigh Homes (749 lots), California Homes (599 lots), Rio Del Oro (Yuba LLC) (372 lots and

approximately 70 acres of proposed commercial land), Beazer Homes (959 lots), Lennar Renaissance (371 lots), Towne Development (227 lots) and Cassano Kamilos Homes (121 lots). With the exception of Rio Del Oro (Yuba LLC), who is a master developer within the southern Plumas Lake Specific Plan Area, all other merchant builders listed purchased their holdings between 2002 and 2004. Beazer Homes acquired its 846 lots through three separate bulk lot transactions, while Cresleigh Homes, California Homes, Lennar Renaissance, Towne Development and Cassano Kamilos Homes purchased their holdings in bulk via a single transaction.

In March 2005, the proposed Bickford Ranch master planned community, which is located in the southern portion of Placer County, just east of the city limits of Lincoln, sold from Lennar to SunCal for \$210,000,000. The Bickford Ranch Specific Plan Area comprises three development communities, the Meadows, the Ridges and Heritage Ridge. The Meadows, located at the base of the development, is divided into seven residential areas with 22 lots ranging from three to ten acres. The Ridges community is situated along the sloping portions of the development and contains 782 detached single-family residential lots, 66 attached townhouse lots and a multifamily residential parcel designated for 106 affordable housing units for age-restricted residents. Heritage Ridge is located along the ridge of the Bickford Ranch development and consists of 19 residential areas with 920 age-restricted single-family residential lots offering significant views of the Sacramento Valley and downtown Sacramento. Heritage Ridge will also include an 18-hole championship golf course. The Bickford Ranch master planned community will include a 9.7-acre commercial site. Under the terms of the purchase and sale agreement, SunCal will sell back to US Homes (Lennar) the 920 lots comprising the Heritage Ridge component of Bickford Ranch, along with the land designated for the golf course.

The Westpark master planned community is located in the city of Roseville and will include the development of 3,566 single-family residential lots (including 704 age-restricted and 85 affordable housing units), a multifamily residential component encompassing 694 developable units (including 341 affordable housing units), three commercial sites containing a combined 18.4 acres, a business professional (office) site measuring 10.5 acres, and three industrial sites totaling 108.5 acres. The entire Westpark development transferred in bulk from Westpark Associates to PL Roseville, LLC for \$410 million in March 2005. The project was marketed for less than one year.

Adjacent to the Westpark master planned community is Fiddymont Ranch, developed by Signature Homes. This community will consist of 3,149 single-family residential lots, a multifamily residential component encompassing 1,005 developable units, five commercial sites totaling 30.1 acres, and a business professional (office) site containing 9.1 acres of land area. Four villages sold to merchant builders within one year, with each village receiving multiple offers. Additionally, several villages within Phase II of the Fiddymont Ranch development have recently been placed under contract.

In proximity to the subject property is the Anatolia master planned community, which encompasses approximately 1,214 gross acres designated for the development of 3,112 single-family residential lots, a multifamily site, commercial parcels, parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. The 16 villages within Anatolia I and II were met by overwhelming demand from merchant builders, even at a time when litigation was ongoing and the future of the development was uncertain. The lawsuits have since been resolved and each of the villages has closed escrow, with home sales currently underway.

One of the more convincing observations suggesting stable demand for residential land in the subject's immediate area is the sale of the Vineyard Creek residential community within the proposed North Vineyard Station Specific Plan. This development sold in bulk in August 2005 from Lennar Communities, Inc. to Standard Pacific Homes, Corp. The transfer involved a total of 375 single-family lots and 7.1 acres of multifamily residential land. At the time of sale, the project had an approved tentative subdivision map.

In the city of Elk Grove, Reynen and Bardis recently purchased two developments, both of which area within the Laguna Ridge Specific Plan. Reynen and Bardis purchased Arbor Ranch from Ryland Homes in July 2006. This project includes 862 single-family lots, two parks, and an elementary school site. Of the 862 single-family lots, approximately 394 will have a typical lot size of 5,775 square feet, 242 will have a typical lot size of 4,725, and 226 will be 6-pack homes. Reynen and Bardis also purchased McGeary Ranch from Centex Homes in June 2006. McGeary Ranch includes 199 single-family lots, one 1.6-acre park, and one 1.1-acre park. Of the 199 single-family lots, 104 will have a typical lot size of 5,460 square feet and 95 will have a typical lot size of 6,825 square feet.

Also in the Laguna Ridge Specific Plan is The Grove master planned community. The first sales began in January 2005, with the most recent sale occurring in June 2006. In a period of 18 months, nine villages, containing a total of 932 single-family residential lots, were sold to seven merchant builders.

The preceding discussion suggests there is ongoing demand for developable residential land in the region. Even with the overall number of lots slated for development, it appears demand for residential land in the subject's immediate area outweighs current and projected supply. For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Housing Market Overview* and *Housing Market Analysis* sections of this report. With the robust growth experienced in previous years, most projects have benefited, experiencing strong increases in prices and absorption rates. In the current market, new home prices are not sustaining the same level of appreciation as they have in recent years, especially considering the incentives and concessions being offered by builders. Furthermore, absorption figures are lower compared to the strong growth

experienced over the past few years. However, the residential market is not anticipated to remain in the current state of moderation over the long-term. Additionally, it is noted the amount of entitled residential land that is near-ready for development in the subject's market area is limited. Based on the development timeline and scope of the subject developments, it is estimated the residential villages for each ownership entity could transfer within one year of exposure to the market.

In light of our conclusion of absorption, the sell-off of the villages will be reflected over a one-year period for each ownership entity. The number of lots sold per quarter is based on our projection of the order in which villages would most likely transfer given their attributes (e.g., finished versus unimproved condition, lot size, location within the project, etc.). For example, the lots within Phase 1 of Sunridge Park are finished and are deemed more desirable than the Phase 2 lots (unimproved). Thus, the Phase 1 lots are shown as transferring before the Phase 2 lots.

Annual Appreciation

Unlike income properties where there is a set rate of appreciation based on a specified index, estimation of housing appreciation/depreciation is highly speculative, especially in the current market, which has moderated relative to the significant appreciation in prices experienced over the past several years. Therefore, the value estimates are based on market conditions as of the date of inspection and are not trended.

EXPENSES

General and Administrative

These expenses consist of management fees, 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% of revenue, depending on length of project and if all of the categories are included in a builder's budget. Based on industry standard, we have used 3.0% for general and administrative expenses. This expense category is applied as a percentage of revenue and is spread evenly over the entire sellout period.

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% of revenue. Considering the specifics of the subject property, a figure of 5.0% of revenue, or 3.0% for marketing and 2.0% for sales is used in the marketing and sales expense category.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on, and assumes, a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject’s current tax rate (1.0072%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory. Direct charges are nominal and are accounted for by the rounding methods employed.

Mello-Roos Community Facilities District (CFD)

With respect to special taxes, we have relied upon the *Rate and Method of Apportionment* document prepared by Goodwin Consulting Group, Inc. (March 21, 2007) to determine the annual special tax levy on the subject property. The base year annual special taxes under the Sunridge Park Area CFD No. 2004-1 bond district are detailed in the following table. The special taxes are subject to a 2% annual escalation factor.

Sunridge Park Area CFD No. 2004-1			
Designation	No. of Units	Typical Lot Size	Base Year Special Tax Per Lot
Sunridge Park			
Village 1	63	4,725	\$1,055 per lot
Village 2	79	5,775	\$1,155 per lot
Village 3	80	5,775	\$1,155 per lot
Village 4	87	8,540	\$1,255 per lot
Village 5	97	6,600	\$1,155 per lot
Village 6	128	6,600	\$1,155 per lot
Village 7	102	6,050	\$1,155 per lot
Village 8	127	5,775	\$1,155 per lot
Village 9	76	5,775	\$1,155 per lot
Village 10	59	5,775	\$1,155 per lot
Village 11	52	4,725	\$1,055 per lot
Sunridge-Lot J			
Village 1	92	5,775	\$650 per lot
Village 2	126	4,725	\$575 per lot
Village 3	76	6,600	\$650 per lot
Village 4	75	2,560	\$475 per lot

The subject will also be encumbered by a municipal services district. As detailed in the *Rate and Method of Apportionment*, the maximum annual special tax for the services district is \$450 per dwelling unit. This district is subject to an escalation factor to be consistent with the local Consumer Price Index (CPI), as determined by the Bureau of Labor Statistics.

Major Infrastructure Development (Off-Site Improvements)

The appraisers have been provided a cost budget indicating \$16,739,415 and \$6,921,103 in total infrastructure costs for Sunridge Park (Zones 1 and 2) and Sunridge – Lot J (Zone 3), respectively. The major infrastructure cost budget of \$23,660,518 excludes in-tracts, or on-site improvement costs. A table detailing the development cost estimates is included in the Addenda to this report for reference.

Based on the projected special taxes and bonded indebtedness for the proposed Sunridge Park Area Community Facilities District No. 2004-1, prepared by Piper Jaffray and Co., total construction fund proceeds to be funded by the bond issuance equate to \$13,034,066. It is noted that the Series 2007 bonds are only financing master infrastructure improvements to Sunridge Park. Thus, assuming the public facilities to be financed by the proposed Sunridge Park Area CFD No. 2004-1 bond are in place as of the date of value, \$3,705,349 (\$16,739,415 - \$13,034,066) remains as the offsite cost obligation of the master developer for Sunridge Park. Since the Series 2007 bonds are not financing improvements to Sunridge – Lot J, Cresleigh Homes is responsible for the full off-site cost of \$6,921,103.

Description	Sunridge Park (Zones 1 and 2)	Sunridge - Lot J (Zone 3)	Total
Major Infrastructure Costs	\$16,739,415	\$6,921,103	\$23,660,518
Less: Construction Fund Proceeds (Series 2007 Bonds)	<u>(\$13,034,066)</u>	<u>\$0</u>	
Remaining Major Infrastructure Costs	\$3,705,349	\$6,921,103	\$10,626,452

The developers within Sunridge Park have already incurred off-site costs that exceed the obligation of \$3,705,349. Specifically, there has been \$8,525,394 spent in backbone infrastructure costs. Therefore, no deductions are made for major infrastructure development for the ownership entities associated with this community. To date, Cresleigh Homes has incurred \$3,311,870 in off-site costs, leaving \$3,609,233 (\$6,921,103 - \$3,311,870) to be deducted in the discounted cash flow analysis for Sunridge – Lot J.

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% is profit participation deals in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the *Korpacz Real Estate Investor Survey*¹⁷, discount rates for land development ranged from 10.00% to 25.00%, with an average of 17.72% during Second Quarter 2007. The Korpacz land development survey is conducted every other quarter. The most recent results indicate slightly lower rates compared to Fourth Quarter 2006, when the range was 12.00% to 25.00%, with an average of 18.15%. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. According to the Korpacz survey, discount rates for projects that lack entitlements are typically increased between 300 and 600 basis points.

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. The project yield rate is compared with a developing in-house database of project yield rates for reasonableness. Developer surveys conducted during the current real estate cycle have elicited the following responses:

Data Source	Yield / IRR Expectations (Inclusive of Profit)
Korpacz Real Estate Investor Survey (Fourth Quarter 2006)	Range of 12.00% to 25.00%, with an average of 18.15%, inclusive of profit and assuming entitlements in place, for land development (national average)
RealtyRates.com (Fourth Quarter 2006)	Range of 13.09% to 33.52%, with an average of 21.56%, for subdivisions and PUDs in the California/Pacific region
David Jacobsen - Ridgecrest Homes (Jan. 2007)	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Mike Grant - Premier Homes	15% to 20% IRR
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 land
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%.
Anonymous source - Lennar	As low as the low 20% range in the absence of price trending
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

¹⁷ Korpacz Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2007, Volume 20, Number 2.

The expected and reported IRR requirements relate to properties consisting of unimproved land. The condition of the subject property with site development mostly complete is superior (less risk) in comparison to the properties referred to by the survey respondents. While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the adoption of the Sunridge Specific Plan and approved entitlements for the subject developments, 2) the completion of site work for the Phase 1 lots within Sunridge Park, 3) the stable market acceptance exhibited by sales within other subdivisions in the area, 4) the population and employment trends for the area, and 5) the assumption of completion of facilities to be financed by Sunridge Park Area CFD No. 2004-1 (Series 2007 bonds). Factors that increase the risk associated with the subject property include moderating market conditions, which appear to be impacting pricing and absorption rates

Based on the specifics of the Sunridge Park and Sunridge – Lot J developments discussed throughout the report, a discount rate towards the middle of the range reflected by the survey respondents appears reasonable. Thus, a discount factor of 18%, inclusive of developer's profit, will be utilized in the analysis.

CONCLUSION

After deriving the four components of the subdivision development approach, the discounted cash flows and hypothetical market value conclusions of the subject property by ownership entity is offered on the following pages. The discounted cash flow analyses are calculated on a quarterly basis, with sales of the individual villages under each ownership entity occurring within a one-year period. The property tax calculation and discount rate have been adjusted to a quarterly basis as well.

HYPOTHETICAL MARKET VALUE – PLEASANT VALLEY INVESTMENTS, LC

Assumptions:					
Designation	No. of Lots	Revenue			
Village 1A	20	\$2,770,000			
Village 4A	45	\$7,580,000	General and Administrative	3.0%	
Village 4B	18	\$3,030,000	Marketing and Commissions	5.0%	
Village 6	128	\$19,630,000	Annual Taxes per Lot	\$1,208	
Village 7	102	\$15,130,000	Annual CFD Payments per Lot	\$1,600	
Village 8A	27	\$3,950,000			
Village 8B	86	\$12,590,000	Backbone Infrastructure Costs	\$0	
Village 11A	49	\$6,780,000			
Village 1B	43	\$4,660,000	Discount Rate (IRR)	18.0%	
Village 4C	14	\$1,820,000			
Village 4D	10	\$1,300,000			
Village 8C	14	\$1,230,000			
Village 11B	3	\$330,000			
Total	559	\$80,800,000			
Income and Expense Analysis:					
Quarter (3 Months)	1	2	3	4	Total
Sales	211	102	162	84	559
Inventory	348	246	84	0	
Sales Revenue	\$33,010,000	\$15,130,000	\$23,320,000	\$9,340,000	\$80,800,000
Expenses					
General and Administrative	(\$606,000)	(\$606,000)	(\$606,000)	(\$606,000)	(\$2,424,000)
Marketing and Sales	(\$1,650,500)	(\$756,500)	(\$1,166,000)	(\$467,000)	(\$4,040,000)
Real Estate Taxes	(\$168,832)	(\$105,105)	(\$74,298)	(\$25,370)	(\$373,605)
CFD Special Taxes	(\$223,599)	(\$139,199)	(\$98,399)	(\$33,600)	(\$494,797)
Backbone Infrastructure Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	(\$2,648,931)	(\$1,606,804)	(\$1,944,698)	(\$1,131,970)	(\$7,332,402)
NET INCOME	\$30,361,069	\$13,523,196	\$21,375,302	\$8,208,030	\$73,467,598
Present Value Factor	0.95694	0.91573	0.87630	0.83856	
Discounted Cash Flow	\$29,053,655	\$12,383,596	\$18,731,105	\$6,882,937	\$67,051,292
Net Present Value	\$67,051,292				
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					\$67,050,000

HYPOTHETICAL MARKET VALUE – SUNRIDGE PARK, LP

Assumptions:					
Designation	No. of Lots	Revenue			
Village 2A	71	\$10,390,000	General and Administrative	3.0%	
Village 5A	23	\$3,530,000	Marketing and Commissions	5.0%	
Village 5B	50	\$7,670,000	Annual Taxes per Lot	\$1,228	
Village 2B	8	\$990,000	Annual CFD Payments per Lot	\$1,605	
Village 5C	17	\$2,090,000			
Village 5D	7	\$860,000	Backbone Infrastructure Costs	\$0	
Total	176	\$25,530,000	Discount Rate (IRR)	18.0%	
Income and Expense Analysis:					
Quarter (3 Months)	1	2	3	4	Total
Sales	71	73	8	24	176
Inventory	105	32	24	0	
Sales Revenue	\$10,390,000	\$11,200,000	\$990,000	\$2,950,000	\$25,530,000
Expenses					
General and Administrative	(\$191,475)	(\$191,475)	(\$191,475)	(\$191,475)	(\$765,900)
Marketing and Sales	(\$519,500)	(\$560,000)	(\$49,500)	(\$147,500)	(\$1,276,500)
Real Estate Taxes	(\$54,011)	(\$32,223)	(\$9,820)	(\$7,365)	(\$103,419)
CFD Special Taxes	(\$70,620)	(\$42,131)	(\$12,840)	(\$9,630)	(\$135,221)
Backbone Infrastructure Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	(\$835,606)	(\$825,829)	(\$263,635)	(\$355,970)	(\$2,281,040)
NET INCOME	\$9,554,394	\$10,374,171	\$726,365	\$2,594,030	\$23,248,960
Present Value Factor	0.95694	0.91573	0.87630	0.83856	
Discounted Cash Flow	\$9,142,961	\$9,499,939	\$636,511	\$2,175,253	\$21,454,664
Net Present Value	\$21,454,664				
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					\$21,450,000

HYPOTHETICAL MARKET VALUE – RANCHO 80, LLC

Assumptions:					
	Designation	No. of Lots	Revenue		
	Village 3	80	\$11,710,000	General and Administrative	3.0%
				Marketing and Commissions	5.0%
				Annual Taxes per Lot	\$1,290
				Annual CFD Payments per Lot	\$1,605
				Backbone Infrastructure Costs	\$0
				Discount Rate (IRR)	18.0%
	Total	80	\$11,710,000		
Income and Expense Analysis:					
Quarter (3 Months)	1	2	3	4	Total
Sales	80	0	0	0	80
Inventory	0	0	0	0	
Sales Revenue	\$11,710,000	\$0	\$0	\$0	\$11,710,000
Expenses					
General and Administrative	(\$351,300)	\$0	\$0	\$0	(\$351,300)
Marketing and Sales	(\$585,500)	\$0	\$0	\$0	(\$585,500)
Real Estate Taxes	(\$25,810)	\$0	\$0	\$0	(\$25,810)
CFD Special Taxes	(\$32,100)	\$0	\$0	\$0	(\$32,100)
Backbone Infrastructure Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	(\$994,710)	\$0	\$0	\$0	(\$994,710)
NET INCOME	\$10,715,291	\$0	\$0	\$0	\$10,715,291
Present Value Factor	0.95694	0.91573	0.87630	0.83856	
Discounted Cash Flow	\$10,253,867	\$0	\$0	\$0	\$10,253,867
Net Present Value	\$10,253,867				
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					\$10,250,000

HYPOTHETICAL MARKET VALUE – BEAZER HOMES

Assumptions:					
	Designation	No. of Lots	Revenue		
	Village 9A	47	\$6,880,000	General and Administrative	3.0%
	Village 10A	53	\$7,760,000	Marketing and Commissions	5.0%
	Village 9B	29	\$3,140,000	Annual Taxes per Lot	\$1,154
	Village 10B	6	\$650,000	Annual CFD Payments per Lot	\$1,605
				Backbone Infrastructure Costs	\$0
				Discount Rate (IRR)	18.0%
	Total	135	\$18,430,000		
Income and Expense Analysis:					
Quarter (3 Months)	1	2	3	4	Total
Sales	47	53	29	6	135
Inventory	88	35	6	0	
Sales Revenue	\$6,880,000	\$7,760,000	\$3,140,000	\$650,000	\$18,430,000
Expenses					
General and Administrative	(\$138,225)	(\$138,225)	(\$138,225)	(\$138,225)	(\$552,900)
Marketing and Sales	(\$344,000)	(\$388,000)	(\$157,000)	(\$32,500)	(\$921,500)
Real Estate Taxes	(\$38,953)	(\$25,392)	(\$10,099)	(\$1,731)	(\$76,176)
CFD Special Taxes	(\$54,169)	(\$35,310)	(\$14,044)	(\$2,408)	(\$105,930)
Backbone Infrastructure Costs	\$0	\$0	\$0	\$0	\$0
Total Expenses	(\$575,347)	(\$586,927)	(\$319,368)	(\$174,864)	(\$1,656,506)
NET INCOME	\$6,304,653	\$7,173,073	\$2,820,632	\$475,136	\$16,773,494
Present Value Factor	0.95694	0.91573	0.87630	0.83856	
Discounted Cash Flow	\$6,033,161	\$6,568,598	\$2,471,710	\$398,431	\$15,471,900
Net Present Value	\$15,471,900				
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					\$15,470,000

HYPOTHETICAL MARKET VALUE – CRESLEIGH HOMES

Assumptions:					
Designation	No. of Lots	Revenue			
Village 1	92	\$9,970,000	General and Administrative	3.0%	
Village 2	126	\$12,650,000	Marketing and Commissions	5.0%	
Village 3	76	\$8,770,000	Annual Taxes per Lot	\$715	
Village 4	75	\$4,530,000	Annual CFD Payments per Lot	\$1,039	
			Backbone Infrastructure Costs	\$3,609,233	
Total	369	\$35,920,000	Discount Rate (IRR)	18.0%	
Income and Expense Analysis:					
Quarter (3 Months)	1	2	3	4	Total
Sales	92	126	76	75	369
Inventory	277	151	75	0	
Sales Revenue	\$9,970,000	\$12,650,000	\$8,770,000	\$4,530,000	\$35,920,000
Expenses					
General and Administrative	(\$269,400)	(\$269,400)	(\$269,400)	(\$269,400)	(\$1,077,600)
Marketing and Sales	(\$498,500)	(\$632,500)	(\$438,500)	(\$226,500)	(\$1,796,000)
Real Estate Taxes	(\$65,997)	(\$49,542)	(\$27,007)	(\$13,414)	(\$155,960)
CFD Special Taxes	(\$95,831)	(\$71,938)	(\$39,215)	(\$19,478)	(\$226,463)
Backbone Infrastructure Costs	(\$3,609,233)	\$0	\$0	\$0	(\$3,609,233)
Total Expenses	(\$4,538,961)	(\$1,023,381)	(\$774,122)	(\$528,792)	(\$6,865,256)
NET INCOME	\$5,431,039	\$11,626,619	\$7,995,878	\$4,001,208	\$29,054,744
Present Value Factor	0.95694	0.91573	0.87630	0.83856	
Discounted Cash Flow	\$5,197,166	\$10,646,844	\$7,006,760	\$3,355,258	\$26,206,029
Net Present Value	\$26,206,029				
CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)					\$26,210,000

FINAL CONCLUSIONS OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal has been to estimate the hypothetical market values (*fee simple estate*) for each ownership entity, as well as the hypothetical cumulative value of the properties in the District, assuming the completion of the primary infrastructure and facilities to be financed by the Sunridge Park Area Community Facilities District No. 2004-1 bond issuance (Series 2007 bonds). The hypothetical market value estimates also account for the impact of the lien of the Special Tax securing the bonds. After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors contained within the attached document (please refer to pages 9 through 12), it is our opinion the hypothetical market values of the subject property by ownership, as of June 20, 2007, are...

Owner/Developer	Hypothetical Market Value
Pleasant Valley Investments, LC (Woodside Homes)	\$67,050,000
Sunridge Park, LP (Kimball Hill Homes)	\$21,450,000
Rancho 80, LLC (Syncon Homes)	\$10,250,000
Beazer Homes Holding Corporation	\$15,470,000
Cresleigh Homes	\$26,210,000
Cumulative Value	\$140,430,000

The sum of the hypothetical market values for the individual ownership entities represents the hypothetical cumulative value of the properties within the District, which is not equivalent to the hypothetical market value of the District as a whole.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following summary 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 for the complete terms thereof.

Definitions

"Acquisition Agreement" means the Funding, Construction and Acquisition Agreement, dated as of July 20, 2007 and entered into by and between the City and Sunridge Park, LLC, and Cresleigh Homes Corporation.

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

"Additional Bonds" means any series of bonds issued subsequent to the bonds issued in 2003 pursuant to the provisions of the Fiscal Agent Agreement or any Supplemental 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, 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.

"Agreement" means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

"Authorized Officer" means the City Finance Director, the City Manager 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 Fiscal Agent 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.

"Bonds" means the City of Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Series 2004, Series 2007, and any Additional Bonds at any time outstanding under the Fiscal Agent Agreement and any Supplemental 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.

"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.

"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 Rancho Cordova, California, and any successor thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the 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 Agreement" means any Continuing Disclosure Agreement entered into with respect to the Bonds.

"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, 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.

"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.

"*District*" means the City of Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 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: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"*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.

"*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.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as an Authorized Officer may designate to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any 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 Section 8.04) 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 set forth in the Fiscal Agent 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 Fiscal Agent 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 Agreement.

"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 entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal 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 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 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 the 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 funds which are managed or maintained by the Fiscal Agent and its affiliates;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above including funds for which the Fiscal Agent and its affiliates provide investment advisory or other management services;

(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 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, Charter 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

(xiv) any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent, 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 Intention.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund Credit Instrument" means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

"Reserve Requirement" means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under Section 3.02 hereof.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or 4190; 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.

"*Special Tax Fund*" means the fund by that name established by the Fiscal Agent 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.

"*Special Taxes*" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent 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 Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

Special Tax Revenues; Flow of Funds

Pledge of Special Tax Revenues. 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 Special Tax Fund are pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited in such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, 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 until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

Special Tax Fund.

Establishment of Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the City, the Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds, Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited therein. Within the Special Tax Fund, the City will establish and maintain two accounts: (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit, immediately upon receipt, surplus Special Tax Revenues, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenues shall be deposited in the Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund 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

on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium, if any, and interest becoming due on the Bonds for the current Bond Year, including any mandatory sinking fund payments required to be made, and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project 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.

Moneys in the Surplus Account will be held in trust by the City for the benefit of the City and the Owners of the Bonds, is required to be disbursed as provided above, and, pending any disbursements, shall be subject to a lien in favor of the Owners of the Bonds.

Bond Fund.

Establishment of the Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall 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 sinking payments set forth in the Fiscal Agent Agreement or any redemption of the Bonds pursuant to the Fiscal Agent Agreement.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the City of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

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 shall 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 sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Deficiency. If at any time 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 shall report to the

City such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Reserve Fund.

There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent the Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Reserve Fund, which is available on a parity basis for all series of Bonds. In lieu of funding the Reserve Fund with cash or in replacement thereof, the Reserve Fund may be funded with a Reserve Fund Credit Instrument. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Use of Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall 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 at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the City.

Transfer of Excess of Reserve Requirement. 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 shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Improvements have not been completed as of the date of such transfer, 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.

Transfer for Rebate Purposes. 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.

Transfer When Balance Exceeds Outstanding Bonds. 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 after making premium, if any, due upon redemption, and make any transfer required under the Fiscal Agent Agreement and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall 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. In the event that 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 shall be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund.

Establishment of Improvement Fund. There is established in the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Improvement Fund and within

such Fund there is established a 2007 Improvements Account of the Improvement Fund to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held in trust and shall be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made as determined by the City for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project in accordance with the Acquisition Agreement.

Investment. Moneys in the Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment of amounts in the Improvement Fund shall be retained by the City in the Improvement Fund to be used for the purposes of the Improvement Fund.

Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Improvements have been paid or are not required to be paid from the Improvement Fund, the City shall transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in 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 shall be closed.

Costs of Issuance Fund.

Establishment of Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance.

Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer of the City and delivered to the Fiscal Agent. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months, from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the City for deposit by the City in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the City for payment from amounts on deposit in the Special Tax 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 Fiscal Agent Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Fiscal Agent Agreement 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 the Bond Fund, the Reserve Fund and the Special Tax Fund created under the Fiscal Agent 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 under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent 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 created for the benefit of the Bonds, except as permitted by the Fiscal Agent 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 shall 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 shall 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 shall 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.

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 City with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the City shall in no way affect the obligations of the City under the following two paragraphs. Upon receipt of such notice, the City shall 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 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 County Auditor the information required 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 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.

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 shall 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. Moneys in any fund or account created or established by the Fiscal Agent 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 Business Days in advance of the making of such investments.

The Fiscal Agent or the City, 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 City shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

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 Fiscal Agent 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, the Fiscal Agent shall notify the City in writing of the amount of the shortfall and the City shall make such payment from any amounts available in the Special Tax Fund.

The Fiscal Agent

Removal or Resignation of 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 shall be a bank 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 shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall 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 shall 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.

Modification or Amendment of Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds 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 sixty percent (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 shall (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 of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

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:

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

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) 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 under the Fiscal Agent Agreement, 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;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the 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 Regulations.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement.

Miscellaneous

Discharge of Agreement. If the City has paid and discharged the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) 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 Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine 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 has been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall 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 Bonds Outstanding shall cease and terminate, except only the obligations of the City with respect to maintenance of the tax exemption of the Bonds and to pay or cause to be paid 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 shall not be payable to the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Fiscal Agent Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Fiscal Agent 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 Fiscal Agent Agreement, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall 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 shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing contained in the Fiscal Agent Agreement shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

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APPENDIX D

CITY DEMOGRAPHIC INFORMATION

The City was incorporated on July 1, 2003 and is located in the County of Sacramento. The financial and economic data for the County are presented for information purposes only. The Bonds are not a debt or obligation of the County.

General

The City of Rancho Cordova (the "City") is located in the eastern portion of Sacramento County (the "County"). Because the City was incorporated on July 1, 2003, historic demographic information about the City is not available. General demographic information is set forth below for County.

The County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the county seat. Sacramento became the State Capital in 1854. The County is the major component of the Sacramento Metropolitan Statistical Area ("SMSA") which includes Sacramento, El Dorado, and Placer Counties.

Sacramento County encompasses approximately 994 square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. (Map of Bordering Counties) Sacramento County extends from the low delta lands between the Sacramento and San Joaquin rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada Mountains. The southernmost portion of Sacramento County has direct access to the San Francisco Bay.

Population

The following table lists population figures for the County and the State as of January 1 for the last five years. The City is immediately adjacent to the City of Sacramento. The City was incorporated July 1, 2003.

COUNTY OF SACRAMENTO Population Estimates

Calendar Year	City of Rancho Cordova	County of Sacramento	State of California
2003	N/A	1,317,806	35,691,472
2004	54,627	1,344,867	36,245,016
2005	55,032	1,366,937	36,728,196
2006	56,470	1,387,771	37,195,240
2007	59,056	1,406,804	37,662,518

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA (which includes Sacramento, Placer, Yolo and El Dorado Counties) was 5.4% in July 2007. This compares with an unadjusted unemployment rate of 5.5% for California and 4.6% for the nation during the same period. The unemployment rate was 5.0% in El Dorado County, 4.9% in Placer County, 5.6% in Sacramento County, and 5.4% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento Metropolitan Statistical Area (which includes Sacramento, Placer, Yolo and El Dorado Counties) for calendar years 2002 through 2006.

SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force ⁽¹⁾	964,400	989,800	1,004,200	1,020,000	1,039,800
Employment	911,500	933,500	950,100	971,900	991,300
Unemployment	52,900	56,300	54,100	48,100	48,500
Unemployment Rate	5.5%	5.7%	5.4%	4.7%	4.7%
Wage and Salary Employment ⁽²⁾					
Agriculture	7,900	7,500	7,400	7,400	7,600
Natural Resources and Mining	800	700	700	700	800
Construction	61,300	66,500	70,800	73,400	71,000
Manufacturing	47,000	46,300	47,300	48,800	49,200
Wholesale Trade	25,600	26,300	26,500	26,900	28,600
Retail Trade	92,700	94,900	96,700	98,700	100,600
Transportation, Warehousing and Utilities	22,400	21,900	22,900	23,400	23,900
Information	23,100	21,900	20,900	19,900	19,900
Finance and Insurance	41,300	44,800	45,400	47,000	48,400
Real Estate and Rental and Leasing	13,900	14,600	15,100	16,400	16,900
Professional and Business Services	96,100	95,800	98,400	102,800	106,300
Educational and Health Services	78,000	81,000	84,600	88,200	92,000
Leisure and Hospitality	75,200	77,300	79,900	82,100	85,700
Other Services	28,200	28,000	28,500	28,500	28,700
Federal Government	12,700	12,900	12,600	12,800	12,600
State Government	108,200	106,700	102,300	102,500	105,400
Local Government	<u>105,900</u>	<u>106,600</u>	<u>106,800</u>	<u>108,800</u>	<u>110,400</u>
Total, All Industries ⁽³⁾	840,100	853,500	866,400	888,300	908,000

⁽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.

⁽³⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The major private sector employers as of fiscal year 2006-07 in the City are shown below.

CITY OF RANCHO CORDOVA MAJOR EMPLOYERS 2006-07

Employer Name	No. of Employees
Catholic Health Care	6,845
Bank of America	3,118
Electronic Data Systems	1,787
Vision Service Plan	1,586
Aerojet- General Corp.	1,538
Delta Dental	1,500
Franklin Templeton	1,200
Cedar Valley Concrete	1,154
EdFund	805
Total	19,533

Source: City of Rancho Cordova Comprehensive Annual Financial Report.

The major employers in the County are shown below.

SACRAMENTO COUNTY Major Employers (As of January 1, 2007)

Employer Name	Location	Industry
American River College Sunrise	Sacramento	Schools-Business & Vocational
Ampac Fine Chemicals Llc	Rancho Cordova	Chemicals-Manufacturers
Beutler Hvac	Mcclellan	Mechanical Contractors
California State University	Sacramento	Schools-Universities & Colleges Academic
Child Abuse Prevention Office	Sacramento	Government-Individual/Family Social Svcs
Corrections Dept	Sacramento	State Govt-Correctional Institutions
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Education Dept	Sacramento	State Government-Education Programs
Employment Development Dept	Sacramento	Government-Job Training/Voc Rehab Svcs
Gen Corp Inc	Rancho Cordova	Aerospace Industries
Kaiser Foundation Hospital	Sacramento	Hospitals
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Ctr	Carmichael	Hospitals
Sacramento Bee Newspaper	Sacramento	Newspapers (Publishers)
Sacramento City College	Sacramento	Schools-Business & Vocational
Sacramento Cnty Water Quality	Sacramento	County Government-Environmental Programs
Sacramento County Airport	Sacramento	Airports
Sacramento Kings	Sacramento	Marketing Programs & Services
Smud Customer Svc Ctr	Sacramento	Air Conditioning Contractors & Systems
Social Services Dept	Sacramento	State Government-Social/Human Resources
Sutter Memorial Hospital	Sacramento	Hospitals
Uc Davis Med Ctr & Children's	Sacramento	Physicians & Surgeons
University Of Ca Surgery Clnc	Sacramento	Physicians & Surgeons
Water Resource Dept	Sacramento	State Government-Environmental Programs
Wild Zone	Sacramento	Novelties-Retail

Source: State of California Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related 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, 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), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County of Sacramento, the State and the United States for the period 2002 through 2006.

COUNTY OF SACRAMENTO Effective Buying Income 2002 through 2006

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000s' Omitted)</u>	<u>Median Household Effective Buying Income</u>
2002	Sacramento County	\$22,645,845	\$39,879
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	Sacramento County	\$23,979,765	\$40,448
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Sacramento County	\$25,154,530	\$41,593
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Sacramento County	\$26,329,657	\$42,692
	California	720,798,106	44,681
	United States	5,894,663,750	40,529
2006	Sacramento County	\$27,988,288	\$44,339
	California	764,120,963	46,275
	United States	6,107,092,244	41,255

*Source: Sales & Marketing Management Survey of Buying Power for 2002 through 2004;
Claritas Demographics for 2005 & 2006.*

Commercial Activity

During the first two quarters of calendar year 2006, total taxable transactions in the City were reported to be \$438,071,000 a 1.5% decrease over the total taxable sales of \$444,747,000 that were reported in the City during the first two quarters of calendar year 2005. A summary of historic taxable sales within the City during the years indicated in which data is available is shown in the following table. Annual figures for 2006 are not yet available.

CITY OF RANCHO CORDOVA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Figures in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001*	N/A	N/A	N/A	N/A
2002*	N/A	N/A	N/A	N/A
2003	704	\$135,967	1,632	\$205,235
2004	706	556,423	1,620	868,854
2005	746	586,801	1,676	926,103

*City not incorporated.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

During the first two quarters of calendar year 2006, total taxable transactions in the County were reported to be \$10,308,081,000 a 2.3% increase over the total taxable sales of \$10,078,001,000 that were reported in the County during the first quarter of calendar year 2005. A summary of historic taxable sales within the County during the years indicated in which data is available is shown in the following table. Annual figures for 2006 are not yet available.

COUNTY OF SACRAMENTO
Taxable Transactions
(Figures in Thousands)

Business	2001	2002	2003	2004	2005
Apparel Stores	\$435,758	\$483,204	\$515,374	\$591,633	\$646,188
General Merchandise	1,731,325	2,024,491	2,105,678	2,267,632	2,381,491
Specialty Stores	1,780,073	1,841,954	1,928,593	2,045,400	2,186,836
Food Stores	792,603	785,010	823,780	850,531	885,721
Eating & Drinking	1,242,312	1,310,209	1,375,098	1,488,882	1,606,306
Household	598,487	640,658	668,311	708,595	735,292
Building Materials	1,102,951	1,186,185	1,348,880	1,630,292	1,666,931
Automotive	3,355,903	3,400,423	3,562,066	3,830,827	4,116,420
All Other Retail Stores Group	296,775	416,843	456,038	527,975	587,227
Retail Stores Total	\$11,336,187	\$12,088,977	\$12,783,818	\$13,941,767	\$14,812,412
Business and Personnel Svcs	861,189	873,113	906,662	907,240	888,931
All Other Outlets	4,659,145	4,615,469	4,815,986	5,367,915	5,565,157
TOTAL ALL OUTLETS	\$17,221,801	\$17,577,559	\$18,506,466	\$20,216,922	\$21,266,500

Source: California State Board of Equalization, Taxable Sales in California.

Building and Construction

Provided below are the building permits and valuations for the City for calendar years 2003 through 2006.

CITY OF RANCHO CORDOVA Total Building Permit Valuations (Valuations in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>				
New Single-family	\$25,948.0	\$98,039.0	\$375,603.0	\$137,800.0
New Multi-family	254.0	19,458.0	3,295.0	0.0
Res. Alterations/Additions	<u>662.0</u>	<u>2,574.3</u>	<u>2,636.0</u>	<u>2,110.9</u>
Total Residential	26,864.0	120,071.3	381,534.0	139,910.9
New Commercial	3,033.0	6,030.0	5,016.0	5,117.0
New Industrial	761.6	2,050.0	0.0	3,540.0
New Other	2,079.9	1,060.2	6,701.0	638.0
Com. Alterations/Additions	<u>10,788.0</u>	<u>15,755.0</u>	<u>18,249.0</u>	<u>18,008.0</u>
Total Nonresidential	\$16,662.5	\$24,895.2	\$29,966.0	\$27,303.0
<u>New Dwelling Units</u>				
Single Family	155	485	1,633	509
Multiple Family	<u>4</u>	<u>208</u>	<u>28</u>	<u>0</u>
TOTAL	159	693	1,661	509

Source: Construction Industry Research Board, Building Permit Summary.

Provided below are the building permits and valuations for the County for calendar years 2002 through 2006.

COUNTY OF SACRAMENTO Total Building Permit Valuations (Valuations in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>					
New Single-family	\$1,983,716.9	\$2,078,897.0	\$2,107,882.5	\$1,636,793.9	\$840,839.0
New Multi-family	168,372.9	303,035.9	260,634.6	197,923.5	207,490.6
Res. Alterations/Additions	<u>145,400.4</u>	<u>155,496.9</u>	<u>201,427.9</u>	<u>215,419.4</u>	<u>185,078.1</u>
Total Residential	2,297,490.2	2,537,429.8	2,569,944.9	2,050,136.7	1,233,407.7
New Commercial	198,223.0	252,948.0	224,417.8	285,826.0	282,477.9
New Industrial	66,978.1	36,573.7	74,739.2	52,053.0	68,027.4
New Other	57,405.5	113,664.2	97,515.0	126,475.5	284,867.5
Com. Alterations/Additions	<u>212,552.8</u>	<u>253,857.6</u>	<u>257,734.1</u>	<u>270,837.0</u>	<u>748,077.2</u>
Total Nonresidential	\$535,159.5	\$657,043.5	\$654,406.0	\$735,191.5	\$1,981,484.9
<u>New Dwelling Units</u>					
Single Family	10,401	10,493	10,185	7,839	4,318
Multiple Family	<u>2,453</u>	<u>3,340</u>	<u>2,777</u>	<u>1,910</u>	<u>2,345</u>
TOTAL	12,854	13,833	12,962	9,749	6,663

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

September 13, 2007

City Council
City of Rancho Cordova
2529 Prospect Park Drive
Rancho Cordova, California 95670

OPINION: \$13,485,000 City of Rancho Cordova Sunridge Park Area Community
Facilities District No. 2004-1 Special Tax Bonds, Series 2007

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Rancho Cordova (the "City") of \$13,485,000 City of Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds, Series 2007 (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 September 1, 2007 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Rancho Cordova Sunridge Park Area Community Facilities District No. 2004-1 and U.S. Bank National Association. 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 municipal corporation and public body, corporate and politic organized and existing under the laws of the State of California, with the power to adopt the resolution authorizing the issuance of the Bonds, 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 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 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.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

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**CONTINUING DISCLOSURE AGREEMENT
(City)**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of September 1, 2007, is by and among the City of Rancho Cordova, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and Goodwin Consulting Group, Inc. in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of September 1, 2007 (the "Agreement"), by and between the City and the Fiscal Agent, the City has issued its Sunridge Park Area Community Facilities District No. 2004-1 Special Tax Bonds, Series 2007 (the "2007 Bonds"), in the aggregate principal amount of \$13,485,000; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City, the Fiscal Agent and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 2007 Bonds and in order to assist the Participating Underwriter of the 2007 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2007 Bonds (including persons holding 2007 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2007 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean Goodwin Consulting Group, Inc. acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas

Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated September 6, 2007, relating to the 2007 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the 2007 Bonds required to comply with the Rule in connection with offering of the 2007 Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean 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.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2007 (for the report due April 1, 2008), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate 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. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent 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 subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the City), to the extent appropriate information is available to it, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) 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 Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. This submission should be made with the following caveat:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE District AND SECURING THE 2007 BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2007 BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2007 BONDS.

(b) The following additional items with respect to the 2007 Bonds:

(1) Principal amount of 2007 Bonds outstanding under the Fiscal Agent Agreement.

(2) Balance in Improvement Fund.

(3) Balance in Reserve Fund.

(4) Table indicating Assessment levy, amount collected, delinquent amount and percent delinquent for the most recent year.

(5) Status of foreclosure proceedings and summary of results of foreclosure sales, if available.

(6) Identity of any delinquent taxpayer representing more than 5% of levy and value-to-lien ratios of applicable properties (using assessed values unless more accurate information is available).

(c) In addition to any of the information expressly required to be provided under paragraphs (a), (b) and (c) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the 2007 Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of 2007 Bondholders.
4. Optional, contingent or unscheduled 2007 Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the 2007 Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the 2007 Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would constitute material information for Holders of 2007 Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the City shall promptly notify the Dissemination Agent by Officer's Certificate. Such Officer's Certificate shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

SECTION 5. Termination of Reporting Obligation. The obligations of the City, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2007 Bonds. If such termination

occurs prior to the final maturity of the 2007 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the City's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder.

SECTION 6. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the City.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the 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 Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. 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 all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the 2007 Bondholders, 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 2007 Bonds.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Rancho Cordova
2720 Prospect Park Drive
Rancho Cordova, CA 95670
Attn: Chief Financial Officer

To the Dissemination Agent: Goodwin Consulting Group, Inc.
555 University Avenue, Suite 280
Sacramento, CA 95825

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 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2007 Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF RANCHO CORDOVA, for and on behalf of Sunridge Park Area Community Facilities District No. 2004-1

By: _____
Authorized Officer

GOODWIN CONSULTING GROUP, INC.
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Rancho Cordova
Name of Issue: \$13,485,000 Sunridge Park Area District No. 2004-1 Special Tax
Bonds Series 2007
Date of Issuance: September 13, 2007

NOTICE IS HEREBY GIVEN that the City of Rancho Cordova (the "City") on behalf of Sunridge Park Area Community Facilities No. 2004-1 has not provided an Annual Report with respect to the above-named 2007 Bonds as required by the Fiscal Agent Agreement, dated as of _____, 2007, by and between the City and _____ . The City anticipates that the Annual Report will be filed by _____.

Dated: _____

_____,
as Dissemination Agent, on behalf of the
City of Rancho Cordova Sunridge Park Area
Community Facilities District No. 2004-1

By: _____
Authorized Officer

cc: City

**CONTINUING DISCLOSURE CERTIFICATE
(Developer)**

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") dated as of September 13, 2007, is by and between Sunridge Park, LLC (the "Developer") in connection with the issuance by the City of Rancho Cordova (the "Issuer" or the "City"), of its \$13,485,000 Sunridge Park Area Community Facilities District No. 2004-1 Special Tax 2007 Bonds (the "2007 Bonds"). 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 to assist in the marketing of the 2007 Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture (as described in the Official Statement for the 2007 Bonds), which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" shall mean the City or its designee, or any successor Dissemination Agent designated in writing by the City and which has filed with the City or the Trustee a written acceptance of such designation.

"*Issuer*" means the City of Rancho Cordova, Sacramento County, California.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Any filing under this Disclosure Agreement with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Official Statement" means the Official Statement, dated September 6, 2007, relating to the 2007 Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the 2007 Bonds required to comply with the Rule in connection with offering of the 2007 Bonds.

"*Project*" shall mean the property in the District owned by the Developer or its affiliates or related entities.

"*Repository*" shall mean each National Repository and each State Repository.

"*Rule*" shall mean 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.

"*State Repository*" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, not later than April 1 after the end of the Developer's fiscal year (which for the Developer is the calendar year and thus will require this action by April 1 of each year), commencing with the report due by April 1, 2008, provide to any person who requests it an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the City. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Developer Annual Report shall contain or incorporate by reference the following, if material:

(a) With respect to property within the District owned by the Developer or in which the Developer or its affiliates has an interest, and for both the annual period covered by the report and on a cumulative basis for the period commencing with the date of issuance of the 2007 Bonds: (i) the number of lots sold by Developer to end users or builders; (ii) the number of lots held by Developer and available for sale; (iii) the estimated number of lots or parcels owned by Developer on which Developer has constructed dwelling improvements which are at least 90% complete; (iv) the number of lots or parcels owned by Developer on which Developer has an executed sale contract to a homeowner, which sale has not yet closed; and (v) the number of lots or parcels owned by Developer on which construction of dwelling improvements has not yet begun.

(b) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay special taxes or to develop property within the District which is owned by the Developer or in which the Developer or an affiliate then has an interest.

(c) Any failure by the Developer to pay when due general property taxes or special taxes or assessments with respect to property within the District owned by the Developer or in which the Developer or an affiliate then has an interest.

(d) Any previously undisclosed amendments to land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development of the property within the District which is owned by the Developer or in which the Developer or an affiliate has an interest.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2007 Bonds, if material:

(i) the discovery of toxic material or hazardous waste not previously disclosed at the 2007 Bond Sale, which will require remediation on any property owned by the Developer or an affiliate owning property in the District subject to the Special Tax.

(ii) default by the Developer or an affiliate owning property in the District on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.

(iii) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by the Developer or an affiliate owning property in the District.

(b) Whenever the Developer obtains knowledge of the occurrence of any of the above events, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of any of the above events having occurred would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

SECTION 6. Termination of Reporting Obligation. the Developer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2007 Bonds. In addition the Developer shall have no obligations hereunder if the annual Maximum Special Taxes of the District on all property within the District owned by the Developer or affiliates or partners thereof is less than twenty percent (20%) of the total annual Maximum Special Taxes for the entire District.

SECTION 7. 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 such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate upon approval of the City, 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 or change in law pertaining to 2007 Bond continuing disclosure;

(b) The amendment or waiver either (i) is approved by the 2007 Bondholders of the 2007 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of 2007 Bondholders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the 2007 Bondholders or Beneficial Owners of the 2007 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Developer shall describe such amendment in the next Annual Report.

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 Annual 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 Annual 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 Annual 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 any 2007 Bondholder or Beneficial Owner of the 2007 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. The sole 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. Subsequent Developers. The Developer will require, as a condition of sale of any property which the Developer sells within the Project resulting in a new owner who, together with affiliates or partners thereof, owns at least twenty percent (20%) of the total annual Maximum Special Taxes for the entire District, that such purchaser execute a certificate substantially in the form of this Disclosure Certificate, unless this Disclosure Certificate, as it may have been amended, by its own terms would not require the purchaser to provide any disclosure. Failure of the Developer to obtain such a certificate from its purchaser shall not, however, prevent the sale of the property from closing.

SECTION 12. Notices. Any notices or communications to or among the Developer may be given as follows:

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2007 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2007

By: _____

Its: _____

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2007 Bonds, payment of principal, interest and other payments on the 2007 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2007 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.

*Neither the issuer of the 2007 Bonds (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2007 Bonds (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2007 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2007 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2007 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “**2007 Bonds**”). The 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the 2007 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2007 Bonds, except in the event that use of the book-entry system for the 2007 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2007 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2007 Bonds may wish to ascertain that the nominee holding the 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2007 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the 2007 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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