NEW ISSUE-FULL - BOOK ENTRY **NOT RATED**

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 2005 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 2005 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 2005 Bonds. See "TAX MATTERS" herein.

$14,660,000
CITY OF RANCHO CORDOVA
SUNRIDGE ANATOLIA COMMUNITY FACILITIES DISTRICT NO. 2003-1
SPECIAL TAX BONDS
SERIES 2005

Dated: Date of Delivery **Due: September 1, as shown below**

The $14,660,000 Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax Bonds, Series 2005 (the "2005 Bonds"), are being issued by the City of Rancho Cordova (the "City") by and through its Sunridge Anatolia Community Facilities District No. 2003-1 (the "District"). The 2005 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 November 1, 2003 and a supplement thereto dated as of December 1, 2005 (together, the "Fiscal Agent Agreement") by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") thereunder. The 2005 Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) increase a reserve fund, and (iii) pay the costs of issuance of the 2005 Bonds. Interest on the 2005 Bonds is payable March 1, 2006, and thereafter semiannually on March 1 and September 1 of each year.

The 2005 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 – BOOK-ENTRY SYSTEM."

The 2005 Bonds are secured by and payable, on a parity with bonds issued in 2003 (as described herein) 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 includes completed and developing single family homes and 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 2005 Bonds and the interest thereon as a result of any delinquent installments, the City will increase a Reserve Fund from 2005 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 3,210 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 300 homes owned by homeowners, is owned by developers, including merchant homebuilders with construction projects underway. See "THE DISTRICT."

The 2005 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE 2005 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 2005 BONDS. THE 2005 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 2005 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 2005 Bonds.

MATURITY SCHEDULE

Maturity (Sept. 1)	Principal Amount	Interest Rate	Yield	CUSIP* (75211R)	Maturity (Sept. 1)	Principal Amount	Interest Rate	Yield	CUSIP* (75211R)
2009	$ 10,000	4.000%	4.100%	BD8	2015	$250,000	4.700%	4.900%	BK2
2010	55,000	4.000	4.200	BE6	2016	270,000	5.000	5.000	BL0
2011	105,000	4.250	4.400	BF3	2017	290,000	5.000	5.100	BM8
2012	155,000	4.375	4.550	BG1	2018	315,000	5.000	5.150	BN6
2013	210,000	4.500	4.700	BH9	2019	335,000	5.000	5.200	BP1
2014	230,000	4.500	4.800	BJ5	2020	365,000	5.000	5.250	BQ9

$2,260,000 5.250% Term Bond due September 1, 2025, Yield: 5.400%, CUSIP* 75211R BV8
$3,175,000 5.375% Term Bond due September 1, 2030, Yield: 5.450%, CUSIP* 75211R CA3
$6,635,000 5.500% Term Bond due September 1, 2037, Yield: 5.500%, CUSIP* 75211R CH8

The 2005 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 2005 Bonds will be available for delivery to DTC on or about December 28, 2005 in New York, New York.

PiperJaffray.

The date of this Official Statement is December 15, 2005

CITY OF RANCHO CORDOVA

City Council
Ken Cooley, Mayor
Linda Budge. Member
Robert McGarvey, Member
David Sander, Member
Dan Skoglund, Member

Staff
Ted Gaebler, City Manager
Bill Thomas, Chief Financial Officer
Lillian O'Hare, City Clerk
Steve Meyers, 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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2005 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 2005 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 2005 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 2005 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 overallot or effect transactions which stabilize or maintain the market price of the 2005 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 2005 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 2005 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 2005 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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APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT
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APPENDIX E FORM OF OPINION OF BOND COUNSEL
APPENDIX F FORM OF CONTINUING DISCLOSURE UNDERTAKINGS
APPENDIX G BOOK ENTRY SYSTEM

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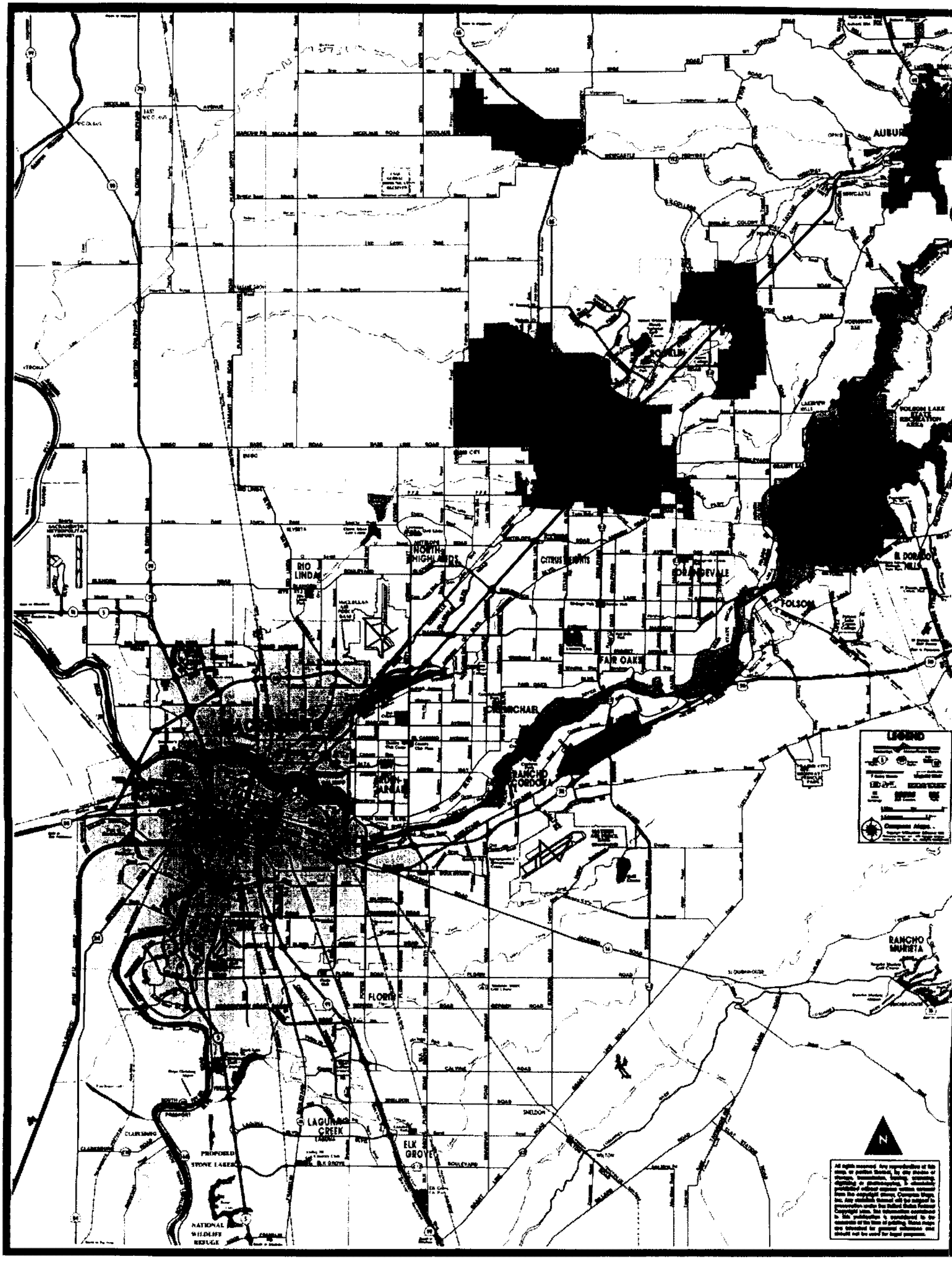
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RIO LINDA
NORTH HIGHLANDS
CITRUS HEIGHTS
ORANGEVALE
EL DORADO HILLS
FOLSOM
FAIR OAKS
RANCHO CORDOVA
FLORIN
RANCHO MURIETA
LAGUNA CREEK
ELK GROVE
PROPOSED
STONE LAKES
NATIONAL
WILDLIFE
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OFFICIAL STATEMENT

$14,660,000
CITY OF RANCHO CORDOVA
SUNRIDGE ANATOLIA COMMUNITY FACILITIES DISTRICT NO. 2003-1
SPECIAL TAX BONDS
SERIES 2005

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 Anatolia Community Facilities District No. 2003-1 (the "**District**") of its Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax Bonds, Series 2005 (the "**2005 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 Certificates to potential investors is made only by means of the entire Official Statement.

Creation of the District; 2003 Bonds Issued The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $75,000,000 at a special election in the District held on August 4, 2003 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 City issued $23,415,0000 principal amount of bonds (the "**2003 Bonds**" and together with the 2005 Bonds, the "**Bonds**") for the District in November 2003 and 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

The 2005 Bonds. The 2005 Bonds are the second series of bonds issued pursuant to the provisions of the Mello-Roos Act for the District and are issued pursuant to the Fiscal Agent Agreement dated as of November 1, 2003 entered into with regard to the 2003 Bonds and a Supplemental Agreement No. 1 to Fiscal Agent Agreement dated as of December 1, 2005 (together, 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 December 5, 2005 by the City Council of the City which authorized the issuance of the 2005 Bonds.

The 2005 Bonds maturing in 2009 through 2020 shall be designated as serial bonds (the "Serial 2005 Bonds") and the 2005 Bonds maturing in 2025, 2030 and 2037 shall be designated as term bonds (the "Term 2005 Bonds").

Registration of Ownership of 2005 Bonds. The 2005 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 2005 Bonds is payable on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing March 1, 2006. Ultimate purchasers of 2005 Bonds will not receive physical certificates representing their interest in the 2005 Bonds. So long as the 2005 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 2005 Bonds. Payments of the principal, premium, if any, and interest on the 2005 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 2005 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 – BOOK-ENTRY SYSTEM."

Use of Proceeds. Proceeds of the 2005 Bonds 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, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals and other miscellaneous infrastructure improvements necessary for development of property within the District. See "THE FACILITIES." Proceeds of the 2005 Bonds will also be used to increase a parity reserve fund created in 2003 for the Bonds and to pay cost of the issuance of the 2005 Bonds. Proceeds of the 2005 Bonds will not be sufficient to finance all of the Facilities; a portion of the Facilities have been financed with the 2003 Bonds and more are anticipated to be financed with additional bonds of the District to be issued in the future secured on a parity with the Bonds, as well as from contributions of the Master Developer and pay-as-you-go moneys collected as part of the Special Tax levy.

Source of Payment of the Bonds. The 2005 Bonds are payable on a parity with the 2003 Bonds and any additional bonds issued for the District, 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 2005 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 approved 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 is 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 $75 million; the 2005 Bonds are the second series of 2005 Bonds contemplated for the District. The City and the developers of property in the District contemplate that the remainder of authorized but unissued additional bonds secured by the Special Tax in the District on a parity with the 2003 Bonds and the 2005 Bonds (up to a total of $75 million of originally issued bonds) will be issued as development progresses. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

In connection with the issuance of the 2003 Bonds, the City directed the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from 2003 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 increased from proceeds of the 2005 Bonds and be available on a parity basis with the 2003 Bonds, 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 commonly known as the "Anatolia" master planned community and the Mather East property, within 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). Property subject to the Special Tax comprises approximately 654 acres planned to include a single-family residential component incorporating 3,210 single-family residential lots, 28 half-plex lots, a commercial component comprising five separate sites totaling 46.10 acres, and a recreation center site measuring 3.83 acres (which will be subject to the Special Tax). Certain property within the District is planned for public uses such as schools, parks, a fire station, a water treatment plant, open space, drainage, and public right-of-way for roads and landscaped corridors and will not be subject to the Special Tax. The District is situated in the southeastern portion of the City and is generally bounded by Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Property within the District is entirely within the Sunridge Specific Plan. See "THE DISTRICT."

Property Ownership and Proposed Development. The majority of the property known as Anatolia was mapped and master planned by entities affiliated with Angelo K. Tsakopoulos, a local developer, and his development company, AKT Development Corporation, and has been designated as "Anatolia I", "Anatolia II", "Anatolia III" and "Anatolia IV". One of these entities, Sunridge Anatolia LLC (the "**Master Developer**") has undertaken construction of backbone ("off-site") infrastructure improvements for development, including the Facilities financed with proceeds of the Bonds, much of which has been completed. The Master Developer does not plan to develop property for end users. All of the single family land in Anatolia I and Anatolia II has been sold to merchant homebuilders, comprising land with tentative or final map approval for 2,027 homes, and 798 of the 879 residential lots in Anatolia III have also been sold. The Master Developer expects to sell its other holdings in the District. The balance of the property in the District comprises Mather East. Mather East was mapped and master planned by Mather East L.P., a California limited partnership managed by Orin Bennett and Steve DeCou, two local civil engineers. Mather East L.P. obtained a parcel map creating 4 developable parcels and sold Lot A-1, a commercial planned site to Cemo Commercial; Lot A-2, a commercial planned site to Donahue Schriber; and Lot A-4 a residential planned site to RHNC Sundance-Sacramento (an affiliate of merchant homebuilder Regis Homes of Northern California). No plans have been submitted to the City on Lot A-1. Lot A-3 is in escrow for sale to a commercial developer in January 2006. Lot A-2 is planned for approximately 98,000 square feet of retail space, including a 55,000 square foot grocery anchor. Lot A-3 is being proposed for a Walgreens drug store and Lot A-4 has obtained a tentative map for 101 medium density single family lots and 28 half-plex lots. See the table under the caption "THE DISTRICT – Property Within the District" and "Current and Anticipated Development in the District" below. See also "OWNERSHIP OF PROPERTY IN THE DISTRICT." Pursuant to application of the Special Tax Formula, maximum Special Taxes on property within the Anatolia I and Anatolia II areas are calculated to be sufficient for payment of debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax." See also "THE DISTRICT – Property Within the District."

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 $450,930,000 as of November 21, 2005. The valuation assumes completion of the Facilities funded by the Bonds and accounts for the impact of the lien of the Special Tax securing the Bonds. See "THE FACILITIES." 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 2003 Bonds is $23,415,000 and the principal amount of the 2005 Bonds is $14,660,000. Consequently, the appraised value, subject to the Special Tax lien, of the real property within the District, is approximately 11.8 times the principal amount of the 2003 Bonds and the 2005 Bonds. The appraised valuation assumes all improvements to be financed by the 2003 Bonds and 2005 Bonds are in place and available for use and represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based only as improved lots. Specifically, the appraisal report notes that as of November 21, 2005, 300 homes had closed escrow from merchant builders to individual homebuyers and more than an additional 800 lots had been issued building permits and were in various stages of home construction.

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 2005 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 2005 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 2005 BONDS

Authority for Issuance

The 2005 Bonds are issued pursuant to the Fiscal Agent Agreement, approved by a resolution adopted by the City Council on December 5, 2005, and the Mello-Roos Act.

The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $75,000,000 at a special election in the District held on August 4, 2003 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 August 4, 2003 (the **"Resolution of Formation"**), the qualified electors were the various developer landowners who were 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. See "THE DISTRICT" herein. After issuance of the 2005 Bonds, the City will have a remaining authorization to issue approximately $36,925,000 additional bonds secured on a parity with the 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 acquired with proceeds of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

Description of the 2005 Bonds

The 2005 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 2005 Bonds will not receive physical certificates representing their interest in the 2005 Bonds. So long as the 2005 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 2005 Bonds. Payments of the principal, premium, if any, and interest on the 2005 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 2005 Bonds, so long as DTC or Cede & Co. is the registered owner of the 2005 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 –BOOK ENTRY SYSTEM." below.

The 2005 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 2005 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 2005 Bonds.

Interest on the 2005 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, 2006. Interest on the 2005 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 2005 Bonds; provided that so long as any 2005 Bonds are in book-entry form, payments with respect to such 2005 Bonds shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to DTC. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Each 2005 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 2005 Bond, interest is in default thereon, such 2005 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 2005 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2005 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 – BOOK ENTRY SYSTEM" below.

Redemption

Optional Redemption. The Serial 2005 Bonds 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, 2010, at the following respective redemption prices (expressed as percentages of the principal amount of the Serial 2005 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2010 and March 1, 2011	102%
September 1, 2011 and March 1, 2012	101
September 1, 2012 and thereafter	100

The Term 2005 Bonds 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, 2013, at the following respective redemption prices (expressed as percentages of the principal amount of the Term 2005 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2013 and March 1, 2014	102%
September 1, 2014 and March 1, 2015	101
September 1, 2015 and thereafter	100

Mandatory Redemption From Prepayments. The Serial 2005 Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part proportionately among maturities 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 Serial 2005 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2006 through March 1, 2010	103%
September 1, 2010 and March 1, 2011	102
September 1, 2011 and March 1, 2012	101
September 1, 2012 and thereafter	100

The Term 2005 Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part proportionately among maturities 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 Term 2005 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2006 through March 1, 2013	103%
September 1, 2013 and March 1, 2014	102
September 1, 2014 and March 1, 2015	101
September 1, 2015 and thereafter	100

Mandatory Sinking Fund Redemption. The Term 2005 Bonds maturing September 1, 2025, September 1, 2030 and September 1, 2037 are subject to mandatory sinking payment redemption in part on September 1, 2021, September 1, 2026 and September 1, 2031, 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:

Term 2005 Bonds of 2025

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2021	$390,000
2022	420,000
2023	450,000
2024	485,000
2025 (maturity)	515,000

Term 2005 Bonds of 2030

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2026	$550,000
2027	590,000
2028	635,000
2029	675,000
2030 (maturity)	725,000

Term 2005 Bonds of 2037

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2031	$ 770,000
2032	825,000
2033	880,000
2034	940,000
2035	1,005,000
2036	1,070,000
2037 (maturity)	1,145,000

The amounts in the foregoing tables shall be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the 2005 Bonds.

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2005 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 2005 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 2005 Bonds designated for redemption, at their addresses appearing on the 2005 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 2005 Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2005 Bonds are to be called for redemption, shall designate the CUSIP numbers and 2005 Bond numbers of the 2005 Bonds to be redeemed by giving the individual CUSIP number and 2005 Bond number of each 2005 Bond to be redeemed or shall state that all 2005 Bonds between two stated 2005 Bond numbers, both inclusive, are to be redeemed or that all of the 2005 Bonds of one or more maturities have been called for redemption, shall state as to any 2005 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2005 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 2005 Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of 2005 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 2005 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 2005 Bonds of any maturity, the Fiscal Agent shall select the 2005 Bonds to be redeemed, from all 2005 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 2005 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 2005 Bond or 2005 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2005 Bond or 2005 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 2005 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2005 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 2005 Bonds

So long as the 2005 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2005 Bonds shall be made in accordance with DTC procedures. See "Appendix G" below. Any 2005 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 2005 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2005 Bond or 2005 Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new 2005 Bond or 2005 Bonds, for a like aggregate principal amount of 2005 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 2005 Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2005 Bonds for redemption or (ii) with respect to a 2005 Bond after such 2005 Bond has been selected for redemption.

2005 Bonds Mutilated, Lost, Destroyed or Stolen

If any 2005 Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new 2005 Bond of like tenor and principal amount in exchange and substitution for the 2005 Bond so mutilated, but only upon surrender to the Fiscal Agent of the 2005 Bond so mutilated. Every mutilated 2005 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 2005 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 2005 Bond of like tenor and principal amount in lieu of and in substitution for the 2005 Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new 2005 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 2005 Bonds follows:

Estimated Sources of Funds:	
Principal Amount of 2005 Bonds	$14,660,000.00
Less: Original Issue Discount	(110,337.65)
Less: Underwriter's Discount	(194,245.00)
Total	$14,355,417.35
Estimated Uses of Funds:	
Deposit to Improvement Fund	$12,656,552.35
Deposit to Reserve Fund	1,207,975.00
Costs of Issuance [1]	490,890.00
Total	$14,355,417.35

[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 2005 Bonds are secured, on a parity with the 2003 Bonds, 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 2005 Bonds as provided in the Fiscal Agent Agreement and in the Mello-Roos Act until all of the 2005 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, the Administrative Expense Fund and the Improvement Fund established under the Fiscal Agent Agreement are not pledged to the repayment of the 2005 Bonds. The Facilities are not in any way pledged to pay the debt service on the 2005 Bonds. Any proceeds of condemnation, destruction or other disposition of any Facilities are not pledged to pay the debt service on the 2005 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 2005 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 XIIIA 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. 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 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 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 Bonds, as well as from contributions of the Master Developer and pay-as-you-go moneys collected as part of the Special Tax levy. 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 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 developers of property in the District 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. The levy of the Special Tax began with the 2003-04 levy, which was made at the Maximum Special Tax rate on the County tax roll.

Each year, the City will determine the Special Tax Requirement of the District for the upcoming fiscal year. The "**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, and (v) to pay the costs 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 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 City. 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.

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.

Five 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 Special Tax Revenues for each Zone unless the total number of Buildable Lots, Acres of Multi-Family 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 Special Tax Revenues within each Zone.

Within each Zone, multiple Villages and Lettered Lots have been designated, which generally correspond to the land uses expected on large lots that will be 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 Lettered Lot and the Special Tax Formula provides that, regardless of changes in land uses within Villages and Lettered Lots, 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 three base year maximum annual special tax rates that apply to the bulk of the single family detached lots--$1,055 for the smallest lots, $1,155 for the medium-sized lots, and $1,255 for the largest lots. In addition, a base year maximum annual special tax rate of $7,000 per RD-10 acre and $5,000 per commercial acre will apply within the District. All of the RD-10 zoned acreage is currently planned and approved for single family detached product. Per the landowners' request, multi-family property within Zone 2 will not be taxed, while multi-family (or single family) property in Zone 5 will pay a maximum of $5,000 per acre. All of 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 or Lettered Lot, 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 or Lettered Lot. 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 District Buffer that was established or, if the District Buffer has been exhausted, the builder will be required to make a prepayment or increase the maximum tax rate. Charts 1 and 2 in Appendix E of the Special Tax Formula outline 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 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 Zones 1, 2 and 5, (ii) all parcels in Zones 3 and 4 that were included in a final map that was recorded prior to June 1 of the prior fiscal year, and (iii) all parcels 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 special tax will be levied on Undeveloped Property up to the maximum tax rate for such property.

The following table shows the base Maximum Special Tax set forth in the Special Tax Formula.

Designation	Proposed Land Use	Base Maximum Tax Rate Per Unit or Per Acre
	Anatolia I (Zone 1)	
Villages 1, 2 and 7	Single-Family	$1,055 per unit
Villages 3, 5, 6 and 8	Single-Family	$1,155 per unit
Village 4	Single-Family	$1,255 per unit
Lot A	Single-Family	$7,000 per acre
Lot B	Commercial	$5,000 per acre
	Anatolia II (Zone 2)	
Villages 1, 2, 3 and 7	Single-Family	$1,155 per unit
Villages 4, 5 and 6	Single-Family	$1,255 per unit
Village 8	Single-Family	$1,055 per unit
Lot A	Single-Family	$7,000 per acre
Lot C	Commercial	$5,000 per acre
Lot G	Rec. Center	$7,000 per acre
	Anatolia III (Zone 3)	
Villages 1, 2, 3 and 4	Single-Family	$1,255 per unit
Villages 5 through 11	Single-Family	$1,155 per unit
	Anatolia IV (Zone 4)	
Village 1	Single-Family	$1,155 per unit
Village 2	Single-Family	$7,000 per acre
	Mather East (Zone 5)	
Lots A-1, A-2 and A-3	Commercial	$5,000 per acre
Lot A-4	Single-Family	$5,000 per acre

The City and the Master Developer 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 Developer and the City have agreed in the Acquisition Agreement that the Master Developer 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 2003-2004 (which has been made) and to pay to the Master Developer on a semi-annual basis payments towards such shortfall until the shortfall is paid in full or until ten (10) years from the date of the 2003 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 2039-40.

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 G 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 2005 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.

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 2005 Bonds

The 2005 Bonds are additionally secured by amounts generated from proceeds of the 2005 Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the initial purchase of the 2005 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 review the public records of Sacramento County relating to the collection of the Special Taxes in order to determine, by a date not later than September 1 of each year, the amount of Special Taxes collected and the amount thereof delinquent in the prior Fiscal Year and take action as follows.

> Individual Delinquencies. If the District determines on the basis of such review that the Special Tax with respect to any single parcel of Taxable Property is delinquent by more than two thousand five hundred dollars ($2,500), then the District shall send a notice of delinquency and a demand for immediate payment thereof to the owner of the parcel by September 15. If the delinquency is not cured by November 1, the District will institute, prosecute, and pursue foreclosure proceedings to judgment and sale in order to enforce the lien of the delinquent installments of Special Taxes against such property owner's parcel(s).
>
> Aggregate Delinquencies. If the District determines on the basis of such review that (1) the amount of Special Taxes received was less than ninety-five per cent (95%) of the amount of Special Taxes levied in the Fiscal Year or (2) there were ten (10) or fewer owners of Taxable Property, then, by September 15, the District shall send a notice of delinquency and a demand for immediate payment thereof to each owner of a

parcel with respect to which the Special Tax is delinquent. If a delinquency with respect to a parcel is not cured by November 1, the District will institute, prosecute, and pursue foreclosure proceedings to judgment and sale in order to enforce the lien of the delinquent installments of Special Taxes against the parcel.

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 2003 Bonds, the City directed the Fiscal Agent to establish a Reserve Fund (the "**Reserve Fund**") from 2003 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 increased from proceeds of the 2005 Bonds and be available on a parity basis with the 2003 Bonds, for payment of the Bonds. 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.

Upon issuance of the 2005 Bonds, proceeds of the 2005 Bonds will be used to increase the amount in the Reserve Fund by the establishment of a 2005 subaccount therein (for accounting purposes only). For each series of bonds issued for the District, the City is required to maintain on deposit in the Reserve Fund held by the Fiscal Agent an amount set forth in the Fiscal Agent Agreement equal to the **"Reserve Requirement,"** which, as to the 2005 Bonds, is the lesser of 10% of the original principal amount of the 2005 Bonds, 100% of maximum annual debt service on the 2005 Bonds, or 125% of average annual debt service on the 2005 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 2005 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.

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 2005 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 2005 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 Resolution of Formation authorizes the issuance of up to $75 million of bonds, of which the 2005 Bonds represent the second series. In addition to the 2005 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 five percent (105%) 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 2003 Bonds and the 2005 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. Maximum Special Taxes on the single family property and the recreational use parcel within the Anatolia I and Anatolia II areas alone are expected to be sufficient for payment of debt service on the Bonds; accordingly, debt service obligations on the Bonds are structured to be met solely by property on which development is underway or soon contemplated, and which is projected to have substantially all of its building permits issued or houses completed and occupied by 2007. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax."

Sunridge Anatolia Community Facilities District No. 2003-1
Special Tax 2005 Bonds Series 2005
Debt Service

Period Ending (September 1)	2003 Bonds Debt Service	2005 Bonds Principal	2005 Bonds Interest	Bonds Total
2006	$1,406,950	-	$ 525,403.13	$1,932,353.13
2007	1,406,950	-	778,375.00	2,185,325.00
2008	1,406,950	-	778,375.00	2,185,325.00
2009	1,406,950	$ 10,000	778,375.00	2,195,325.00
2010	1,406,950	55,000	777,975.00	2,239,925.00
2011	1,406,950	105,000	775,775.00	2,287,725.00
2012	1,406,950	155,000	771,312.50	2,333,262.50
2013	1,406,950	210,000	764,531.26	2,381,481.26
2014	1,446,950	230,000	755,081.26	2,432,031.26
2015	1,484,990	250,000	744,731.26	2,479,721.26
2016	1,530,990	270,000	732,981.26	2,533,971.26
2017	1,574,295	290,000	719,481.26	2,583,776.26
2018	1,619,845	315,000	704,981.26	2,639,826.26
2019	1,667,273	335,000	689,231.26	2,691,503.76
2020	1,711,195	365,000	672,481.26	2,748,676.26
2021	1,759,895	390,000	654,231.26	2,804,126.26
2022	1,809,395	420,000	633,756.26	2,863,151.26
2023	1,859,395	450,000	611,706.26	2,921,101.26
2024	1,909,595	485,000	588,081.26	2,982,676.26
2025	1,964,695	515,000	562,618.76	3,042,313.76
2026	2,019,095	550,000	535,581.26	3,104,676.26
2027	2,072,495	590,000	506,018.76	3,168,513.76
2028	2,124,595	635,000	474,306.26	3,233,901.26
2029	2,185,095	675,000	440,175.00	3,300,270.00
2030	2,238,095	725,000	403,893.76	3,366,988.76
2031	2,298,595	770,000	364,925.00	3,433,520.00
2032	2,360,695	825,000	322,575.00	3,508,270.00
2033	2,418,795	880,000	277,200.00	3,575,995.00
2034	2,482,595	940,000	228,800.00	3,651,395.00
2035	2,544,255	1,005,000	177,100.00	3,726,355.00
2036	2,609,935	1,070,000	121,825.00	3,801,760.00
2037	2,673,720	1,145,000	62,975.00	3,881,695.00
TOTAL	$59,622,077	$14,660,000	$17,934,859.55	$92,216,937.05

Sunridge Anatolia Community Facilities District No. 2003-1
Special Tax 2005 Bonds Series 2005
Projected Debt Service Coverage Table

Year	Series 2003 Debt Service	Series 2005 Debt Service **	Total Debt Service**	Zones 1 & 2 Maximum Special Tax*	Debt Service Coverage**	Total District Maximum Special Tax	Debt Service Coverage**
2006	$1,406,950	$525,403	$1,932,353	$2,356,933	122%	$3,909,017	202%
2007	1,406,950	778,375	2,185,325	2,404,072	110%	3,987,198	182%
2008	1,406,950	778,375	2,185,325	2,452,153	112%	4,066,942	186%
2009	1,406,950	788,375	2,195,325	2,501,196	114%	4,148,281	189%
2010	1,406,950	832,975	2,239,925	2,551,220	114%	4,231,246	189%
2011	1,406,950	880,775	2,287,725	2,602,245	114%	4,315,871	189%
2012	1,406,950	926,313	2,333,263	2,654,290	114%	4,402,189	189%
2013	1,406,950	974,531	2,381,481	2,707,375	114%	4,490,232	189%
2014	1,446,950	985,081	2,432,031	2,761,523	114%	4,580,037	188%
2015	1,484,990	994,731	2,479,721	2,816,753	114%	4,671,638	188%
2016	1,530,990	1,002,981	2,533,971	2,873,088	113%	4,765,070	188%
2017	1,574,295	1,009,481	2,583,776	2,930,550	113%	4,860,372	188%
2018	1,619,845	1,019,981	2,639,826	2,989,161	113%	4,957,579	188%
2019	1,667,273	1,024,231	2,691,504	3,048,944	113%	5,056,731	188%
2020	1,711,195	1,037,481	2,748,676	3,109,923	113%	5,157,866	188%
2021	1,759,895	1,044,231	2,804,126	3,172,122	113%	5,261,023	188%
2022	1,809,395	1,053,756	2,863,151	3,235,564	113%	5,366,243	187%
2023	1,859,395	1,061,706	2,921,101	3,300,275	113%	5,473,568	187%
2024	1,909,595	1,073,081	2,982,676	3,366,281	113%	5,583,040	187%
2025	1,964,695	1,077,619	3,042,314	3,433,607	113%	5,694,700	187%
2026	2,019,095	1,085,581	3,104,676	3,502,279	113%	5,808,594	187%
2027	2,072,495	1,096,019	3,168,514	3,572,324	113%	5,924,766	187%
2028	2,124,595	1,109,306	3,233,901	3,643,771	113%	6,043,262	187%
2029	2,185,095	1,115,175	3,300,270	3,716,646	113%	6,164,127	187%
2030	2,238,095	1,128,894	3,366,989	3,790,979	113%	6,287,409	187%
2031	2,298,595	1,134,925	3,433,520	3,866,799	113%	6,413,157	187%
2032	2,360,695	1,147,575	3,508,270	3,944,135	112%	6,541,421	186%
2033	2,418,795	1,157,200	3,575,995	4,023,017	113%	6,672,249	187%
2034	2,482,595	1,168,800	3,651,395	4,103,478	112%	6,805,694	186%
2035	2,544,255	1,182,100	3,726,355	4,185,547	112%	6,941,808	186%
2036	2,609,935	1,191,825	3,801,760	4,269,258	112%	7,080,644	186%
2037	2,673,720	1,207,975	3,881,695	4,354,643	112%	7,222,257	186%

* Based on 2% annual increase in Special Tax.

** Preliminary, subject to change.

THE DISTRICT

On July 1, 2003, 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 August 4, 2003, the City Council adopted the Resolution of Formation, which established the Sunridge Anatolia Community Facilities District No. 2003-1, set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed $75,000,000. 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. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

The District includes approximately 654 acres subject to the Special Tax, comprised of contiguous and non-contiguous portions of land that are situated within the southeastern area of the City. The land is planned for 3,210 single-family homes, 28 half-plex residential units, as well as and to a lesser extent, commercial uses, all in accordance with the Sunridge Specific Plan. Property in the District represents five land areas identified as Zones 1 through 5 in the Hearing Report dated July 2003 prepared in connection with the formation of the District. See the table under the caption "Current and Anticipated Development in the District" below. Also see "The Sunridge Specific Plan" below.

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 generally bounded by Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Zone 1, the northernmost portion of the CFD, is located at the southeast quadrant of Douglas Road and Sunrise Boulevard. Zone 2 is contiguous to Zone 1, along the east line of Sunrise Boulevard, south of Chrysanthy Boulevard. Zone 3 represents the southernmost portion of the District and is located at the northwest quadrant of Jaeger Road and Kiefer Boulevard. Zone 4 is located south of Chrysanthy Boulevard and west of Jaeger Road and, finally, Zone 5 is located adjacent to Zone 1, along the west line Sunrise Boulevard, south of Douglas Road. See "Maps" below.

The City was incorporated on July 1, 2003. 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, and has experienced continued growth since the mid 1980's. 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. 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 the commencement of grading for Anatolia I & II in late 2002, 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 District and under the Sunridge Specific Plan, 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.*

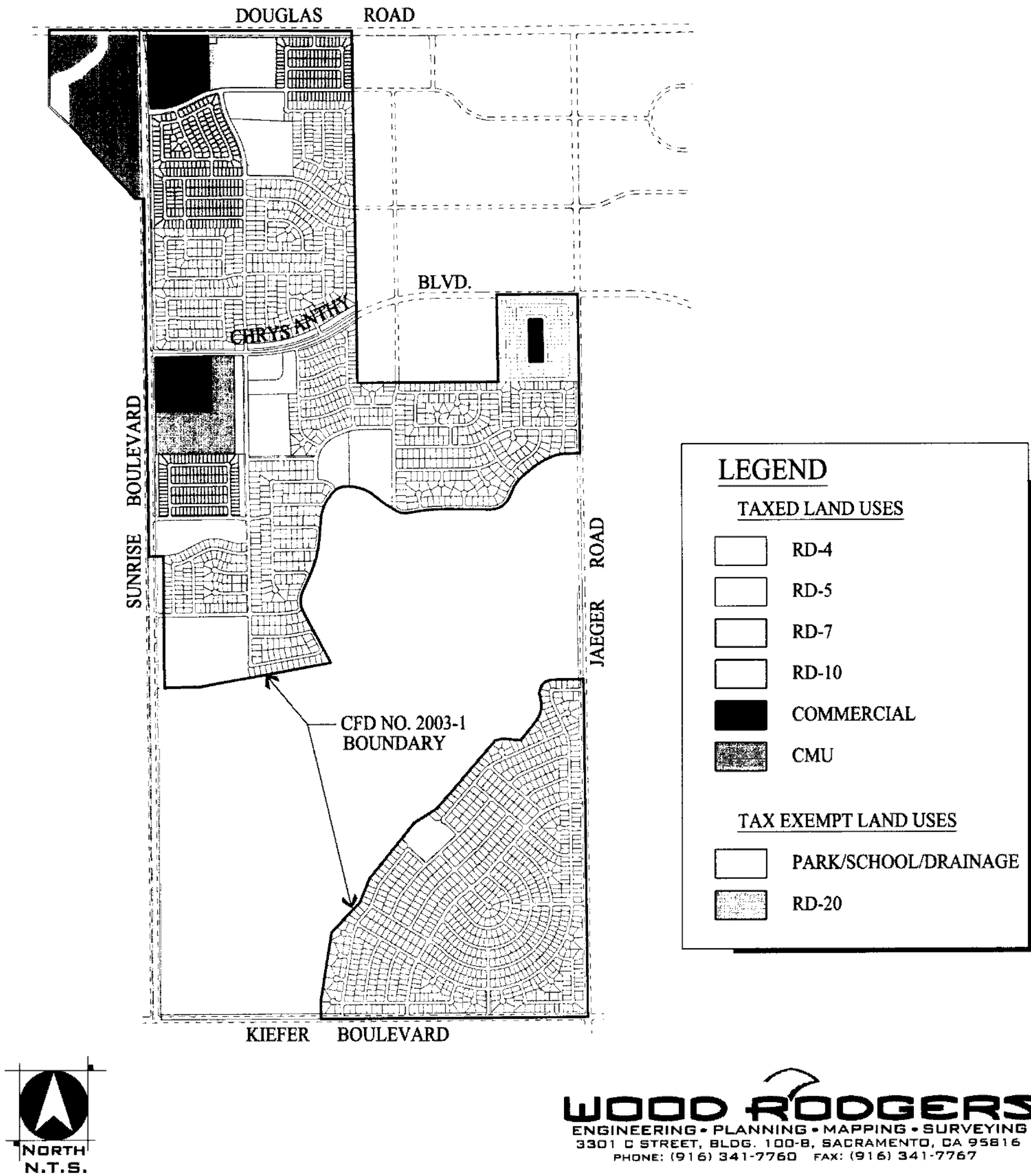
Maps

The following pages show certain maps with respect to the District.

LAND USE MAP

SUNRIDGE ANATOLIA COMMUNITY FACILITIES DISTRICT 2003-1

RANCHO CORDOVA, CALIFORNIA
OCTOBER, 2003



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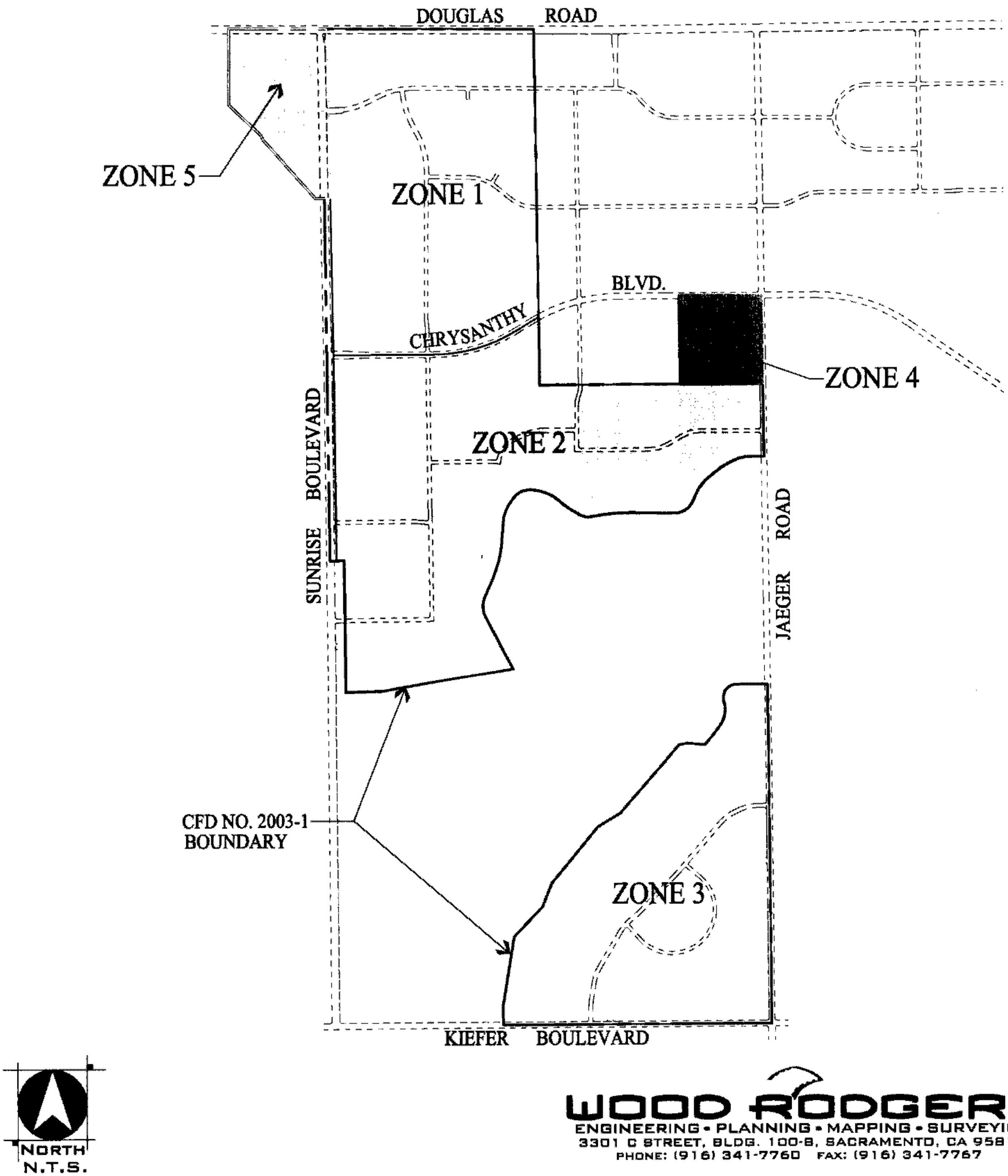
ZONE MAP

SUNRIDGE ANATOLIA COMMUNITY FACILITIES DISTRICT 2003-1

RANCHO CORDOVA, CALIFORNIA
OCTOBER, 2003



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The Sunridge Specific Plan

Property in the District includes only a portion of the land contained in the Sunridge Specific Plan. See "Current and Anticipated Development in the District" for a list of the Sunridge Specific Plan parcel numbers included in the District. 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 western 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	4.3
RD-20	45.0	737	7.45
Commercial Mixed Use			
Employment Center Com.	119.5		
Community Commercial	54.1		
Neighborhood Park	99.8		
Wetland Preserve	481.6		
Detention/Water Quality	34.4		
K-6 School	44.4		
Total	**2,605.8**	**9,337**	
Potential MDR Component of Commercial Mixed Use	30.0	549	5.55%
Maximum Potential Residential Allocation		9,886	100.0%
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

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 of which unanimously upheld the EIR. The case has been accepted for review by the California Supreme Court and such review proceeding is pending; it is not know when final resolution by the Supreme Court will be made but the City presently estimates it will not be until 2007 or 2008.

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 litigation and the impact, if any, on future development in the in the Sunridge Specific Plan area. See "THE DISTRICT - Litigation Regarding Development in the District" below. However, based upon the current rate of development, substantially all of the single family residential within Zone 1 & Zone 2, which is being relied upon to support the Bonds, is likely to be occupied with residents or have been issued building permits by the time the Supreme Court issues its ruling.

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.

Property Within the District

Property within the District is comprised of the "Anatolia" master planned community (**"Anatolia"**) and "Mather East". Anatolia 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, parks, a community recreation center, two elementary school sites, a fire station and a ground water treatment plant. Additionally, the development has approximately 481.6 gross acres allocated to open space and wetland preserve (not subject to the Special Tax). As proposed, the Anatolia project is being developed in four separate phases. Phases I and II received tentative map approval in May 2003, Phase III received tentative map approval in September 2003, and Phase IV is projected to receive tentative map approval in late 2005 or early 2006.

Phase I. Phase I (**"Anatolia I"**) is comprised of 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. Additionally, there are parcels designated for commercial development (SC zoning), as well as a proposed 5.9-acre neighborhood park and a 9.9-acre school site.

Phase II. Phase II (**"Anatolia II"**) is comprised of three parks, an elementary school site, a commercial site, a multifamily site, and nine individual villages approved for the development of 978 lots. The lots in Phase II range in size from 2,300 to 8,540 square feet. This phase includes the site of an approximately 11,000 square foot recreational center, identified as The Club at Anatolia, currently being developed on a 3.83-acre site, which will be subject to the Special Tax. This recreational center is planned to feature a large fitness area, aerobics/meeting rooms, lounges and gathering areas. The exterior amenities are expected to include a swimming pool, children's pool, spa and gazebos. The operation and maintenance of The Club will be funded by a proposed homeowners association at a current monthly cost of $73.50 per unit, plus an additional $30.00 per month per unit for a cable TV package of services.

Phase III. Phase III ("**Anatolia III**") is designated as 11 individual villages allocated to the development of 879 lots, several of which are positioned contiguous to open space. The typical lots in Phase III will range from approximately 5,775 to 8,540 square feet and this phase will encompass 197.50 acres, including a proposed 5.0-acre park.

Phase IV. Phase IV ("**Anatolia IV**") is located at the southwest quadrant of Chrysanthy Boulevard and Jaeger Road. This phase is proposed to be comprised of 203 medium density single-family residential lots. The typical lots in Phase IV are approximately 2,500 square feet.

Mather East. In addition to Anatolia, four separate sites, presently referred to as the "Mather East" property (Zone 5) located at the southwest quadrant of Douglas Road and Sunrise Boulevard are within the District. This property is planned for 20.4 acres of commercial uses, 101 medium density single-family residential lots and 28 half-plex residential lots.

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 Anatolia I and II, as well as 798 of 879 lots in Anatolia III and all of Mather East 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 single family property within the Anatolia I and Anatolia II areas alone are expected to be sufficient for payment of debt service on the Bonds; accordingly, debt service obligations on the Bonds are structured to be met solely by property on which development is underway or soon contemplated, and which is projected to have substantially all of its building permits issued or houses completed and occupied by 2007. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax."

Five separate mutually exclusive Zones (each a "**Zone**") have been established within the District in the Special Tax Formula for purposes of allocating the Special Tax obligation; the Zones are identified in Attachment 1 of 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. "Zone 1" is the geographic area that at time of formation of the District was generally known as "Anatolia I" (Phase I described above) in the Tentative Map approved for property within the District; "Zone 2" is the geographic area that at time of formation of the District was generally known as "Anatolia II" (Phase II described above) in the Tentative Map; "Zone 3" is the geographic area that at time of formation of the District was designated by the Master Developer as "Anatolia III" (Phase III described above); "Zone 4" is the geographic area that at time of formation of the District was designated by the Master Developer as "Anatolia IV (Phase IV described above); and "Zone 5" is the geographic area that at time of formation of the District was known as "Mather East." All of the Zones as they existed as of the date of formation of the District, are shown in Attachment 1 of the Special Tax Formula attached hereto as Appendix A.

Allowable Land Use Within the District

The proposed development of the property in the District is largely consistent with the Sunridge Specific Plan, and the discretionary land-use or zoning entitlements that are required to develop the property in the District as currently planned are for minor changes to the Sunridge Specific Plan and are not anticipated to be controversial. The property in the District is also subject to approved Development Agreements as further described below.

Property in the District is planned to include a detached, single-family residential component incorporating 3,210 single-family residential lots, 28 half-plex residential lots, a commercial component totaling 46.10 acres and a recreation center site measuring 3.83 acres.

The following table show the expected land uses in the District by Zone.

City of Rancho Cordova
Sunridge Anatolia Community Facilities District No. 2003-1
Land Uses

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
Anatolia I (Zone 1)					
Village 1	Single-Family	16.60	111	4,725	GMAC / Lennar Renaissance
Village 2	Single-Family	17.90	106	5,250	Morrison Homes
Village 3	Single-Family	29.80	149	6,600	GMAC / Lennar Renaissance
Village 4	Single-Family	27.10	117	7,475	GMAC / Lennar Renaissance
Village 5	Single-Family	19.40	105	5,775	Tim Lewis Communities
Village 6	Single-Family	19.50	103	5,775	Pulte Homes/William Lyon Homes
Village 7	Single-Family	19.80	132	4,725	GMAC / U.S.Home
Village 8	Single-Family	18.00	108	4,675	GMAC / Lennar Renaissance
Lot A	Single-Family	12.70	118	3,182	Cambridge Homes
Lot B	Commercial	14.50	-	-	Sun Ridge, LLC
Total, Zone 1		**195.30**	**1,049**		
Anatolia II (Zone 2)					
Village 9	Single-Family	29.00	151	5,775	GMAC / U.S.Home
Village10	Single-Family	24.40	117	6,600	JTS Communities, Inc.
Village 11	Single-Family	10.10	56	5,775	William Lyon Home
Village 12	Single-Family	34.20	123	8,540	GMAC / U.S.Homes
Village 13	Single-Family	25.80	104	8,540	JTS Communities, Inc.
Village 14	Single-Family	23.70	92	8,540	Cambridge Homes
Village 15	Single-Family	20.10	114	5,775	GMAC / Lennar Renaissance
Village 16	Single-Family	19.20	122	4,725	D.R. Horton, Inc.
Lot A	Single-Family	8.95	99	2,500	US Home
Lot C	Commercial	11.13	-	-	Sun Ridge, LLC
Lot G	Rec. Center	3.83	-	-	Sunridge-Anatolia, LLC
Total, Zone 2		**210.41**	**978**		
Anatolia III (Zone 3)					
Village 17	Single-Family		91	7,150	GMAC / Lennar Renaissance
Village 18	Single-Family		90	8,540	GMAC / Lennar Renaissance
Village19	Single-Family		82	8,540	GMAC / Lennar Renaissance
Village 20	Single-Family		107	7,150	GMAC / Lennar Renaissance
Village 21	Single-Family		92	5,775	JTS Communities, Inc.
Village 22A	Single-Family		71	5,775	Lennar Renaissance, Inc.
Village 22B	Single-Family		15	5,775	Centex Homes, Inc.
Village 22C	Single-Family		69	5,775	Corinthian Homes
Village 23A	Single-Family		21	5,775	GMAC / Lennar Renaissance
Village 23B	Single-Family		95	5,775	Centex Homes, Inc.
Village 24A	Single-Family		53	5,775	GMAC / Lennar Renaissance
Village 24B	Single-Family		6	5,775	JTS Communities, Inc.
Village 24C	Single-Family		6	6,500	Corinthian Homes
Village 25	Single-Family		44	5,775	Lennar Renaissance *
Village 26	Single-Family		37	5,775	Lennar Renaissance *
Total, Zone 3		**192.50**	**879**		
Anatolia IV (Zone 4)					
Village 1	Single-Family	23.40	203	2,400	Sun Ridge, LLC
Total, Zone 4		**23.40**	**203**		
Mather East (Zone 5)					
Lot A-1	Commercial	4.63	-	-	Cemo Commercial, Inc.
Lot A-2	Commercial	13.44	-	-	Donaghue Schriber
Lot A-3	Commercial	2.40	-	-	BD Properties, LLC (et al)
Lot A-4	Single Family	12.01	129	-	RHNC Sundance-Sacramento
Total, Zone 5		**32.48**	**129**		
TOTAL		**654.09**	**3,238**		

* Lennar Renaissance has title to Villages 25 & 26 in Anatolia III, but is contractually required to transfer the property back to Sun Ridge LLC for no additional consideration, following the creation of legal parcels. See "Current and Anticipated Development in the District" below.

Current development entitlements require development in the District to be in conformance with the Sunridge Specific Plan. The Developers anticipate that development will occur substantially as contemplated by the plan, however it is possible to make changes to the plan and some changes may occur.

Zoning. The various zoning ordinances for property in the District include RD-4, RD-5, RD-7 and RD-10 (single-family residential), CMU/M-F (multifamily residential), CMU/LC and SC (commercial development). The RD-4, RD-5 and RD-7 ordinances are designated to provide areas with overall densities not to exceed four, five and seven units per gross acre, respectively. Areas within an RD-10 zone can be used for either single-family or multifamily residential development. For subdivisions, the maximum density under the RD-10 ordinance is 10 units per gross acre, and for muitiple dwelling units, every parcel used for multifamily development cannot exceed 10 dwelling units per net acre of land. The CMU/M-F is a multifamily residential ordinance that permits a maximum of 20 dwelling units per acre. The purpose of the CMU/LC (Commercial Mixed Use/Limited Commercial) zone is to provide areas that will offer a wide choice of retail goods and services in areas where individual small lots are desired. It is intended that this zone be used in locations along major streets and in commercial subdivisions where unlimited commercial uses are not appropriate or would not be compatible with the surrounding development. Finally, the SC (Shopping Center) land use designation is intended for the development of commercial, service, office and other applicable uses.

Map Status. Tentative map approval for 3,035 residential lots in the District has been received and final maps for approximately 2,707 residential lots have been recorded as of November 2005. With the exception of two sites with RD-10 single family zoning, residential portions of Zones 1 and 2, totaling 1,810 residential lots, received tentative map approval from the County in May 2003. The RD-10 site in Zone 1 received its tentative map approval in September, 2005. The RD-10 site in Zone 2 received its tentative map approval in November 2004. Zone 3 received tentative map approval for 879 lots in September 2003, and the tentative map application and related entitlements for Zone 4 is expected to be heard by the Planning Commission and City Council in early 2006. The proposed residential for Mather East received its tentative map approval in January 2005.

Current and Anticipated Development in the District

Significant portions of the Anatolia master planned community were marketed by the master developer to merchant builders beginning in August 2002. Demand was significant. Each of the 16 villages within Anatolia I and Anatolia II have sold to various merchant builders, as shown in the table above in the preceding section. The majority of Anatolia III was sold in bulk to Lennar-Renaissance in December 2003. Lennar-Renaissance subsequently re-sold 283 of the lots to 3 other merchant builders, as shown in the table above in the preceding section. The remaining 81 lots comprising two villages in Anatolia III (Village 25 & 26) are currently being used as an interim detention basin until the permanent detention basin can be built on adjacent property to the south within the proposed Sun Creek Specific Plan Area. See also "OWNERSHIP OF PROPERTY IN THE DISTRICT." With the exception of the 118 RD-10 zoned lots in Anatolia I, all of the purchased lots within Anatolia I & II have been fully improved and final mapped by the merchant builders. All of the lots within Anatolia III that were purchased by Lennar-Renaissance have been final mapped and subdivision improvements have commenced and are expected to be completed in 2006. Anatolia IV is expected to receive its tentative map approval in early 2006. Pending such tentative map approval; receipt of tentative map conditions substantially similar to those for Anatolia I, II and III; and receipt of its US Army Corps of Engineers 404 Wetlands Permit, the Master Developer expects that a final subdivision map can be recorded and subdivision improvements can be commenced and completed in 2006.

The various owners and developers have provided the information set forth below. No assurance can be given that all information is complete or that the proposed development will occur as described herein. 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 herein may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of their entitlements. The Special Taxes are not personal obligations of the owners and developers or of any subsequent landowners; the 2005 Bonds are secured solely by the Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR" and "2005 BONDOWNERS' RISKS" herein.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no legally binding commitment to pay the principal of or interest on the 2005 Bonds. 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 taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so, although failure to pay may result in foreclosure of such owner's property. Neither the City nor any 2005 Bondholder 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 2005 Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

Unless otherwise indicated, the information included in this section is derived from the Appraisal (described herein), and from the owners and developers of land within the District. The complete Appraisal is on file with the City and is available for public inspection at the office of the City.

Property in the District is planned to include a detached, single-family residential component incorporating 3,210 single-family residential lots, 28 half-plex lots, a commercial component totaling 46.10 acres and a recreation center site measuring 3.83 acres.

Infrastructure Development. Construction of infrastructure in the District by the Master Developer commenced in late 2002, beginning with site grading and construction of drainage facilities. Construction has continued since that time, and the Master Developer projects substantial completion of all necessary off-site infrastructure for Anatolia I and II by the end of 2006. Off-site infrastructure sufficient to allow home building and occupancies in Anatolia I & II were completed in mid-2005. Construction of off-site infrastructure to allow the development of Anatolia III has commenced and is also projected to be substantially completed in 2006 in sufficient time to allow home building and occupancies in late 2006 or early 2007. Construction of off-site infrastructure to allow the development of Anatolia IV is projected to commence and be substantially completed in 2006 to allow home building to commence in 2006 and occupancies to occur in 2007. See "THE FACILITIES."

Residential Development. the Master Developer was the master developer of the property but will not construct any homes within the District and has sold all of the single family residential property in Anatolia I and II as super pads (sometimes referred to as "blue top lots") to merchant builders for home development and sale. The master developer has also sold all the residential property in Anatolia III in bulk to Lennar-Renaissance, which has in turn sold certain villages to other merchant builders. See the ownership table above.

All 16 of the original single family villages in Anatolia I & II have completed in-tract subdivision improvements and are constructing and selling houses. As of November 30, 2005, more than 1,100 single family building permits had been issued and the first residents had moved in. The medium density single family village in Anatolia I was sold to a merchant builder and tentative map approval was received in Fall 2005. A final map is expected to be recorded in the first half of 2006 and in-tract subdivision improvements are expected to be commenced and completed in 2006. The medium density single family village in Anatolia II was sold to a merchant builder and tentative map approval was received in Fall 2004. A final map was approved and recorded in 2005 and intract subdivision improvements are completed.

The Anatolia III lots in Villages 17-24 (the property purchased by Lennar related entities) are under construction and are expected to be completed in 2006. As of December 2005, infrastructure in those villages is estimated to be 90% complete (which includes paving). Lennar has sold portions of the property to Centex Homes, JTS Communities and Corinthian Homes; homebuilding and sales are expected to commence in 2006 within Anatolia III.

Anatolia IV is expected to be sold by the master developer to Lennar/US Home in early 2006, following approval of its Tentative Map. Final maps and intract subdivision improvements for Anatolia IV are expected to be completed in 2006 with homebuilding commencing in late 2006 or early 2007.

The residential component within Mather East received approval of a tentative subdivision map in January 2005 for 101 medium density detached single family units and 28 half-plex units. This property was sold in September 2005 to an affiliate Regis Homes of Northern California.

Commercial Development. The Mather East property (Zone 5) was purchased by Mather East, a California limited partnership unaffiliated with the Anatolia master developer, more than 10 years ago. The property is currently vacant grazing land. The owner received approval for a tentative parcel map from the City in October 2003 and a final map from the City in February 2004, dividing the property into 4 developable parcels of approximately 4.5 acres, 13.5 acres, 12 acres and 2.5 acres. The 13.5 acre parcel was sold in May 2004 to Donahue Schriber, a large retail developer, for a neighborhood shopping center, including a grocery store anchor. The 4.5 acre commercial site was sold in December 2004 to Cemo Commercial, Inc. and is expected to developed for commercial use, however no plans have been submitted to the City. The 2.5 acre commercial site is under contract for sale to Taylor Village Sacramento Investments with plans for development of a Walgreen's drug store; escrow is expected to close in January 2006. The 12 acre parcel is currently proposed for 101 single family units and 28 half-plex units and has an approved tentative subdivision map. This property was sold in September 2005 to an affiliate of Regis Homes of Northern California. None of these projected uses or development expectations are certain.

Litigation Regarding Development in the District

The District is located within an area of the City which is the subject of litigation recently accepted for review by the Supreme Court of the State of California. The 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 on 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. The decision also holds petitioners to high standards in terms of their obligation to present facts fairly and objectively to a reviewing court.

Acceptance for Review by State Supreme Court. 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.

Current Status of Supreme Court Review Proceedings. 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 due by November 28, 2005 and several have been submitted for filing to the State Supreme Court. The entities that have 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 filing 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 CBIA's brief, filed by the Building Industry Legal Defense Fund, California Business Property Association, and California Association of Realtors.

Unless any extensions are granted, answers to the Amicus briefs should be due from both the appellant and the respondents by the end of the year. The Notice of Opinion is projected to be issued sometime in 2007 or 2008.

The Supreme Court often takes 2-3 years from the date of a petition for review is filed to issue its decision. The petition for review in this case was filed on April 12, 2005. 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.

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 1,100 building permits have been issued by the City for home development in Anatolia I and II. While the Petitioners could make a request to the court to temporarily restrain further development pending the outcome of the case, neither the City nor the Master Developer currently anticipate that the Petitioners will seek such a course of action.*

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 Anatolia I and II, as well as 798 of 879 lots in Anatolia III and all of Mather East 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 single family property within the Anatolia I and Anatolia II areas alone are expected to be sufficient for payment of debt service on the Bonds; accordingly, one can rely upon the debt service obligations for the Bonds being met solely by property on which development is underway or soon contemplated, and which is expected to have substantially all of its building permits issued or houses completed and occupied by 2007; based upon the current rate of development, substantially all of the single family residential within Zone 1 & Zone 2, which is being relied upon to support the Bonds, is likely to be occupied with residents or have been issued building permits, by the time the Supreme Court issues its ruling. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax."

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. The Supreme Court of the State of California has vast authority to rule in a manner it deems appropriate, the result of which could have an effect on development ranging from not affecting it at all to stopping it from proceeding until another CEQA review has occurred and been deemed adequate. Additional CEQA proceedings 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, which is currently pending and undecided, the 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.

Merchant Builder Property

Home construction in Anatolia I, Anatolia II and Anatolia III (Zones 1, 2 and 3 in the Special Tax Formula) of the District is being carried out by 10 merchant builders active in the local area. The following table includes a summary of the merchant builders currently holding title to land in the District.

Homebuilder	Total Lots	Percent of Total	Completed Homes*
Lennar Affiliates	1,619	57.3%	209
JTS Communities	319	11.3	
Cambridge Homes	210	7.4	5
D.R. Horton, Inc.	122	4.3	41
Centex Homes	110	3.9	
Morrison Homes	106	3.8	27
Tim Lewis Communities	105	3.7	18
Pulte Homes	80	2.8	
William Lyon Homes	79	2.8	
Corinthian Homes	75	2.7	
TOTAL – Merchant Builders	2,825	100.0	
Zone 3 – Sun Ridge, LLC (Master Developer affiliate) for future sale	81		
Zone 4 - Angelo K. Tsakopoulos (Master Developer affiliate) for future sale	203		
Zone 5 – Regis Homes of Northern California	129		
	3,238		300

* Per the Appraisal.

The merchant builders of residential homes 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.*

Lennar Affiliate- Renaissance Homes – 1,114 Lots. A portion of the property in the District is being developed by Lennar Renaissance, Inc., a California corporation (**"Renaissance"**). Renaissance is developing 599 single-family residential lots in Villages 1, 3, 4, 8 and 15, plus an additional 515 single family residential lots within Anatolia III in Villages 17, 18, 19, 20 and portions of Villages 22, 23 and 24 (herein, the **"Renaissance Lots"**), as shown on approved tentative and final maps.

As of September 30, 2005, Renaissance had completed all in-tract improvements, recorded final maps, commenced home construction on 321 lots, had 271 homes under contract and closed escrow on 59 homes in Anatolia I & II. Renaissance had also commenced in-tract subdivision improvements and recorded final maps in Anatolia III. In Anatolia III, all final maps have been recorded and construction of the model homes and initial production homes is projected to begin in mid-2006.

Sales of homes to homebuyers commenced in the first quarter of 2005, with initial closings to buyers occurring at approximately the same time as the opening of model homes in the third quarter of 2005. Renaissance is offering between four and eight different home plans in its five subdivisions within Anatolia I & II known as "Regalia", "Sorrento", "Artistry", "Marquis" and "Monaco". The product offering is similar to the homes currently offered by Renaissance in its Regency Park and Heritage Park developments in the Sacramento area and in its Windsor Downs development in nearby Elk Grove. Home sizes range from approximately 1,478 to 3,518 square feet. Current pricing ranges in the upper $300,000's to lower $600,000's.

Renaissance "Regalia" Subdivision (Village 1)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
111	3rd Qtr. '05	3rd Qtr. '05	1,478-2,389	Upper $300,000's – Mid $400,000's

Renaissance (Winncrest) "Sorrento" Subdivision –(Village 3)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
149	Aug. '05	Aug. '05	2,191-3,179	Mid $400,000's - Upper $500,000's

Renaissance "Artistry" Subdivision –(Village 4)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
117	Sept. '05	Sept. '05	2,011-3,518	Upper $400,000's - Lower $600,000's

Renaissance (Winncrest) "Marquis" Subdivision (Village 8)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
108	Aug. '05	Aug. '05	1,557-2,291	Upper $300,000's – Mid $400,000's

Renaissance (Winncrest) "Monaco" Subdivision (Village 15)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
114	Sept. '05	Aug. '05	1,704-2,347	Lower $400,000's – Mid $400,000's

Lennar Affiliate - US Home – 406 Lots. A portion of the property in the District is being developed by US Home Corporation, a Delaware corporation (**"US Home"**). US Home is developing 406 single-family residential lots in Villages 7, 9, and 12 (herein, the "US Home Lots"), as shown on approved final maps. (One single family lot was eliminated in each of Village 9 and Village 12 between the time of the approval of the tentative map and the final maps.)

As of September 30, 2005, US Home had completed all in-tract improvements, recorded final maps, had a home under construction on 288 lots, sold 180 homes and closed escrow on 25 homes in Anatolia I & II.

The City and GMAC Model Home Finance, Inc. entered into individual Development Agreements for Villages 7, 9 and 12 in Anatolia I (Zone 1) & Anatolia II (Zone 2) dated October

6, 2003, (the "Development Agreements") in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through City ordinance. Development of Villages 7, 9 & 12 in Anatolia I & Anatolia II is subject to the Development Agreement as well as the Sunridge Specific Plan. The 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 Anatolia i & II, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of Anatolia I & II 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 Agreement runs 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 Agreement in place, subject to compliance with the terms of the Development Agreement, 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. The Development Agreement will be binding on the master developer as well as the merchant builders and all successor owner-developers of property in the District.

Sales of homes to homebuyers commenced in the first quarter of 2005, with initial closings to buyers occurring at approximately the same time as the opening of model homes in the third quarter of 2005. US Home is offering six different home plans in its three subdivisions within Anatolia I & II known as "Classics", "Traditions", and "Laureate." The product offering will be similar to the homes that were offered by US Home in its Laureate at Natomas Park, New Traditions and Rose Garden II developments in the Sacramento area. Home sizes range from approximately 1,423 to 4,265 square feet. Current pricing ranges in the upper $300,000's to lower $700,000's.

US Home's projected development plans are summarized as shown below.

US Home "Classics" Subdivision (Village 7)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
132	Aug. '05	Aug. '05	1,424-2,585	$300,000's – Mid $400,000's

US Home "Traditions" Subdivision (Village 9)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
151	Aug. '05	Aug. '05	1,633-2,824	Upper $300,000's - Upper - $400,000's

US Home "Laureate" Subdivision (Village 12)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
123	4th Qtr. '05	Dec. '05	2,487-4,265	Mid $500,000's - Lower $700,000's

JTS Communities – 319 Lots. Property in Village 10 (117 lots), Village 13 (104 lots), Village 21 (92 lots) and a portion of Village 24 (6 lots) is being developed by JTS Communities, Inc. ("JTS") and comprises land with tentative and final map approval for a total of 319 lots in the District.

As of September 30, 2005, JTS had completed all in-tract improvements and commenced home construction on 127 lots and sold 107 homes between its "Master's" (Village 10) and "Estates" (Village 13) subdivisions. Construction of the model homes is projected to be completed in January 2006. In Village 21 and a portion of Village 24 in Anatolia III, subdivision improvements were still under construction, with paying completed in December 2005. First building permits were expected to be available in mid-2006.

Sales of homes to homebuyers in Anatolia II commenced in the first quarter of 2005, with initial closings to buyers projected to occur near the end of the fourth quarter of 2005. JTS is offering eleven different home plans in Village 10, ranging in size from 2,050 to 3,400 square feet, and offering eleven different home plans in Village 13, ranging in size from 2,450 to 5,300 square feet. Current pricing ranges from the upper $500,000's to the lower $900,000's.

Sales of homes to homebuyers in Anatolia III is expected to commence in 2006, with initial closings to buyers projected to occur in late 2006 or early 2007. JTS is expecting to offer approximately 5 to 10 different home plans in Anatolia III, ranging in size from approximately 2,000 to 3,500 square feet. Pricing has yet to be determined.

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

JTS "Master's Subdivision (Village 10)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
117	Jan. '06	Nov./Dec. '05	2,050 – 3,400	Upper $500,000's – Upper $600,000's

JTS "Estates" Subdivision (Village 13)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
104	Jan. '06	Nov. '05	2,450-5,300	Upper $600,000's - Lower $900,000's

JTS "Azante" Subdivision -(Village 21 and Portion of Village 24)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
98	Late '06 to Early '07	Late '06 to Early '07	Approximately 2,000-3,500	Undetermined

Pulte Homes – 80 Lots. A portion of the property in the planned Village 6 (80 lots) in the District is controlled by Pulte Home Corporation and comprises land with tentative and final map approval for development into 80 single-family residential lots. Pulte purchased the property in July 2003. Pulte sold the balance of Village 6 (23 lots), along with all Village 11 to William Lyon Homes as finished lots in December 2005.

As of September 30, 2005, Pulte had completed all on-site infrastructure, commenced home construction on all 80 lots and sold 58 homes..

Sales of homes to homebuyers commenced in April 2005, with models scheduled to open and initial closings projected to occur in the fourth quarter of 2005. Pulte is offering 3 different home plans in a subdivision known as "Evania." Home plans range from approximately 2,042 to 3,165 square feet on approximately 5,700 square foot lots. Current pricing ranges from the upper $400,000's to the upper $500,000's.

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

Pulte "Estancia" Subdivision (Portion of Village 6)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
80	Dec. '05	Dec. '05	2,042-3,165	Upper $400,000's – Upper $500,000's

William Lyon Homes – 79 Lots. Property in the District controlled by William Lyon Homes comprises the land in Village 11 and 23 of the lots in Village 6. These lots were purchased as finished lots from Pulte Homes in August 2004 and have tentative and final map approval for development of 79 single family residential lots.

As of October 30, 2005, William Lyon Homes had commenced construction on 43 lots and had 24 homes under contract for sale to homeowners, with an additional 4 homes which had closed escrow.

Sales of homes to homebuyers commenced in July 2005; models opened in September 2005. William Lyon Homes is offering 3 different home plans in a subdivision known as "Verona". Home sizes range from approximately 2,197 to 2,811 square feet on approximately 5,700 square foot lots. Current pricing ranges from the mid-$400,000's to the lower $500,000's.

William Lyon Homes' projected development plans are summarized as shown below.

William Lyon Homes "Verona" Subdivision (Portion of Village 6 and Village 11)

No. of Units	Opened Model Homes	Initial Closing	Average Square Feet	Approximate Average Price
79	Summer '05	Fall 2005	2,500	$460,000

D.R. Horton Inc. – 122 Lots. Property in the District controlled by D.R. Horton comprises the land in Village 16, which has tentative and final map approval for development into 122 single-family residential lots. D.R. Horton purchased the property in July 2003

As of November 2005, D.R. Horton had completed all in-tract improvements, commenced home construction on 70 lots, had 51 homes under contract for sale, and closed escrow on 30 homes.

Sales of homes to homebuyers commenced in the first quarter of 2005, with initial closings to buyers and the opening of model homes occurring in the third quarter of 2005. D.R. Horton is offering four different home plans in a subdivision known as "Estancia." The product offering is similar to the homes currently offered by D.R. Horton in its "Cornerstone" development in the Natomas area of Sacramento. Home sizes range from approximately 1,531to 2,632 square feet on approximate 4,500 square foot lots. Current pricing ranges from the mid- $300,000's to the mid- $400,000's.

D.R. Horton's projected development plans are summarized as shown below.

D.R. Horton "Estancia" Subdivision (Village 16)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
122	3rd Qtr. '05	3rd Qtr. '05	1,531 – 2,632	Mid- $300,000's - Mid- $400,000's

Morrison Homes – 106 Lots. Property in the District controlled by Morrison Homes comprises land with tentative and final map approval for development into 106 single-family residential lots. Morrison Homes purchased the property in June 2003.

As of October, 2005, Morrison Homes had completed all in-tract improvements, commenced home construction of 91 lots, sold 66 homes and closed escrow on 33 homes.

Sales of homes to homebuyers commenced in April 2005 with models having opened in August 2005 and first closings having occurred in October 2005. Morrison Homes is offering 5 different home plans in the subdivision. The product is similar to the homes currently offered by Morrison Homes in its "El Dorado Estates" development in the Sacramento area. Home sizes range from approximately 1,513 to 2,813 square feet. Current pricing averages approximately $445,000.

Morrison Homes' projected development plans are summarized as shown below.

Morrison Homes - Village 2

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Price Range
106	3rd Qtr. '05	4th Qtr. '05	1,513-2,813	$382,000 - $482,000's

Tim Lewis Communities – 105 Lots. Property in the District owned by Tim Lewis Communities comprises land with tentative and final map approval for development into 105 single-family residential lots. Tim Lewis Communities purchased the property in June 2003.

As of September 30, 2005, Tim Lewis Communities had completed all in-tract improvements, commenced construction on 60 lots, sold 46 homes and closed escrow on 16 homes.

Initial sales of homes to homebuyers commenced in the first quarter of 2005, with initial closings to buyers and the opening of model homes occurring in the third quarter of 2005. Tim Lewis Communities is offering 4 different home plans. The product offering is similar to the homes currently offered by Tim Lewis Communities in its "Kenwood" and "Rutherford" developments in Elk Grove, California. Home sizes range from approximately 2,001 to 2,759 square feet. Current pricing ranges from mid-$400,000's to the lower $500,000's.

Tim Lewis Communities' projected development plans are summarized as shown below.

Tim Lewis Communities "Sedona" Subdivision –(Village 5)

No. of Units	Opened Model Homes	Initial Closing	Square Feet	Projected Price Range
105	3rd Qtr. '05	3rd Qtr. '05	2,001 – 2,759	Mid- $400,000's – Lower $500,000's

Cambridge Homes – 210 Lots. Property in the District controlled by Cambridge Homes comprises land with tentative and final map approval for development into 92 single-family residential lots in Village 6 and with tentative map approval for development of 118 medium density single family lots in the RD-10 zoned site in Anatolia I. Cambridge Homes purchased Village 6 in July 2003 and the RD-10 site in Fall 2005.

As of September 30, 2005, Cambridge Homes had completed all in-tract improvements, commenced home construction on 45 lots, sold 30 homes and closed escrow on 1 home in Village 6. In-tract improvements had not yet commenced for the Anatolia I RD-10 site, but were anticipated to be underway in late spring or early summer 2006.

For Village 6, initial sales of homes to homebuyers commenced on April 2005, with an initial closing occurring in October 2005 and opening of model homes projected for January 2006. Cambridge Homes is offering 6 different home plans. The product offering is similar to the homes currently offered by Cambridge Homes in its "Cambridge Classics" development in Elk Grove. Home sizes range from approximately 2,644 to 3,942 square feet. Current pricing ranges from the upper $500,000's to the upper $600,000's. For the RD-10 product in Anatolia I, initial sales of homes is anticipated to commence in the 4th quarter of 2006, within initial closings and the opening of the model homes projected for 1st quarter of 2007. Cambridge Homes anticipates offering 4 different home plans. Home sizes are expected to range from approximately 1,830 to 2,320 square feet. Projected pricing has not yet been determined and will likely be set just prior to the commencement of sales.

Cambridge Homes' projected development plans are summarized as shown below.

Cambridge Homes "Mastery" Subdivision (Village 14)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
92	Jan. '06	4th Qtr. '05	2,600 - 4,100	$500,000's – Upper $600,000's

Cambridge Homes – Anatolia I (RD-10)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
118	1st Qtr '07	1st Qtr. '07	1,830 - 2,320	To Be Determined

Centex Homes – 110 Lots in Anatolia III. Property in the District controlled by Centex Homes comprises land with tentative and final map approval for development into 110 single-family residential lots. Centex Homes purchased the property in February 2005.

As of December 2005, 90% of the in-tract improvements for development had been completed. Initial sales of homes to homebuyers is projected to commence in July 2006, with opening of model homes projected for September 2006 and initial closings projected in December 2006. Centex Homes is planning to offer 4 different home plans. The product offering will be developed specifically for this new Centex community. Home sizes are planned to range from approximately 1,800 to 3,200 square feet. Pricing has not yet been established.

Centex Homes' projected development plans are summarized as shown below.

Centex Homes – (Portions of Villages 22 and 23)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
110	Sept. 2006	Dec. 2006	1,800-3,200	Undecided

Corinthian Homes – 75 Lots in Anatolia III. Property in the District controlled by Corinthian Homes (69 lots in Village 22 and 6 lots in Village 24) comprises land with tentative and final map approval for development into 75 single-family residential lots. Corinthian Homes purchased the property in November 2005 as finished lots From Lennar-Renaissance.

As of December, 2005, 90% of the in-tract improvements for development of Corinthian Homes' lots had been completed. Opening of 3 model homes is projected for early 2007, with initial releases of homes to homebuyers projected for June 2007 in 5 floorplans.

Corinthian Homes' projected development plans are summarized as shown below.

"Corinthian Homes at Anatolia" (Portions of Villages 22 and 24)

No. of Units	Projected Open Model Homes	Projected Initial Closing	Square Feet	Projected Price Range
75	January '07	February '07	Approx. 1,600-3,100	To Be Determined

Master Developer Property

Most of the land in Anatolia I, Anatolia II and Anatolia III has been sold to merchant homebuilders, as described above. The Master Developer and its affiliates currently retains ownership of approximately 25 acres designated for commercial development in Anatolia I and Anatolia II, as well as Villages 25 and 26 in Anatolia III (81 prospective single family lots currently being used as interim detention basin) and Anatolia IV (approximately 23 acres/203 prospective single family lots). Zone 2 also includes approximately 4 acres owned by the Master Developer and zoned for multifamily development, however the Special Tax Formula provides that such property is exempt from the Special Tax.

The Master Developer expects to construct infrastructure improvements for development, including the Facilities financed with proceeds of the 2005 Bonds, but does not plan to develop property for end users. It is expected that its holdings in the District will be sold or ground leased to others for end-user development.

Application of the Special Tax Formula results in the levy of the Special Tax to developed property prior to undeveloped property. Prior to development of Villages 25 & 26 in Anatolia III and Anatolia IV, the Special Tax is expected to be levied primarily upon property within the Anatolia I, Anatolia II, Anatolia III (Villages 17-24) and Mather East (Zone 5) areas. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Special Tax."

Development Agreement

General. The City and Sun Ridge LLC entered into a Development Agreement for Anatolia III (Zone 3) dated October 6, 2003, (the "**Development Agreement**") in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through City ordinance. Development of the property in Anatolia III is subject to the Development Agreement as well as the Sunridge Specific Plan. The 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 Anatolia III, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of Anatolia III 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 Agreement runs 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 Agreement in place, subject to compliance with the terms of the Development Agreement, 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. The Development Agreement will be binding on the master developer as well as the merchant builders and all successor owner-developers of property in the District.

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. The case has been accepted for review by the California Supreme Court and such review proceeding is pending; it is not know when final resolution by the Supreme Court will be made but the City presently estimates it will not be until 2007 or 2008. 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; however the outcome of the litigation could adversely affect the plans and approvals for development in the District. See "THE DISTRICT - Litigation Regarding Development in the District" below. See also "SPECIAL RISK FACTORS - Risk of Delay or Termination of Development Resulting From Litigation" below.

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 proposed well fields and appurtenant facilities will be 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 would create 10,000/ac feet of water per year and would be the source of potable water to the area. The Sacramento County Board of Supervisors has approved this water supply plan.

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 estimated at $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 will provide SCWA with $400,000 for initial program funding.
- Maximum reimbursement and fees will be indexed to an annual Construction Cost Index.

<u>Water Supply Assessment</u>. 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 Anatolia I, Anatolia II and Anatolia III 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 Anatolia I, II & III. 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).). Additionally, SCWA has made a formal finding and allocation of available water for Anatolia IV (Zone 4) and Mather East (Zone 5).

<u>General Plan Policy CO-20</u>. 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. There are an estimated 4,000 edu's remaining under the current total CO-20 entitlement limit of 12,300 equivalent dwelling units. Anatolia I, Anatolia II and Anatolia III are within the designated Urban

Growth Areas and have a combined total of approximately 3,200 edu's; therefore, the CO-20 limit will not be exceeded if the proposed tentative maps are approved.

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 Anatolia I, Anatolia II and Anatolia III 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 is projected to be completed in 2004. The total estimated annual average water demand for the three tentative map areas is 1,840 acre feet. Production of this amount of water from the proposed NVWF will not cause production to exceed 10,000 acre feet and, based on groundwater analysis performed for the SSP DEIR, will not cause the local groundwater table to fall more than ten feet nor will it result in a significant effect on contaminant movement.

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. SCWA has approved a "priority assignment" of the amount of water required to serve Anatolia, I, II & III whereby, if and when the proposed NVWF project is constructed, the first 1,840 acre feet of annual production available for new development shall be provided to the those three tentative map areas. The SCWA has also made a formal finding of available water and allocation for Anatolia IV and Mather East.

Water Supply Effect on Development. In contemplation of sale and development of the property in the District, the Master Developer caused 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 Master 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 Master 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. 060394-0085B, revised April 5, 1988.

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.

Water:	Sacramento County Water Agency
Sewer:	Sacramento County Sanitation District No. 1
Drainage:	County of Sacramento
Electricity:	Sacramento Municipal Utility District
Gas:	Sacramento Municipal Utility District
Telephone:	SBC/Pacific Bell
School District:	Elk Grove Unified School District
Fire District:	Sacramento Metro Fire District

THE FACILITIES

General

The proceeds of the 2005 Bonds will finance a portion of the cost of the public improvements eligible to be financed with the proceeds of the 2005 Bonds (the "**Facilities**," as described below). Construction of the Facilities (as described below), is required for development within the District to be completed, however all of the Facilities are not required for development in Anatolia I and Anatolia II. 2005 Bond proceeds will fund some, but not all of the Facilities and Additional 2005 Bonds to be issued in the future will fund additional Facilities.

The Facilities primarily consist of improvements to Douglas Road, Jaeger Road, Sunrise Boulevard, Chrysanthy Boulevard, and Kiefer Boulevard. These improvements include—but are not limited to—drainage, water, sanitary sewer, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals, parks and other miscellaneous improvements. Proceeds of the 2005 Bonds will not cover the cost of all the Facilities and additional 2005 Bonds are anticipated to be issued. See "Funding and Construction of the Facilities" and "Acquisition by the City" below.

Eligible Facilities; Funding and Construction of the Facilities

The Facilities eligible to be financed by the District are set forth in the Resolution of Formation and in the District Hearing Report dated July 31, 2003 prepared by Goodwin Consulting Group, Inc. (the "**Special Tax Consultant**") in connection with the formation of the District. The report lists the eligible Facilities and expenses of the District authorized to include the following.

Sunridge Anatolia Community Facilities District No. 2003-1
Summary of Authorized Facilities and Estimated Cost

Roadway Facilities	$ 69,145,766
Joint Trench Facilities	4,286,447
Sanitary Sewer Facilities	13,063,659
Water Facilities	6,113,260
Park Facilities	8,467,544
Water, Sewer and Road Fees	5,000,000
Engineering Studies, Permitting, Reports and Financing Plan	265,000
Other	5,000,000
Total Estimated Costs	$111,341,676

As of September 30, 2005, design and engineering work for various Facilities is substantially completed and construction is largely either under construction or expected to commence construction shortly after issuance of the 2005 Bonds. Facilities will be completed as is necessary for development to continually progress. The cost of Facilities not funded from Bond proceeds are the responsibility of the Master Developer. Upon selling the property in Anatolia I, Anatolia II and Anatolia III to the merchant builders, the Master Developer provided for reimbursement of portions of the cost of the Facilities from the merchant builders as payment for fee credits which the merchant builders are to receive from the City and County upon proceeding with development. The Appraisal for the District described herein assumes only the completion of those Facilities to be funded by the proceeds of the Bonds.

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. Although the Developer does not currently intend to utilize the pay-as-you-go funding component, this mechanism could provide for funding of the cost of the Facilities in excess of the amount provided from 2005 Bond proceeds (if 2005 Bond proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Acquisition by the City

The City and Sunridge Anatolia LLC have entered into an Agreement for Acquisition of Privately Funded Facilities (the "**Acquisition Agreement**") which provides that the Master Developer will construct (or cause to be constructed or funded) the Facilities. As components of the Facilities are completed and upon completion of the Facilities and acceptance and acquisition by the City, proceeds of a portion of the 2005 Bonds, as well as proceeds of Additional Bonds expected to be issued in the future, will be used to pay all or a part of the purchase price of various Facilities pursuant to the terms of the Acquisition Agreement. The portion of the cost of construction of the Facilities which will not be provided from 2005 Bond proceeds will be the responsibility of the Master Developer, provided however, that the City has agreed to levy the Special Tax at the maximum rate to pay to Sun ridge Anatolia LLC on a semi-annual basis from Special Taxes collected in excess of the amounts required to pay required debt service and City administration costs associated therewith, payments towards such shortfall amount until the shortfall is paid in full or the passing of 10 years from the date of the sale of 2005 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special Tax Methodology – Assignment of Maximum Special Tax" above.

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 Master 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 2005 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 2005 Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

The Developer has 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 Developer or of any subsequent landowners; the 2005 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 November 2005 is summarized as follows:

Owner or Developer	**Total Single Family Lots**	**Total Acres**
Merchant Builders – Zones I, II & III		
GMAC (Lennar/U.S. Homes)	1,700	324.71
JTS Communities	319	68.73
William Lyon Homes	79	14.45
Corninthian Homes	75	15.64
Centex Homes	110	20.47
Pulte Homes	80	15.15
Morrison Homes	106	17.90
Tim Lewis Communities	105	19.40
Cambridge Homes	92	36.40
D.R. Horton, Inc.	122	19.20
Zone 1 and 2 Lots A,B,C&G – Anatolia LLC/Sunridge-Anatolia LLC (Master Developer and affiliate)	118	29.46
Zone 3 and 4 – Sun Ridge, LLC/Angelo K. Tsakopoulos (Master Developer affiliate)	203	36.20
Zone 5 – Mather East		12.01
RHNC Sundance-Sacramento (Regis Homes)	101 (+28 half-plex)	
BD Properties, LLC (et al)		2.40
Cemo Commercial, Inc.		4.63
Donahue Schriber		13.44
TOTAL	3,238	

Merchant Builders

Lennar Affiliate – Lennar Renaissance, Inc.. Lennar Renaissance, Inc. ("Renaissance") is a wholly-owned subsidiary of Lennar Corporation, a Delaware corporation (**"Lennar Corporation"**), with headquarters in Miami, Florida. Lennar Corporation, founded in 1954 and publicly traded under the symbol "LEN" since 1971, is one of the nation's largest home builders, operating under a number of brand names, including Renaissance Homes, Winncrest Homes and US Home Corporation in Northern California. As of November 30, 2002 (Lennar Corporation's fiscal year-end), Lennar Corporation employed over 9,419 individuals, of whom approximately 6,053 were involved in homebuilding operations and 3,366 were involved in financial services operations, and owned approximately 70,000 home sites and had access to an additional 99,000 home sites through options or unconsolidated partnerships.

Renaissance is a merchant builder of production homes and through another Lennar entity, Lennar Communities, Inc., develops residential communities both within Lennar Communities, Inc. entities and through consolidated and unconsolidated partnerships in which Lennar Communities, Inc. maintains an interest. Renaissance has been involved in the acquisition and development of residential real estate projects in Northern California since 1991. The company now markets homes under the names Renaissance Homes and Winncrest Homes, providing a wide diversity of product throughout the greater Sacramento Area. In fiscal year 2002, Renaissance delivered homes to in excess of 1,040 families in the Sacramento Metropolitan Area. Recent projects under development by Renaissance in Northern California include the following:

Project	Location	Lots	Base Prices ($000)	Square Feet	Status
Regency Park	Sacramento	497	$250-328	1353-2029	Being Marketed
Heritage Park	Sacramento	965	$215-397	1261-2910	Being Marketed
Commons	Sacramento	157	$251-321	1353-2493	Being Marketed
	Sacramento	284			Being Marketed

For further information on Renaissance, see its Internet homepage located at *www.lennar.com/renaissance*. The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on this website is a part of this Official Statement or incorporated into this Official Statement by reference.

Financing Plan. Renaissance is financing the development of the property from internal sources and profits from sales to homeowners. Renaissance has no plans to obtain any construction funds for development from a commercial bank or other lender.

Ownership and Financing Structure. GMAC Model Home Finance Company, Inc. ("MHF"), is the fee title holder to the Renaissance Lots being developed by Renaissance. Renaissance has control of and options to purchase the lots from MHF under a "rolling option contract" arrangement, under which Renaissance controls the lots and purchases finished lots in batches in order to carry out home construction on those lots. Renaissance is responsible for all aspects of property development, including construction costs and carrying costs (including the payment of property taxes and the Special Taxes supporting the 2005 Bonds) even during the period in which MHF is the fee owner of the Renaissance Lots.

Lennar Affiliate – U.S. Home. US Home is a wholly-owned subsidiary of Lennar Corporation. See "Lennar Affiliate – Renaissance Homes" above for a description of Lennar Corporation.

US Home is a merchant builder of production homes and develops residential communities both within the Lennar Corporation family of builders and through consolidated and unconsolidated partnerships in which US Home maintains an interest. US Home has been involved in the acquisition and development of residential real estate projects in Northern California since 1983. Since its organization in 1954, US Home has been one of the leading builders of homes in the United States, delivering more than 280,000 residences. Since 1969, US Home has also been a leader in the development of communities designed especially for adult living, having sold more than 44,000 retirement/active adult or second homes. In fiscal year 2002, US Home delivered homes to in excess of 735 families in the Sacramento County. Recent projects under development by US Home in Northern California include the following:

Project	Location	Units	Base Prices	Square Feet	Status
Laureate	Sacramento	97	$353-431	2372-4097	Being Marketed
New Traditions	Sacramento	118	$265-349	1650-2956	Being Marketed
Rose Garden II	Sacramento	93	$243-317	1424-2605	Being Marketed

For further information on US Home, see its Internet homepage located at *www.ushome.com*. The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on this website is a part of this Official Statement or incorporated into this Official Statement by reference.

Financing Plan. US Home is financing the development of the property from internal sources and profits from sales to homeowners. US Home has no plans to obtain any construction funds for development from a commercial bank or other lender.

Ownership and Financing Structure. MHF is also the fee title holder to the US Home Lots being developed by US Home. US Home has control of and options to purchase the lots from MHF under a "rolling option contract" arrangement, under which US Home controls the lots and purchases finished lots in batches in order to carry out home construction on those lots. US Home is responsible for all aspects of property development, including construction costs and carrying costs (including the payment of property taxes and the Special Taxes supporting the 2005 Bonds) even during the period in which MHF is the fee owner of the US Home Lots.

JTS Communities. Land with tentative and final map approval for 319 single family homes is owned by JTS Communities Inc. (**"JTS"**). JTS was formed in 1999 and is owned by Jeff T. ("Jack") Sweigart and Larry Carter. Prior to formation of JTS, Mr. Sweigart and Mr. Carter were principals in the predecessor company to JTS, J&L Properties. JTS currently carries on homebuilding activities in the greater Sacramento area, including Sacramento, Placer, El Dorado and Yolo counties. In its most recently completed fiscal year, JTS completed approximately 500 homes.

Information on current home offerings of JTS can be found on the internet at its website location, *www.jtscommunities.com*. This 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.

Other Development Experience. In addition to property in the District, current developments of JTS in the Sacramento area include the following:

Subdivision Name	Location	No. of Units	Opening Date/ Units Sold [1]
The Ranch	Sacramento	220	Open Spring '04
The Landing at Wild Wings	Woodland	128	Open Spring '04
Murphy	Sacramento	50	To be determined
Morvai	Sacramento	82	To be determined
Verdera at Twelve Bridges	Lincoln	178	Dec. '04
The Meadows Masters	Sacramento	520	Nov. '04
Grandview at The Rivers	West Sacramento	104	
Encore	Elk Grove	98	
Premier Series at Castle Oaks	Ione		2005
Masters Series at Castle Oaks	Ione	59	2005
The Estates at Lincoln Crossing	Lincoln	138	
The Grove at Live Oak	Live Oak		Coming Soon

(1) Includes homes sold and under contract.

Financing Plan. Property owned by JTS in each Village is encumbered by a separate Deed of Trust in favor of Bank of America, securing outstanding balances of approximately $5.8 million for Village 10 and $6.5 million for Village 13.

Pulte Homes. Pulte Homes, Inc. ("Pulte") is a Michigan corporation founded in 1956 by William J. Pulte and headquartered in Bloomfield Hills, Michigan. Common stock of Pulte has been listed on the New York Stock Exchange since 1969, under the symbol "PHM." William J. Pulte is currently Chairman of the Board. Richard J. Dugas, Jr. is President and Chief Executive Officer. The company has approximately 13,000 employees worldwide. Pulte also controls Pulte Mortgage Corporation, a nationwide lender providing loans to Pulte customers.

Pulte Homes, Inc., is a FORTUNE 200 company with operations in 54 markets and 28 states. In 2004, the company delivered 38,612 homes in the U.S. and generated consolidated revenues of $11.7 billion. During its 55-year history, the company has constructed more than 408,000 homes. In 2005, Pulte Homes received the most awards in the J.D. Power and Associates New Home-Builder Customer Satisfaction Study(sm), marking the sixth-straight year Pulte achieved this distinction among America's largest homebuilding companies. Pulte operations were highest-ranked in 16 markets and were among the top three in 22 of 27 markets in which it qualified. Under its Del Webb brand, Pulte is the nation's largest builder of active adult communities for people age 55 and better. Its DiVosta operation is nationally recognized for a proprietary building system that has delivered more than 25,000 "Built Solid" homes in Florida since 1960. Pulte Mortgage LLC is a nationwide lender and offers Pulte customers a wide variety of loan products and superior customer service.

Pulte currently has homes under construction in various subdivisions comprising a total of over 1,000 lots in the greater Sacramento area, including approximately 1,030 units in its "Laguna Ridge" subdivisions in the City of Elk Grove.

Information on current home offerings of Pulte can be found on the internet at its website location, *www.pulte.com*. The website includes a link to an investor relations page. This 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.

Infrastructure improvements required for the development in the District, which include all on-site and off-site subdivision improvements, as well as home construction, are anticipated to be financed through internal sources.

D.R. Horton Inc. D.R. Horton Inc. is a Delaware corporation headquartered in Fort Worth, Texas. Common stock of D.R. Horton is listed on the New York Stock Exchange under the symbol "DHI." The Builders that comprise the D.R. Horton family are: Arappco Homes, Cambridge Homes (no relation to the Cambridge Homes in Anatolia), Continental Homes, Dietz-Crane Homes, Dobson Builders, Inc., Emerald Homes, Melody Homes, Milburn Homes, Schuler Homes, Stafford Homes, Torrey Homes and Trimark Homes and Western Pacific Homes.

D.R. Horton reports that fiscal year 2004 represented the 27th consecutive year of growth in revenues and profitability. 2004 results included signing record new sales contracts, amounting to $11.4 billion (45,263 homes), a 24% increase over the 2003 record of $9.2 billion (38,725 homes); earning record revenues of $10.8 billion (43,567 homes delivered), a 24% increase over our 2003 record of $8.7 billion (35,934 homes delivered); earning record net income of $975.1 million, a 56% increase over our fiscal 2003 record of $626.0 million; and holding a record year-end sales backlog of $4.6 billion (17,184 homes), up 25% over our 2003 year-end record of $3.7 billion (15,488 homes). The reports that its year-over-year percentage increases in homes sold during the period 1991-2004 exceeded the national rate of change in homes sold in every year.

Information on current home offerings of D.R. Horton can be found on the internet at its website location, *www.drhorton.com*. The website includes a link to an investor relations page. This 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.

D.R. Horton purchased its property in the District with internally available cash. Infrastructure improvements required for the development in the District, which include all on-site and off-site subdivision improvements, as well as home construction, are anticipated to be financed through internal sources.

Morrison Homes. 73 remaining Finished Lots with Final Map approval for single family homes are owned by Morrison Homes Incorporated, a Delaware corporation ("Morrison Homes"). Morrison Homes is a wholly owned subsidiary of George Wimpey PLC ("Wimpey PLC"), a British based, publicly held company. Formed more than 100 years ago, Wimpey PLC began building homes during the 1920's and has grown to become one of the largest home-builders in the world. Wimpey PLC also reports that it has built more homes (850,000) than any other firm in the world and has over 2 billion dollars in annual revenues and a debt-to-equity ratio of less than 40%.

Morrison Homes was founded in 1905 in Seattle by C.G. Morrison who engaged in general real estate and development of apartments, subdivisions, neighborhood shopping centers, custom homes and homes for sale. In 1946, sons Dean and Hunter Morrison joined their father in the business and moved the company to the San Francisco Bay area, where they focused the company on home-building and residential development. In 1984, Morrison Homes was acquired by George Wimpey, Inc. Morrison Homes reports that is currently ranked as one of the top 30 homebuilders in the United States, with more than 2,700 home sales annually. The company's operations focus on single family homes, located in both stand alone subdivisions and as part of master-planned communities. Morrison Homes currently operates in ten geographic regions across the nation, including: Atlanta, Georgia; Austin, Texas; Dallas, Texas; San Antonio, Texas; Houston, Texas; Phoenix, Arizona; Jacksonville, Florida; Orlando, Florida; Sarasota, Florida; Sacramento, California and Tampa, Florida. Morrison Homes' corporate office is located in Atlanta, Georgia. Responsibility for architectural design, product development and marketing is carried on at the local level.

Information on current home offerings of Morrison Homes can be found on the internet at its website location, *www.morrisonhomes.com* and information on Wimpey PLC can be found at *www.georgewimpey.co.uk*. These website addresses are given for reference and convenience only, the information on the websites 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.

Financing Plan. Morrison Homes funds its development activities internally from cash forwarded by Wimpey PLC, its parent company. Its property in the District is unencumbered and Morrison Homes has no plans to obtain any construction funds for development from a commercial bank or other lender.

Tim Lewis Communities. Tim Lewis Communities is a California corporation founded in the 1980s by Jay Timothy Lewis. Headquartered in Citrus Heights, California, Tim Lewis has been building homes in the Sacramento region for over 20 years. The company expects to built approximately 230 homes in 2003 and over 250 homes in 2004.

Information on current home offerings of Tim Lewis Communities can be found on the internet at its website location, *www.timlewis.com*. The website includes a link to an investor relations page. This 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.

Tim Lewis Communities purchased its property in the District using an acquisition and development land loan from Bank of America for approximately 75% of the purchase price and site development activities. Home construction will be financed by a revolving line of credit for approximately 80% of construction costs.

In addition to property in the District, current developments of Tim Lewis Communities in the Sacramento area include the following:

Subdivision Name	Location	No. of Units	Opening Date/ Units Sold*
Heritage Lane	Sacramento	94	11-03 / 91
Discovery at Goldridge	Fairfield	156	1-04 / 156
Sedona at Anatolia	Rancho Cordova	105	3-05 / 46
The Shores at Riverbend	Sacramento	159	3-05 / 67
Legacy	Sacramento	59	5-05 / 13
Visions	Sacramento	55	3-05 / 40
Estates at Riverglen	Arbuckle	39	5-05 / 19
Villemont	Roseville	248	1-06 / 0
Altessa	Roseville	85	1-06 / 0
Reddington Ranch	Arbuckle	138	3-06 / 0
Brentwood Estates	Orangevale	34	6-06 / 0
Brentwood Villas	Orangevale	88	7-06 / 0

*Does not include Sept. sales data

Cambridge Homes. Land with tentative map approval for 92 and 118 single family homes, respectively is owned by Cambridge (Anatolia), L.P. and CH (Anatolia I) L.P., both wholly owned subsidiary of Cambridge Communities LLC ("Cambridge Homes"). Cambridge Homes is owned by Mr. Chris Stevens, a local builder and attorney. The company was formed in 2001. Prior to forming Cambridge Homes, Mr. Stevens was a principal with Reynen & Bardis, a Sacramento area home developer.

William Lyon Homes. Property in the District is owned by William Lyon Homes, Inc., which is a Delaware Corporation formed for development of the property and controlled by William Lyon Homes, Inc. William Lyon Homes, a Delaware corporation and William Lyon Homes, Inc., a California Corporation are primarily engaged in designing, constructing and selling a wide range of single-family detached and attached homes in California, Arizona and Nevada. General William Lyon is Chairman of the Company and a major stockholder. General Lyon has been building new homes for thousands of homeowners continuously since the opening of his first home building venture in 1956. Since 1956, the Company has sold over 56,000 homes. For 2004, William Lyon Homes, Inc. reports it was the 12th largest builder (by sales volume) in Northern California, including being the 4th largest in the Bay Area, and the 2nd largest in Santa Clara County. In calendar year 2004, the company reports that it sold a total of 977 homes in Northern California and 3,471 homes California, Arizona and Nevada combined. Detailed financial information about William Lyon Homes can be obtained through the Securities and Exchange Commission. Additionally, William Lyon Homes has an internet website located at www.lyonhomes.com, which includes investor relations information. 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.

The Northern California Division of William Lyon Homes, Inc. consists of current operations in numerous counties including Contra Costa, Santa Clara, San Joaquin, Stanislaus and Monterey. The management team has over 100 years of experience and consists of the Corporate Team to handle the financing of the project, and the Northern California Team to handle the operations and management of the project. The Corporate Executive Office is located at 4490 Von Karman Avenue, Newport Beach, California 92660; telephone (949) 833-3600. Greg Mix is Vice President/Division Manager of the Northern California Division.

Recent projects completed or under construction by William Lyon Homes in northern California include the following:

Subdivision Name	Location	No. of Units	Status
Wavecrest	Hercules	76	Construct. Release/Ph 4
Seagate	Hercules	96	Construct. Release/Ph 5
Rivergate	Antioch	167	Construct. Release Last Phase
Sonterra	Patterson	119	Close Out
Plaza Walk	Elk Grove	106	Construct. Release/Ph 2
Gallery Walk	Elk Grove	149	Construct. Release/Ph 3
Seasons	Stockton	145	Construct. Release/Ph 6
Ironwood	Lathrop	109	Construct. Release Last Phase

Financing Plan. The development of the backbone infrastructure improvements and the payment of the Special Taxes will be funded from internal available cash. No bank financing is contemplated. Future cash flow needs also will include general and administration costs, property taxes, the Special Taxes, and parcel-specific costs such as engineering and legal expenses, remaining in-tract improvements and construction of homes. These costs are anticipated to be funded from internal funds.

Centex Homes. Centex Homes, a Nevada general partnership ("Centex Homes"), owns recently purchased property in Village III of the District that it intends to develop with single-family homes and sell to end-users. Centex Homes is, indirectly, a wholly-owned subsidiary of Dallas-based Centex Corporation (NYSE: CTX). The primary businesses of Centex Corporation are its homebuilding, financial services, contracting and construction services operations, which it operates through subsidiaries. Centex Corporation was founded in 1950 and reports itself to be one of the nation's leading home building companies. Centex Homes operates in major U.S. markets in 25 states and delivered more than 33,000 homes in the United States in its most recent fiscal year ended March 31, 2005.

Information on current home offerings of Centex Corporation can be found on the internet at its website location, *www. centex.com*. The website includes a link to an investor relations page. This 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.

Corinthian Homes. Corinthian Homes a local Sacramento home building company that was founded in 2002 and started home building in 2003. The principals in Corinthian Homes were previously managers affiliated with Reynen & Bardis, a long standing home building company in the Sacramento area. In addition to its subdivision in Anatolia, Corinthian Homes currently has four subdivisions in the Sacramento Region. Corinthian Homes is owned in part by members of the Bardis family and has close ties with Reynen & Bardis Homes; its financial partners include John Reynen and Chris Bardis.

Information on current home offerings of Corinthian Corporation can be found on the internet at its website location, *www.corinthian-homes.com*. The website includes a link to an investor relations page. This 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.

The Master Developer

All of the property in the District (other than the Mather East property in Zone 5) was previously owned by Sun Ridge, LLC or Sunridge-Anatolia, LLC (the "**Master Developer**"). Both entities have members related to Angelo K. Tsakopoulos, a local developer and/or his development company, AKT Development Corporation ("**AKT**"). AKT has developed land projects on which have been built over 40,000 homes and 30 million square feet of office, commercial and industrial facilities. The members of Sunridge-Anatolia, LLC are AKT Sunridge-Anatolia Investors LLC (managing member) and Lennar Sun Ridge, LLC. The members of Sun Ridge, LLC are Lennar Sunridge Investors, LLC, AKT Sunridge Investors, LLC, Angelo K. Tsakopoulos, AKT Development Corporation, Markos & Eleni Tsakopoulos-Kounalakis, Tsakopoulos Family Partnership and Mark E. Enes. The property was mapped and master planned for the two entities by AKT Development Corporation. The Master Developer expects to construct infrastructure improvements for development, including the Facilities financed with proceeds of the 2005 Bonds, but does not currently plan to develop property for end users.

Most of the land in Anatolia I, II and III has been sold to merchant homebuilders, as described above and the Master Developer or its affiliates currently retain ownership of approximately 25 acres designated for commercial development in Anatolia I and Anatolia II, as well as Villages 25 and 26 in Anatolia III (approximately 81 prospective single family lots) and Anatolia IV (approximately 23 acres/203 prospective single family lots). Negotiations for sale of the residential land in IV is underway and a sale is expected in the first quarter of 2006.

AKT has extensive construction operations underway in the Sacramento area and other nearby markets. Currently pending projects include Promontory (1,070 lots) and Valley View (1,350 lots) in El Dorado Hills. Completed projects include projects in Sacramento County (Stonelake; 1,463 lots and Laguna West; 2,300 lots), Roseville (Stoneridge West; 792 lots), and Sacramento (Northpointe; 3,521 lots).

AKT and its affiliated entities fund its development operations from internally available cash or from construction or other loans from various lenders. Property in the District owned by Sun Ridge, LLC and Sunridge-Anatolia, LLC was purchased for cash. The only deed of trust lien against the Sunridge-Anatolia, LLC property is one or more construction loans to finance a portion of infrastructure improvements necessary for development in parts of the District to proceed.

Mather East

Mather East was mapped and master planned by Mather East L.P., a California limited partnership managed by Orin Bennett and Steve DeCou, two local civil engineers. Mather East L.P. obtained a parcel map creating 4 parcels and sold Lot A-1, a commercial planned site to Cemo Commercial; Lot A-2, a commercial planned site to Donahue Schriber; and Lot A-4 a residential planned site to RHNC Sundance-Sacramento (an affiliate of merchant homebuilder Regis Homes of Northern California). No plans have been submitted to the City on Lot A-1. Lot A-3 is in escrow for sale to a commercial developer in January 2006. Lot A-2 is planned for approximately 98,000 square feet of retail space, including a 55,000 square foot grocery anchor. Lot A-3 is being proposed for a Walgreens drug store and Lot A-4 has obtained a tentative map for 101 medium density single family lots and 28 half-plex lots. BD Properties LLC, an affiliate of Mather East L.P., currently holds title to Lot A-3

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. The City ordered preparation of an appraisal report dated September 12, 2003 (the "**Appraisal**"), of the estimated value of the taxable land within the District as of a November 21, 2005 date of value. 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 3121 Gold Canal 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 Bonds and accounts for the impact of the lien of the Special Tax. The following estimates represent the hypothetical market values for each ownership entity, as well as the cumulative value of the properties in the District, assuming all improvements to be financed by the 2003 Bonds and 2005 Bonds are in place and available for use. Further, the estimate of hypothetical cumulative, or aggregate, value for the components of the property in the District represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based on an improved lot condition. Specifically, as of November 21, 2005, 300 homes have closed escrow from merchant builders to individual homebuyers and more than 800 additional building permits had been issued with houses in various stages of construction. The value estimates for the property as of the November 21, 2005 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, are as follows:

GMAC (Lennar/U.S. Homes)	$ 243,890,000
JTS Communities	47,260,000
William Lyon Homes	11,120,000
Corninthian Homes	10,780,000
Centex Homes	16,020,000
Pulte Homes	11,200,000
Morrison Homes	14,640,000
Tim Lewis Communities	14,760,000
Cambridge Homes	25,580,000
D.R. Horton, Inc.	16,390,000
RHNC Sundance-Sacramento	7,540,000
BD Properties, LLC (et al)	840,000
Cemo Commercial, Inc.	1,380,000
Donahue Schriber	3,770,000
Sunridge-Anatolia, LLC*	25,760,000
TOTAL - Cumulative Value	**$450,930,000**

* Includes all AKT related entities.

The estimates of market value were 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 Bonds (but not any Additional Bonds) and accounts for the impact of the lien of the Special Tax securing the 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.

- There are several properties under the ownership of either Sun Ridge, LLC, Sunridge-Anatolia, LLC, Anatolia LLC, Angelo K. Tsakopoulos, et al and Angelo K. Tsakopoulos. These ownership entities are related, with Sun Ridge, LLC serving as a land holding group, Sunridge-Anatolia, LLC acting as the master developer and the remaining entities as investors. Due to the relationship between these ownership interests, all are considered and valued collectively as the master developer

- 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. Budgets were not available for the RD-10 site within Zone 2, the recreational center site and Village 1 within Zone 4. Therefore, in calculating revenues for these villages, the Appraiser analyzed the development budget for the balance of the villages within Anatolia and applied average site development costs based on typical lot sizes.

- 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 CFD; 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 2005 Bonds are outstanding in that the Utility District has no control over the market value of the property within the CFD 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 $450,930,000 subject to the limiting conditions stated therein. (See "The Appraisal" above and Exhibit B hereto.) The principal amount of the 2003 Bonds is $23,415,000 and the principal amount of the 2005 Bonds is $14,660,000.

Consequently, the estimated cumulative bulk sale value, subject to the Special Tax lien, of the real property within the District, is approximately 11.8 times the principal amount of the 2003 Bonds and the 2005 Bonds.

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

The table on the following page summarizes the value to lien ratios for property in the District.

City of Rancho Cordova
Sunridge Anatolia Community Facilities District No. 2003-1
Value-to-Lien Per Zone

Zone	Annual Max. Special Tax (1)	Share of Max. Annual Tax	Bonded Debt per Zone (2)	Appraised Value per Zone	Value to Lien
Zone 1	$1,262,531	32.30%	$12,297,428	$144,480,000	11.75
Zone 2	1,227,729	31.41	11,958,452	143,640,000	12.01
Zone 3	1,097,149	28.07	10,686,557	131,220,000	12.28
Zone 4	152,647	3.91	1,486,832	18,060,000	12.15
Zone 5	168,961	4.32	1,645,731	13,530,000	8.22
Totals	$3,909,017	100.00%	$38,075,000	$450,930,000	11.84

(1) Max. Tax increases 2% annually from 2003/04 base year rates.
(2) Debt Lien based on % of Maximum Special Tax.
Total Debt based on $23,415,000 in outstanding Series 2003 Bonds and Series 2005 par amount of $14,660,000.

City of Rancho Cordova
Sunridge Anatolia Community Facilities District No. 2003-1
Value-to-Lien Per Major Property Owner

Zone	Annual Max. Special Tax [(1)]	% of Max. Special Annual Tax	Debt Per Owner [(2)]	Appraised Value	Value to Lien
GMAC (Lennar/US Home)	$2,029,618	51.92%	$19,769,085	$243,890,000	12.34
JTS Communities	394,150	10.08	3,839,143	47,260,000	12.31
William Lyon Home	94,931	2.43	924,659	11,120,000	12.03
Corinthian Homes	90,125	2.31	877,841	10,780,000	12.28
Centex Homes	132,183	3.38	1,287,500	16,020,000	12.44
Pulte Homes	96,133	2.46	936,364	11,200,000	11.96
Morrison Homes	116,348	2.98	1,133,264	14,640,000	12.92
Tim Lewis Homes	126,175	3.23	1,228,978	14,760,000	12.01
Cambridge Homes	212,616	5.44	2,070,945	25,580,000	12.35
DR Horton	133,910	3.43	1,304,323	16,390,000	12.57
Regis Homes of Nor Cal	62,476	1.60	608,535	7,540,000	12.39
BD Properties	12,485	0.32	121,606	840,000	6.91
Cemo Commercial	24,085	0.62	234,598	1,380,000	5.88
Donahue Schriber	69,915	1.79	680,992	3,770,000	5.54
Sunridge-Anatolia LLC	313,868	8.03	3,057,167	25,760,000	8.43
TOTALS	$3,909,017	100.00%	$38,075,000	$450,930,000	11.84

(1) Max. Tax increases 2% annually from 2003/04 base year rates.
(2) Debt Lien based on % of Maximum Special Tax.
Total Debt based on $23,415,000 in outstanding Series 2003 Bonds and Series 2005 par amount of $14,660,000.

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 2005 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 police services tax and a school tax, each in the approximate amount of $250 per single-family home per year. The Master Developer also contemplates that a special tax for City services will be applicable to single-family homes in the District at an estimated rate of $200 per home per year. 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 Developers 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 December 1, 2005. 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 Anatolia Community Facilities District No. 2003-1
Direct and Overlapping Indebtedness

2005-06 Local Secured Assessed Valuation: $212,338,626

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/05	
Sacramento Regional County Sanitation District	0.268%	$ 8,603	
Los Rios Community College District	0.167	150,358	
Elk Grove Unified School District Community Facilities District No. 1	0.923	1,360,146	
City of Rancho Cordova Community Facilities District No. 2003-1	**100.**	**23,415,000**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$24,934,107	
OVERLAPPING GENERAL FUND DEBT:			
Sacramento County General Fund Obligations	0.210%	$ 733,358	
Sacramento County Pension Obligations	0.210	2,004,916	
Sacramento County Board of Education Certificates of Participation	0.210	27,920	
City of Rancho Cordova Certificates of Participation	4.216	1,149,703	
Sacramento Metropolitan Fire Pension Obligations	0.468	323,804	
TOTAL OVERLAPPING GENERAL FUND DEBT		$4,239,701	
COMBINED TOTAL DEBT		$29,173,808	(2)

(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 2005-06 Assessed Valuation:

Direct Debt ($23,415,000).. **11.03%**
Total Direct and Overlapping Tax and Assessment Debt.............. 11.74%
Combined Total Debt.. 13.74%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $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 chose 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 2005 Bonds

No application has been made for a credit rating for the 2005 Bonds. There can be no assurance that there will ever be a secondary market for purchase or sale of the 2005 Bonds, or, if a secondary market exists, that the 2005 Bonds can be sold for any particular price. From time to time there may be no market for the 2005 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 2005 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 2005 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 2005 Bond proceeds in the amount of the Reserve Requirement set forth in the Fiscal Agent Agreement. As discussed in "THE 2005 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 2005 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

All 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 owners. 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.

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, however, the District is not located in a seismic special studies zone.

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.

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 Master Developer or as contemplated in maps, entitlements and approvals received by the Master Developer 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 2005 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 2005 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 2005 Bonds. Should interest become includable in gross income, the 2005 Bonds are not subject to redemption by reason thereof and may remain outstanding. The 2005 Bonds are subject to redemption for other reasons as discussed in the section herein entitled "THE 2005 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 Fish and Game Commission 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 Developer'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 2005 Bonds in the event of a payment default or other default under the terms of the 2005 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIB of the State Constitution. Article XIIIB 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 2005 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 2004-05 fiscal year (due by April) and to provide notices of the occurrence of certain enumerated events. Additionally, Sunridge-Anatolia, LLC and Lennar Renaissance have covenanted for the benefit of owners of the 2005 Bonds to provide certain information with respect to its property within the District (each, a "**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 2005 Bonds were purchased through negotiation by Piper Jaffray & Co. (the "**Underwriter**"). The Underwriter agreed to purchase the 2005 Bonds at a price of $14,355,417.35, which is equal to the principal amount of the 2005 Bonds minus an original issue discount of $110,337.65 and an Underwriter's discount of $194,245.00. 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 2005 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 2005 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 2005 Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the 2005 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 2005 Bonds and does not contemplate applying for a rating.

NO LITIGATION

At the time of delivery of and payment for the 2005 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 2005 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 2005 Bonds, or in any way contesting or affecting the validity or enforceability of the 2005 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 2005 Bonds or any action of the City contemplated by any of said documents.

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

CITY OF RANCHO CORDOVA

By: /s/ Bill Thomas
Chief Financial Officer

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

CITY OF RANCHO CORDOVA
COMMUNITY FACILITIES NO. 2003-1

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CITY OF RANCHO CORDOVA
SUNRIDGE-ANATOLIA COMMUNITY FACILITIES DISTRICT NO. 2003-1

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Rancho Cordova SunRidge-Anatolia Community Facilities District No. 2003-1 (herein "CFD No. 2003-1") 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. 2003-1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided, 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. 2003-1 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to the establishment or administration of CFD No. 2003-1.

"Administrator" shall mean the person or firm designated by the City to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"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.

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

Level 1:	$1,055
Level 2:	$1,155
Level 3:	$1,255

On July 1, 2004 and each July 1 thereafter, the Base Maximum 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. 2003-1 related to public infrastructure and/or improvements that will serve property included within CFD No. 2003-1.

"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 Special Tax revenues that will be available to absorb the reduction in Expected Maximum 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 CFD Formation 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 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. 2003-1 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:

- In Zone 1, Zone 2 and Zone 5, all Parcels of Taxable Property

- In Zone 3 and Zone 4, 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.

"Expected Land Uses" means the total number of single family residential units, Acreage of Multi-Family Property and Acreage of Non-Residential Property expected within the CFD at the time of CFD Formation. The Expected Land Uses are identified in Attachment 1 and summarized in Attachment 2 of this Rate and Method of Apportionment of Special Tax.

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

"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 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.

"Large-Lot Subdivision Map" means a subdivision map recorded at the County Recorder's Office that subdivides the property in CFD No. 2003-1 into large Parcels, most of which will be subject to future subdivision.

"Lettered Lot" means a specific geographic area identified in Attachments 1 and 2 as a "Lot" with an assigned alphabetic character.

"**Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year.

"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. 2003-1 that has been assigned a land use designation other than single family property or Multi-Family 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. 2003-1 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 3 or Zone 4 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 Special Tax pursuant to Section D below.

"Special Tax" means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in 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, and (v) to pay the costs 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 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 Bond 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.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2003-1 which are not exempt from the Special Tax pursuant to law or Section F 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.

"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) will be created upon recordation of a Large-Lot Subdivision Map within CFD No. 2003-1, (ii) is expected to have Buildable Lots of a similar size, and (iii) is assigned a Maximum 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. 2003-1 are shown in Attachment 1 and the Expected Maximum Special Tax Revenues for each Village are shown in Attachment 2. When a Large-Lot Subdivision Map is recorded within CFD No. 2003-1, 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 Special Tax Revenues for each Village unless the total number of Buildable Lots, Acres of Multi-Family 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 Special Tax Revenues within each Village.

"Zone" means one of the five mutually exclusive geographic areas defined below and identified in Attachment 1, and any subsequent Zones created to contain property annexed into CFD No. 2003-1 in future Fiscal Years. When a Large-Lot Subdivision Map is recorded within CFD No. 2003-1, 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 Special Tax Revenues for each Zone unless the total number of Buildable Lots, Acres of Multi-Family 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 Special Tax Revenues within each Zone.

"Zone 1" means the geographic area that: (i) at CFD Formation, was generally known as "Anatolia I" in the Tentative Map approved for property within the CFD, and (ii) is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Zone 1.

"Zone 2" means the geographic area that: (i) at CFD Formation, was generally known as "Anatolia II" in the Tentative Map approved for property within the CFD, and (ii) is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Zone 2.

"Zone 3" means the geographic area that: (i) at CFD Formation, was generally known as "Anatolia III" in the Tentative Map approved for property within the CFD, and (ii) is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Zone 3.

"Zone 4" means the geographic area that: (i) at CFD Formation, was generally known as "Anatolia IV" in the Tentative Map approved for property within the CFD, and (ii) is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Zone 4.

"Zone 5" means the geographic area that: (i) at CFD Formation, was generally known as "Mather East" in the Tentative Map approved for property within the CFD, and (ii) is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Zone 5.

B. <u>DATA FOR ADMINISTRATION OF SPECIAL TAX</u>

Each time a Final Map is recorded within CFD No. 2003-1, 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 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 Special Tax Requirement for the Fiscal Year.

C. MAXIMUM SPECIAL TAX

The Maximum Special Tax assigned to each Village and Lettered Lot as of CFD Formation is identified in Attachment 2 of this Rate and Method of Apportionment of Special Tax. If, upon recordation of the Large-Lot Subdivision Map for property within the CFD, it is determined that the actual boundaries of the Zones or Villages are different than that shown in Attachment 1, Attachment 1 shall be updated and the correct boundaries of each Zone and Village shall be reflected in the attachment. If, at the same time changes are being made to Attachment 1, it is determined that the number of Buildable Lots, Acreage of Multi-Family Property, or Acreage of Non-Residential Property within a Zone has changed, the distribution of the Expected Maximum Special Tax Revenues between Villages and Lettered Lots within that Zone can be changed in Attachment 2 as long as the total Expected Maximum Special Tax Revenues within that Zone stay the same. If the City determines that such an adjustment is needed, the adjustment shall occur immediately after recordation of the Large-Lot Subdivision Map, after which time the Expected Maximum Special Tax Revenues assigned to a particular Village or Lettered Lot shall be fixed for all future Fiscal Years, except for the escalator set forth in Attachment 2. After both attachments have been updated, the Administrator shall record, or cause to be recorded, an amended Notice of Special Tax Lien that includes the revised attachments.

Once the Villages and Lettered Lots have been created by recordation of a Large-Lot Subdivision Map, the sum of the Maximum Special Taxes allocated to individual Parcels within a Village or Lettered Lot should at all times be equal to the Maximum Special Tax identified for that Village or Lettered Lot in Attachment 2 unless the CFD Buffer has been reduced to make up for a reduction in the Expected Maximum 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 Special Tax for each Parcel of Taxable Property within CFD No. 2003-1:

1. Fiscal Year 2003-04 and Future Fiscal Years If a Large-Lot Subdivision Map Has Not Been Recorded

Prior to recordation of a Large-Lot Subdivision Map, the Maximum 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 Special Tax *
067-0030-006	$956,560
067-0030-009	$1,317,210
067-0090-011	$33,495
067-0090-014	$86,195
067-0090-017	$869,005
067-0090-022	$2,510
067-0090-023	$3,765
067-0090-024	$134,285
067-0090-016	$47,690
067-0030-019	$146,720
067-0030-027	$162,400

* On July 1, 2004 and each July 1 thereafter, these Maximum Special Taxes shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

If an Assessor's Parcel number shown above is changed, the Maximum Special Tax shall continue to apply to the Parcel to which it was assigned. If Parcels are reconfigured due to an action other than recordation of a Large-Lot Subdivision Map, the Maximum 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 and Lettered Lots, the Maximum Special Tax for property within a Village or Lettered Lot shall be the amount identified in Attachment 2 of this Rate and Method of Apportionment of Special Tax. If there are multiple Assessor's Parcels within a Village or Lettered Lot, the Maximum Special Tax shall be allocated on a per-Acre basis to each Parcel of Taxable Property within that Village or Lettered Lot until a Final Map is recorded within the Village or Lettered Lot. If a Final Map records creating Buildable Lots within a portion of a Village or Lettered Lot, the Administrator shall apply Section C.3 to determine the Maximum Special Tax that is assigned to the geographic area within the Final Map and the remaining property within the Village or Lettered Lot that has not yet had a Final Map recorded on it. The Maximum 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 or Lettered Lot that were not included in 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. 2003-1, 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 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 Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village or Lettered Lot

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

If property in the Subject Map is part of a Lettered Lot, the Administrator shall multiply the per-acre Maximum Special Tax that is shown in Column (D) of Attachment 2 for that Lettered Lot by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Special Tax for each Parcel.

If property in the Subject Map is part of a Village, the Administrator shall assign, as the Maximum Special Tax for each single family lot within the Subject Map and the remaining unmapped portions of the Village, the lowest Base Maximum 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 Special Tax Revenue for the Village less the total Maximum 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 Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village or Lettered Lot

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

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

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

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

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

If property in the Subject Map is part of a Village, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of 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 Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign, as the Maximum 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 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 Special Tax Revenue for the Village. If, after applying the Level 3 Base Maximum Tax Rate, there are still insufficient revenues to match the Expected Maximum Special Tax Revenues for the Village, the Administrator shall assign the Level 3 Base Maximum 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 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 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 Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall assign, as the

Maximum Special Tax for each Parcel in the Subject Map, the Base Maximum Tax Rate that was assigned to the Village in Attachment 2. The Administrator shall then calculate the reduced Expected Maximum 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 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 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 <u>Less</u> Than the Expected Maximum Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village or Lettered Lot

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

If property in the Subject Map is part of a Village, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of 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 Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign, as the Maximum Special Tax for each single family lot in the Subject Map, the lowest Base Maximum 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 Special Tax Revenue for the Village less the total Maximum Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 3 Base Maximum Tax Rate, there are still insufficient revenues to match the Expected Maximum Special Tax Revenues for the Village, the Administrator shall assign the Level 3 Base Maximum Tax Rate to each Parcel in the Subject Map and revise Attachment 2 to reflect lower Expected Maximum 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 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 Special Tax capacity is determined to be due to an event other than remapping by the subdivider, the Administrator shall assign, as the Maximum Special Tax for each Parcel in the Subject Map, the Base Maximum Tax Rate that was assigned to the Village in Attachment 2. The Administrator shall then calculate the reduced Expected Maximum 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 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 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. 2003-1, 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 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 <u>More</u> Than the Expected Maximum Special Tax Revenues, and Additional Final Maps Will Be Recorded Within the Village or Lettered Lot

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

If property in the Subject Map is part of a Lettered Lot, the Administrator shall multiply the per-acre Maximum Special Tax that is shown in Column (D) of Attachment 2 for that Lettered Lot by the acreage of each Parcel of Taxable Property included in the Subject Map to determine the Maximum Special Tax for each Parcel.

If property in the Subject Map is part of a Village, the Administrator shall assign, as the Maximum Special Tax for each single family lot within the Subject Map and the remaining unmapped portions of the Village, the lowest Base Maximum 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 Special Tax Revenue for the Village less the total Maximum 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 Special Tax Revenues, and No Additional Final Maps Will Be Recorded Within the Village or Lettered Lot

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

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

If property in the Subject Map is part of a Village, the Administrator shall assign, as the Maximum Special Tax for each single family lot within the Subject Map, the lowest Base Maximum 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 Special Tax Revenue from the area within the Subject Map. After the Maximum Special Tax has been determined for each Parcel, the Administrator shall calculate the total Maximum Special Tax Revenue that can be collected from the Village, subtract the Expected Maximum Special Tax Revenue for the Village, and add the difference to the CFD Buffer.

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

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 Special Tax Revenues for the area included in the Subject Map, **and there is still property within that Village or Lettered Lot that has not had a Final Map recorded on it,** the Administrator shall determine the Maximum Special Tax for each Parcel within the Subject Map as follows:

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

If property in the Subject Map is part of a Village, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of 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 Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign the lowest Base Maximum 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 Special Tax Revenue for the Village less the total Maximum Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 3 Base Maximum Tax Rate, there are still insufficient revenues to match the Expected Maximum Special Tax Revenues for the Village, the landowner may prepay the Special Tax obligation that corresponds to the reduced Maximum 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 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 G 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 Special Tax for each Parcel within the Subject Map and remaining unmapped portions of the Village:

Step 1. Sum the following:

(i) the Maximum 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 3 Base Maximum Tax Rate is applied to each Parcel within the Subject Map;

(iii) the amount that would result if the Level 3 Base Maximum 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 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 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 3 Base Maximum Tax Rate as the Maximum 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 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 Special Tax that would be collected if the Level 3 Base Maximum 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 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 3 Base Maximum Tax Rate to calculate the Maximum 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 3 Base Maximum Tax Rate is multiplied by the expected number of single family lots on each Parcel. The sum of these numbers shall be the Maximum Special Tax assigned to the Parcel until it is subdivided.

If, in the sole discretion of the City, the loss of 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 Special Tax for each Parcel in the Subject Map and the unmapped portions of the Village:

Step 1. Sum the following:

(i) the Maximum 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 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 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 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 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 Tax Rate assigned to the Village in Attachment 2 as the Maximum Special Tax for each Parcel within the Subject Map. Multiply this same Base Maximum Special Tax by the number of single family lots expected on each Parcel of remaining unmapped property within the Village to determine the Maximum 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 Tax Rate assigned to the Village in Attachment 2 as the Maximum Special Tax for each Parcel within the Subject Map. The Administrator shall determine the Maximum Special Tax for remaining unmapped property within the Village by multiplying this Base Maximum 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 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 Special Tax that would be collected if the Base Maximum 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 Tax Rate assigned to the Village in Attachment 2 to calculate the Maximum 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 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 Special Tax assigned to the Parcel until it is subdivided.

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

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 Special Tax Revenues for the area included in the Subject Map, **and there are no additional Final Maps to be recorded within Village or Lettered Lot,** the Administrator shall determine the Maximum Special Tax for each Parcel within the Subject Map as follows:

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

If property in the Subject Map is part of a Village, the Administrator shall, in coordination with the appropriate City departments, determine whether the reason for the loss of 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 Special Tax capacity is determined to be due to remapping by the subdivider, the Administrator shall assign the lowest Base Maximum 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 Special Tax Revenue for the Village less the total Maximum Special Tax revenues that can be collected from Final Maps that have already been recorded within the Village. If, after applying the Level 3 Base Maximum Tax Rate, there are still insufficient revenues to match the Expected Maximum Special Tax Revenues for the Village, the landowner may prepay the Special Tax obligation that corresponds to the reduced Maximum 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 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 G 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 Special Tax for each Parcel within the Subject Map:

Step 1. Sum the following:

(i) the Maximum 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 3 Base Maximum Tax Rate is applied to each Parcel within the Subject Map.

Step 2. By reference to Attachment 2, identify the total Expected Maximum 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 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 3 Base Maximum Tax Rate as the Maximum 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 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 Special Tax that would be collected if the Level 3 Base Maximum 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 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 3 Base Maximum Tax Rate to calculate the Maximum Special Tax that will apply to each Parcel within the Subject Map.

If, in the sole discretion of the City, the loss of 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 Special Tax for each Parcel in the Subject Map:

Step 1. Sum the following:

(i) the Maximum 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 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 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 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 Tax Rate assigned to the Village in Attachment 2 as the Maximum 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 Tax Rate assigned to the Village in Attachment 2 as the Maximum 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 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 Special Tax that would be collected if the Base Maximum 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 Tax Rate assigned to the Village in Attachment 2 to calculate the Maximum Special Tax that will apply to each Parcel within the Subject Map.

The Maximum 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 Special Tax is assigned to the Parcel by two percent (2%) of the amount in effect in the previous Fiscal Year.

Once a Maximum Special Tax has been assigned to a Parcel within a Final Map, the Maximum Special Tax shall not be reduced in future Fiscal Years regardless of changes in land use, Parcel size, ownership or Special Taxes assigned elsewhere in the Village or Large Lot. Pursuant to Section 53321 (d) of the Act, the 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 Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

D. METHOD OF LEVY OF THE SPECIAL TAX

1. Fiscal Year 2003-04 and Future Fiscal Years If a Large-Lot Subdivision Map Has Not Been Recorded

In Fiscal Year 2003-04 and in future Fiscal Years prior to recordation of a Large-Lot Subdivision Map for property within CFD No. 2003-1, the Administrator shall determine the Special Tax to be levied on Taxable Property by application of the following steps:

Step 1. The Maximum Special Tax determined pursuant to Section C.1 above shall be levied on the following Assessor's Parcels:

067-0030-006	067-0090-014
067-0030-009	067-0090-022
067-0090-011	067-0030-027

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

067-0090-016	067-0090-023
067-0090-017	067-0090-024
067-0030-019	

2. After Recordation of a Large-Lot Subdivision Map

After a Large-Lot Subdivision Map has been recorded, the Administrator shall determine the Special Tax to be levied on Taxable Property in CFD No. 2003-1 by application of the following steps:

Step 1. If, in any Fiscal Year, there are facilities authorized to be funded by CFD No. 2003-1 that have not yet been funded, the Maximum 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 Special Tax shall be levied Proportionately on each Parcel of Developed Property in the CFD up to 100% of the Maximum Special Tax for each Parcel until the amount levied is equal to the Special Tax Requirement for the Fiscal Year.

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

E. MANNER OF COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2003-1 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 G 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 Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Taxes proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2039-2040.

F. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied in any Fiscal Year on the following:

(1) Public Property, unless property that was expected to be Taxable Property (as shown in Attachment 1) becomes Public Property after CFD Formation and the loss of such Taxable Property reduces the Expected Maximum Special Tax Revenues within a Village or Lettered Lot. 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 G below, otherwise the Parcel shall be subject to a 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 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 Special Tax Revenues for that Village or Lettered Lot, the Parcel that is now Public Property shall not be subject to a prepayment or the levy of Special Taxes in future Fiscal Years.

(2) Assessor's Parcels designated for, or developed as, Multi-Family Property within Zone 2, all of which were expected, at CFD Formation, to occur in the area identified in Attachment 1 as "Lot B". Notwithstanding the foregoing, all Multi-Family Property within Zone 2 shall remain exempt unless property that was expected to be Taxable Property (as shown in Attachment 1) becomes Multi-Family Property after CFD Formation and the loss of such Taxable Property reduces the Expected Maximum Special Tax Revenues within a Village or Lettered Lot in Zone 2. If a reduction in Expected Maximum Special Tax Revenues would result from the expansion of Multi-Family Property in Zone 2, a prepayment of the corresponding

special tax obligation will be required before the Final Map designating the expanded multi-family area is recorded. Such prepayment will be calculated using the prepayment formula set forth in Section G below. If a prepayment is not received to offset the reduction in Expected Maximum Special Tax Revenues, the Maximum Special Tax shall be increased proportionately on all Parcels within the multi-family area until the total Maximum Special Tax that can be collected within the Village or Lettered Lot equals the Expected Maximum Special Tax Revenues shown in Attachment 2 for that Village or Lettered Lot.

(3) Assessor's Parcels that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

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

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

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

"Public Facilities Requirements" means either $50,600,000 in 2003 dollars, which shall increase on January 1, 2004, 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. 2003-1. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 2003-1; 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 Special Tax revenues generated within that annexation area.

The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 2003-1 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

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

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 Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the ***"Reserve Fund Credit"***).

Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the ***"Prepayment Amount"***).

H. 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.

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

Notwithstanding the definition of Special Tax Requirement and levy of Special Tax to pay the Special Tax Requirement contained herein, if the City determines that for any fiscal year ending on or after June 30, 2013, that the Special Tax Requirement for such fiscal year is less than the amount of the Maximum Special Tax that could be levied for such fiscal year, the City may increase the Special Tax to be levied for such fiscal year to equal the Maximum Special Tax. In such instances, the amount of Special Taxes collected in excess of the Special Tax Requirement for such fiscal year shall be utilized, at the sole discretion of the City, for any of the following purposes:

1. 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 53315.5 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.

2. Prepayment of principal and/or interest on outstanding bonds of CFD No. 2003-1 or any bonds, lease obligations, certificates of participation or other obligations financing facilities described in Item 1 above.

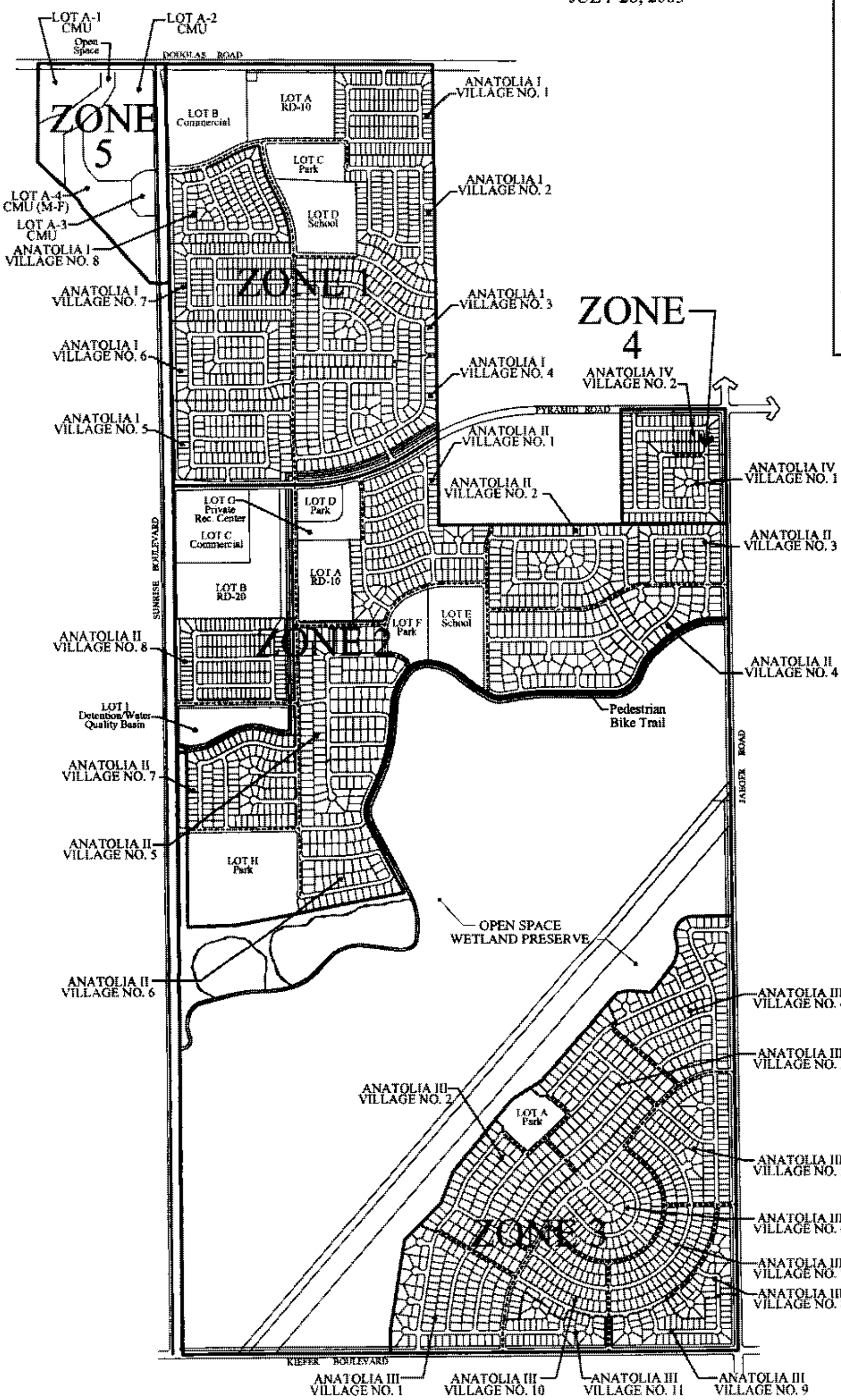
In the event the City determines that such excess is not needed for any purpose described in Items 1 or 2 above, the City shall utilize such excess to acquire improvements in accordance with any agreement entered into with respect to CFD No. 2003-1 providing for acquisition of authorized improvements from developer of such improvements, provided there remain facilities to be acquired under such agreement at that time.

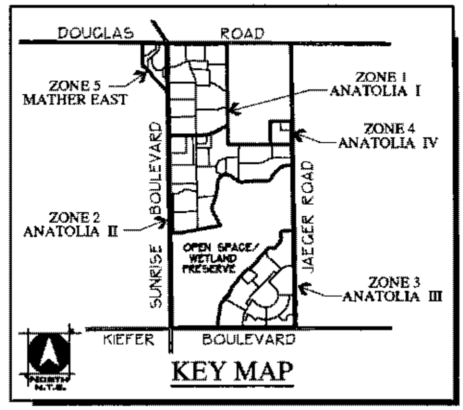
ATTACHMENT 1

SunRidge-Anatolia Community Facilities District No. 2003-1
Identification of Zones, Villages and Lettered Lots

CITY OF RANCHO CORDOVA
SUNRIDGE-ANATOLIA COMMUNITY FACILITIES DISTRICT NO. 2003-1
IDENTIFICATION OF TAX ZONE AND ANTICIPATED LOTS
RANCHO CORDOVA, CALIFORNIA

JULY 28, 2003





KEY MAP

LAND USE SUMMARY TABLE

ANATOLIA I - ZONE 1

VILLAGE NO.	LAND USE	TOTAL LOTS (TYPICAL LOT SIZE)	TAXABLE ACRES
1	RD-7	111 LOTS (45'x105')	-
2	RD-5	106 LOTS (52'x105')	-
3	RD-5	149 LOTS (60'x110')	-
4	RD-5	117 LOTS (65'x115')	-
5	RD-5	105 LOTS (55'x105')	-
6	RD-5	103 LOTS (55'x105')	-
7	RD-7	132 LOTS (45'x105')	-
8	RD-7	108 LOTS (55'x85')	-
LOT A	RD-10	-	12.70
LOT B	Commercial	-	14.50

ANATOLIA II - ZONE 2

VILLAGE NO.	LAND USE	TOTAL LOTS (TYPICAL LOT SIZE)	TAXABLE ACRES
1	RD-5	152 LOTS (55'x105')	-
2	RD-5	117 LOTS (60'x110')	-
3	RD-5	56 LOTS (55'x105')	-
4	RD-4	124 LOTS (70'x122')	-
5	RD-4	104 LOTS (70'x122')	-
6	RD-4	92 LOTS (70'x122')	-
7	RD-5	114 LOTS (55'x105')	-
8	RD-7	122 LOTS (45'x105')	-
LOT A	RD-10	-	8.95
LOT C	Commercial	-	11.13
LOT G	Private Rec. Center	-	3.83

ANATOLIA III - ZONE 3

VILLAGE NO.	LAND USE	TOTAL LOTS (TYPICAL LOT SIZE)	TAXABLE ACRES
1	RD-5	99 LOTS (65'x110')	-
2	RD-4	96 LOTS (70'x122')	-
3	RD-4	88 LOTS (70'x122')	-
4	RD-5	112 LOTS (65'x110')	-
5	RD-5	110 LOTS (55'x105')	-
6	RD-5	117 LOTS (55'x105')	-
7	RD-5	80 LOTS (55'x105')	-
8	RD-5	31 LOTS (55'x105')	-
9	RD-5	47 LOTS (55'x105')	-
10	RD-5	63 LOTS (55'x105')	-
11	RD-5	36 LOTS (55'x105')	-

ANATOLIA IV - ZONE 4

VILLAGE NO.	LAND USE	TOTAL LOTS (TYPICAL LOT SIZE)	TAXABLE ACRES
1	RD-5	104 LOTS (55'x105')	-
2	RD-10	30 LOTS (40'x105')	3.8

MATHER EAST - ZONE 5

LOT NO.	LAND USE	TOTAL LOTS (TYPICAL LOT SIZE)	TAXABLE ACRES
A-1	CMU/LC	-	4.63
A-2	CMU/LC	-	13.44
A-3	CMU/LC	-	2.40
A-4	CMU (M-F)	238 DU.	12.01

NOTE: TAXABLE ACREAGES EXCLUDE ALL MAJOR STREETS AND LANDSCAPE/DRAINAGE CORRIDORS.

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ATTACHMENT 2

SunRidge-Anatolia Community Facilities District No. 2003-1
Expected Land Uses and Expected Maximum Special Tax Revenues

Column (A)	*Column (B)*	*Column(C)*	*Column (D)*	*Column (E)*
Village and Lettered Lot Designations Within Each Zone [1]	**Expected Lot Size (Single Family) or Land Use**	**Expected # of Single Family Units, Multi-Family Acres or Non-Residential Acres**	**Base Maximum Tax Rate per Unit (Single Family) and Maximum Special Tax per Acre (Multi-Family and Non-Residential) [2]**	**Expected Maximum Special Tax Revenues [2]**
ZONE 1				
Village 1	45' x 105'	111 units	$1,055	$117,105
Village 2	50' x 105'	106 units	$1,055	$111,830
Village 3	60' x 110'	149 units	$1,155	$172,095
Village 4	65' x 115'	117 units	$1,255	$146,835
Village 5	55' x 105'	105 units	$1,155	$121,275
Village 6	55' x 105'	103 units	$1,155	$118,965
Village 7	45' x 105'	132 units	$1,055	$139,260
Village 8	55' x 85'	108 units	$1,155	$124,740
Lot A	RD-10	12.70 acres	$7,000	$88,900
Lot B	Comm (SC)	14.50 acres	$5,000	$72,500
Lot C	Park	5.9 acres	$0	$0
Lot D	School	9.9 acres	$0	$0
Subtotal, Zone 1				**$1,213,505**
ZONE 2				
Village 1	55' x 105'	152 units	$1,155	$175,560
Village 2	60' x 110'	117 units	$1,155	$135,135
Village 3	55' x 105'	56 units	$1,155	$64,680
Village 4	70' x 122'	124 units	$1,255	$155,620
Village 5	70' x 122'	104 units	$1,255	$130,520
Village 6	70' x 122'	92 units	$1,255	$115,460
Village 7	55' x 105'	114 units	$1,155	$131,670
Village 8	45' x 105'	122 units	$1,055	$128,710
Lot A	RD-10	8.95 acres	$7,000	$62,650
Lot B	RD-20	16.78 acres	$0	$0
Lot C	Comm	11.13 acres	$5,000	$55,650
Lot D	Park	3.06 acres	$0	$0
Lot E	School	9.89 acres	$0	$0
Lot F	Park	4.89 acres	$0	$0
Lot G	Rec Center	3.83 acres	$7,000	$26,810
Lot H	Park	20.46 acres	$0	$0
Subtotal, Zone 2				**$1,182,465**

Column (A)	Column (B)	Column(C)	Column (D)	Column (E)
Village and Lettered Lot Designations Within Each Zone[1]	Expected Lot Size (Single Family) or Land Use	Expected # of Single Family Units, Multi-Family Acres or Non-Residential Acres	Base Maximum Tax Rate per Unit (Single Family) or Maximum Special Tax per Acre (Multi-Family and Non- Residential) [2]	Expected Maximum Special Tax Revenues [2]
ZONE 3				
Village 1	65' x 110'	99 units	$1,255	$124,245
Village 2	70' x 122'	96 units	$1,255	$120,480
Village 3	70' x 122'	88 units	$1,255	$110,440
Village 4	65' x 110'	112 units	$1,255	$140,560
Village 5	55' x 105'	110 units	$1,155	$127,050
Village 6	55' x 105'	117 units	$1,155	$135,135
Village 7	55' x 105'	80 units	$1,155	$ 92,400
Village 8	55' x 105'	31 units	$1,155	$ 35,805
Village 9	55' x 105'	47 units	$1,155	$ 54,285
Village 10	55' x 105'	63 units	$1,155	$72,765
Village 11	55' x 105'	36 units	$1,155	$41,580
Lot A	Park	5.0 acres	$0	$0
Subtotal, Zone 3				**$1,054,745**
ZONE 4				
Village 1	55' x 105'	104 units	$1,155	$120,120
Village 2	RD-10	3.8 acres	$7,000	$ 26,600
Subtotal, Zone 4				**$146,720**
ZONE 5				
Lot A-1	Comm	4.63 acres	$5,000	$23,150
Lot A-2	Comm	13.44 acres	$5,000	$67,200
Lot A-3	Comm	2.40 acres	$5,000	$12,000
Lot A-4	Multi-Family	12.01 acres	$5,000	$60,050
Lot A-5	Open Space	5.8 acres	$0	$0
Subtotal, Zone 5				**$162,400**
Expected Maximum Special Tax Revenues in CFD, Fiscal Year 2003-04				**$3,759,835**
CFD Buffer				**($13,975)**
Net Amount of Maximum Special Tax Revenues to Secure Bonds (2003-04)				**$3,745,860**

1. See Attachment 1 for the geographic area associated with each Zone, Village and Lettered Lot.

2. On July 1, 2004 and each July 1 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.

Source of Data: Wood Rodgers, Inc., July 28, 2003

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APPENDIX B

THE APPRAISAL
(Without the Addenda)

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Complete Appraisal
Self-Contained Report

Properties within Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005)
Rancho Cordova, California 95742

Date of Report: November 29, 2005

Prepared For:

Mr. Ted Gaebler, City Manager
City of Rancho Cordova
3121 Gold Canal Drive
Rancho Cordova, California 95670

Prepared By:

P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Eric A. Segal, Appraiser

SJZ Seevers Jordan Ziegenmeyer

Real Estate Appraisal & Consultation

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

SJZ
Seevers
Jordan
Ziegenmeyer

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Real Estate Appraisal & Consultation

November 29, 2005

Mr. Ted Gaebler, City Manager
City of Rancho Cordova
3121 Gold Canal Drive
Rancho Cordova, California 95670

RE: Properties within Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005)
Rancho Cordova, California 95742

Dear Mr. Gaebler:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has analyzed market data for the purpose of estimating the hypothetical market values *(fee simple estate)* of the properties within the Sunridge-Anatolia Community Facilities District (CFD) No. 2003-1 (Series 2003 and 2005), under the assumptions and conditions set forth in this report.

The appraisal report has been conducted 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. This document is presented in a Self-Contained Appraisal Report format and is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

The Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) bond issuance is scheduled to fund certain portions of the public improvements required for the development of the following components: a detached, single-family residential component incorporating 3,210 single-family residential lots, a multifamily residential component encompassing 28 half-plex residential lots, a commercial component comprising five separate sites totaling 46.10 acres and a recreation center site measuring 3.83 acres. The financing is approved to provide improvements to Douglas Road, Jaeger Road, Sunrise Boulevard, Chrysanthy Road and Kiefer Boulevard. These improvements include—but are not limited to—drainage, water, sanitary sewer, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals and other miscellaneous improvements.

The appraised properties, which represent five land areas within the proposed boundaries of Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005), are situated within the southeastern portion of the city of Rancho Cordova and are identified as Zones 1 through 5 in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003.

The boundaries of the Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) generally correspond to Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Zone 1, the northernmost portion of the CFD, is located at the southeast quadrant of Douglas Road and Sunrise Boulevard. Zone 2 is contiguous to Zone 1, along the east line of Sunrise Boulevard, south of the proposed Chrysanthy Road. Zone 3 represents the southernmost portion of the District and is located at the northwest quadrant of Jaeger Road and Kiefer Boulevard. Zone 4 is located south of Chrysanthy Road and west of Jaeger Road and, finally, Zone 5 is located adjacent to Zone 1, along the west line Sunrise Boulevard, south of Douglas Road.

The following tables detail the various land use components comprising Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005).

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
		Anatolia I (Zone 1)			
Village 1	Single-Family	16.60	111	4,725	GMAC (Lennar/U.S. Homes)
Village 2	Single-Family	17.90	106	5,250	Morrison Homes
Village 3	Single-Family	29.80	149	6,600	GMAC (Lennar/U.S. Homes)
Village 4	Single-Family	27.10	117	7,475	GMAC (Lennar/U.S. Homes)
Village 5	Single-Family	19.40	105	5,775	Tim Lewis Communities
Village 6	Single-Family	19.50	80	5,775	Pulte Homes
			23	5,775	William Lyon Homes
Village 7	Single-Family	19.80	132	4,725	GMAC (Lennar/U.S.Homes)
Village 8	Single-Family	18.00	108	4,675	GMAC (Lennar/U.S. Homes)
Lot A (RD-10)	Single-Family	12.70	118	3,182	CH (Anatolia I)
Lot B	Commercial	14.50	-	-	Anatolia, LLC
Total - Zone 1		*195.30*	*1,049*		
		Anatolia II (Zone 2)			
Village 9	Single-Family	29.00	151	5,775	GMAC (Lennar/U.S.Homes)
Village 10	Single-Family	24.40	117	6,600	JTS Communities, Inc.
Village 11	Single-Family	10.10	56	5,775	William Lyon Homes
Village 12	Single-Family	34.20	123	8,540	GMAC (Lennar/U.S.Homes)
Village 13	Single-Family	25.80	104	8,540	JTS Communities, Inc.
Village 14	Single-Family	23.70	92	8,540	Cambridge Homes
Village 15	Single-Family	20.10	114	5,775	GMAC (Lennar/U.S. Homes)
Village 16	Single-Family	19.20	122	4,725	D.R. Horton, Inc.
Lot A (RD-10)	Single-Family	8.95	99	2,500	GMAC (Lennar/U.S. Homes)
Lot C	Commercial	11.13	-	-	Anatolia, LLC
Lot G	Rec. Center	3.83	-	-	Sunridge-Anatolia, LLC
Total - Zone 2		*210.41*	*978*		

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) (Continued)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
		Anatolia III (Zone 3)			
Village 17	Single-Family	21.78	91	7,150	GMAC (Lennar/U.S. Homes)
Village 18	Single-Family	22.97	90	8,540	GMAC (Lennar/U.S. Homes)
Village 19	Single-Family	20.97	82	8,540	GMAC (Lennar/U.S. Homes)
Village 20	Single-Family	25.41	107	7,150	GMAC (Lennar/U.S. Homes)
Village 21	Single-Family	17.40	92	5,775	JTS Communities, Inc.
Village 22	Single-Family	32.33	71	5,775	GMAC (Lennar/U.S. Homes)
			69	5,775	Corinthian Homes
			15	5,775	Centex Homes
Village 23	Single-Family	21.17	21	5,775	GMAC (Lennar/U.S. Homes)
			95	5,775	Centex Homes
Village 24	Single-Family	13.77	53	6,500	GMAC (Lennar/U.S. Homes)
			6	5,775	Corinthian Homes
			6	6,500	JTS Communities, Inc.
Village 25/26 (Basin)	Single-Family	16.70	81	5,775	GMAC (Lennar/U.S. Homes)
Total - Zone 3		*192.50*	*879*		
		Anatolia IV (Zone 4)			
Village 1	Single-Family	19.50	203	2,500	Angelo K. Tsakopoulos
Total - Zone 4		*19.50*	*203*		
		Mather East (Zone 5)			
Lot A-1	Commercial	4.63	-	-	Cemo Commercial, Inc.
Lot A-2	Commercial	13.44	-	-	Donahue Schriber
Lot A-3	Commercial	2.40	-	-	BD Properties, LLC (et al)
Lot A-4	Single-Family	12.01	101	-	RHNC Sundance-Sacramento
	Half-Plex		28		
Total - Zone 5		*32.48*	*129*		
		Other (Tax Exempt Areas)			
Lot C (Zone 1)	Park	5.90	-	-	Sunridge-Anatolia, LLC
Lot D (Zone 1)	School	9.90	-	-	Angelo K. Tsakopoulos, et al
Lot B (Zone 2)	MF/Fire Station/GWTP	16.78	-	-	Anatolia, LLC
Lot D (Zone 2)	Park	3.06	-	-	Sunridge-Anatolia, LLC
Lot E (Zone 2)	School	9.89	-	-	Angelo K. Tsakopoulos, et al
Lot F (Zone 2)	Park	4.89	-	-	Sunridge-Anatolia, LLC
Lot H (Zone 2)	Park	20.46	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 3)	Park	5.00	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 4)	Park	2.60	-	-	Angelo K. Tsakopoulos
Lot A-5 (Zone 5)	Open Space	5.80	-	-	BD Properties, LLC (et al)
Total - Other		*84.28*	-		

With exception of Village 1 within Zone 4, the single-family residential component has either tentative or final map approval from the city of Rancho Cordova. The aforementioned site is anticipated to receive tentative map approval in early 2006. The open space, parks and recreation and public/quasi-public land areas are enveloped, but are not part of the District. These portions will not be encumbered by special taxes and are excluded from this analysis.

We have been requested to provide hypothetical market value estimates by ownership and land use, and 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 hypothetical market value estimates assume the completion of the public facilities to be financed by the Sunridge-Anatolia CFD No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds) and account for the impact of the special tax securing the bonds. In light of the fact the improvements to be financed by the district bonds were not in place as of our date of value (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.

The following estimates represent the hypothetical market values for each ownership entity, as well as the cumulative value of the properties in the District, assuming all improvements to be financed by the Series 2003 and Series 2005 bonds are in place and available for use. Further, the estimate of hypothetical cumulative, or aggregate, value for the components of Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) comprising the subject of this appraisal represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based on an improved lot condition. Specifically, as of November 21, 2005, 300 homes have closed escrow from merchant builders to individual homebuyers, and more than 1,000 additional lots had been issued building permits with homes in various stages of construction. Further, no contributory value is given to permits and fees paid for those homes in various stages of construction.

As a result of our analysis, it is our opinion the hypothetical market values of the subject properties, in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 9 through 11), as of November 21, 2005, are not less than:

Ownership	Completed SFRs*	Hypothetical Market Value
GMAC (Lennar/U.S. Homes)	209	$243,890,000
JTS Communities		$47,260,000
William Lyon Homes		$11,120,000
Corinthian Homes		$10,780,000
Centex Homes		$16,020,000
Pulte Homes		$11,200,000
Morrison Homes	27	$14,640,000
Tim Lewis Communities	18	$14,760,000
Cambridge Homes	5	$25,580,000
D.R. Horton, Inc.	41	$16,390,000
RHNC Sundance-Sacramento		$7,540,000
BD Properties, LLC (et al)		$840,000
Cemo Commercial, Inc.		$1,380,000
Donahue Schriber		$3,770,000
Sunridge-Anatolia, LLC**		$25,760,000
Cumulative Value	**300**	**$450,930,000**

* Includes homes transferred to individual homeowners
** Includes all AKT related entities

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.

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

This letter must remain attached to the report, which contains 161 pages, plus related tables, exhibits and Addenda, in order for the value opinions contained herein to be considered valid.

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

Sincerely,

P. Richard Seevers, MAI
State Cert. No. AG001723
Exp. Date: August 12, 2006

Kevin K. Ziegenmeyer
State Cert. No. AG013567
Exp. Date: June 4, 2007

Eric A. Segal
State Cert. No. AG026558
Exp. Date: February 18, 2007

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Transmittal Letter

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Addenda

- Glossary of Terms
- Preliminary Title Report
- Hearing Report
- Off-Site Allocation Table
- Qualifications of Appraiser(s)

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property: The appraised properties encompass the land areas located within the boundaries of Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005), and subject to the Special Tax securing the bonds.

Location: The subject properties are situated within the southeastern portion of the city of Rancho Cordova. The District is divided into five separate land areas identified as Zones 1 through 5 in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003. The properties are generally located north of Kiefer Boulevard, south of Douglas Road, east of Sunrise Boulevard and west of Jaeger Road.

Land Use: The land areas within the District are comprised of the following components: a detached, single-family residential component incorporating 3,210 single-family residential lots, a multifamily residential component encompassing 28 half-plex lots, a commercial component comprising five separate sites totaling 46.10 acres and a recreation center site measuring 3.83 acres.

Assessor's Parcel Number(s): A complete list of assessor's parcel numbers in Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) is presented in the *Property Identification and Legal Data* section of this report.

Owner(s) of Record: Title to the subject properties is vested with numerous ownership entities, which are detailed in the *Property Identification and Legal Data* section of this report.

Zoning and Entitlements: The various land components representing the subject properties are designated for single-family residential, multifamily residential, commercial and public/quasi-public uses. With exception to Zone 1-Lot A, the land areas within Zones 1 and 2 have a recorded final map. The tentative map for Zone 1-Lot A was approved in September 2005.

Flood Zone: X – 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):

Zone 1	195.30± acres
Zone 2	210.41± acres
Zone 3	192.50± acres
Zone 4	19.50± acres
Zone 5	32.48± acres
Total	650.19± acres

Current Use: Proposed single-family residential, multifamily residential and commercial land areas at various stages of development (improved, partially improved and unimproved).

Highest and Best Use: Completion of the proposed development plan as single-family residential subdivisions, with complimentary multifamily and commercial land uses.

Date of Inspection: November 21, 2005

Effective Date of Value: November 21, 2005

Date of Report: November 29, 2005

Property Rights Appraised: Fee simple estate

Conclusion of Hypothetical Market Values:

Ownership	Completed SFRs*	Hypothetical Market Value
GMAC (Lennar/U.S. Homes)	209	$243,890,000
JTS Communities		$47,260,000
William Lyon Homes		$11,120,000
Corinthian Homes		$10,780,000
Centex Homes		$16,020,000
Pulte Homes		$11,200,000
Morrison Homes	27	$14,640,000
Tim Lewis Communities	18	$14,760,000
Cambridge Homes	5	$25,580,000
D.R. Horton, Inc.	41	$16,390,000
RHNC Sundance-Sacramento		$7,540,000
BD Properties, LLC (et al)		$840,000
Cemo Commercial, Inc.		$1,380,000
Donahue Schriber		$3,770,000
Sunridge-Anatolia, LLC**		$25,760,000
Cumulative Value	**300**	**$450,930,000**

* Includes homes transferred to individual homeowners
** Includes all AKT related entities

The hypothetical market value conclusions are subject to the *General and Extraordinary Assumptions, Limiting Conditions and Significant Factors* referenced on pages 9 through 11 of this report.

<u>**INTRODUCTION**</u>

Property Description

The subject properties represent the land areas within Sunridge-Anatolia Community Facilities District (CFD) No. 2003-1 (Series 2003 and 2005), and subject to the Special Tax securing the bonds. At completion of development, Sunridge-Anatolia CFD will consist of 3,210 single-family residences, a multifamily residential component encompassing 28 half-plex lots, a commercial component comprising five sites totaling 46.10 acres and a recreational center site measuring 3.83 acres. There are also a number of public/quasi-public land areas enveloped, but not part of, the District. These land areas will not be encumbered by special taxes and are excluded from this analysis. The following tables detail the various land use components comprising the District.

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
Anatolia I (Zone 1)					
Village 1	Single-Family	16.60	111	4,725	GMAC (Lennar/U.S. Homes)
Village 2	Single-Family	17.90	106	5,250	Morrison Homes
Village 3	Single-Family	29.80	149	6,600	GMAC (Lennar/U.S. Homes)
Village 4	Single-Family	27.10	117	7,475	GMAC (Lennar/U.S. Homes)
Village 5	Single-Family	19.40	105	5,775	Tim Lewis Communities
Village 6	Single-Family	19.50	80	5,775	Pulte Homes
			23	5,775	William Lyon Homes
Village 7	Single-Family	19.80	132	4,725	GMAC (Lennar/U.S.Homes)
Village 8	Single-Family	18.00	108	4,675	GMAC (Lennar/U.S. Homes)
Lot A (RD-10)	Single-Family	12.70	118	3,182	CH (Anatolia I)
Lot B	Commercial	14.50	-	-	Anatolia, LLC
Total - Zone 1		*195.30*	*1,049*		
Anatolia II (Zone 2)					
Village 9	Single-Family	29.00	151	5,775	GMAC (Lennar/U.S.Homes)
Village 10	Single-Family	24.40	117	6,600	JTS Communities, Inc.
Village 11	Single-Family	10.10	56	5,775	William Lyon Homes
Village 12	Single-Family	34.20	123	8,540	GMAC (Lennar/U.S.Homes)
Village 13	Single-Family	25.80	104	8,540	JTS Communities, Inc.
Village 14	Single-Family	23.70	92	8,540	Cambridge Homes
Village 15	Single-Family	20.10	114	5,775	GMAC (Lennar/U.S. Homes)
Village 16	Single-Family	19.20	122	4,725	D.R. Horton, Inc.
Lot A (RD-10)	Single-Family	8.95	99	2,500	GMAC (Lennar/U.S. Homes)
Lot C	Commercial	11.13	-	-	Anatolia, LLC
Lot G	Rec. Center	3.83	-	-	Sunridge-Anatolia, LLC
Total - Zone 2		*210.41*	*978*		

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) (Continued)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
Anatolia III (Zone 3)					
Village 17	Single-Family	21.78	91	7,150	GMAC (Lennar/U.S. Homes)
Village 18	Single-Family	22.97	90	8,540	GMAC (Lennar/U.S. Homes)
Village 19	Single-Family	20.97	82	8,540	GMAC (Lennar/U.S. Homes)
Village 20	Single-Family	25.41	107	7,150	GMAC (Lennar/U.S. Homes)
Village 21	Single-Family	17.40	92	5,775	JTS Communities, Inc.
Village 22	Single-Family	32.33	71	5,775	GMAC (Lennar/U.S. Homes)
			69	5,775	Corinthian Homes
			15	5,775	Centex Homes
Village 23	Single-Family	21.17	21	5,775	GMAC (Lennar/U.S. Homes)
			95	5,775	Centex Homes
Village 24	Single-Family	13.77	53	6,500	GMAC (Lennar/U.S. Homes)
			6	5,775	Corinthian Homes
			6	6,500	JTS Communities, Inc.
Village 25/26 (Basin)	Single-Family	16.70	81	5,775	GMAC (Lennar/U.S. Homes)
Total - Zone 3		*192.50*	*879*		
Anatolia IV (Zone 4)					
Village 1	Single-Family	19.50	203	2,500	Angelo K. Tsakopoulos
Total - Zone 4		*19.50*	*203*		
Mather East (Zone 5)					
Lot A-1	Commercial	4.63	-	-	Cemo Commercial, Inc.
Lot A-2	Commercial	13.44	-	-	Donahue Schriber
Lot A-3	Commercial	2.40	-	-	BD Properties, LLC (et al)
Lot A-4	Single-Family	12.01	101	-	RHNC Sundance-Sacramento
	Half-Plex		28		
Total - Zone 5		*32.48*	*129*		
Other (Tax Exempt Areas)					
Lot C (Zone 1)	Park	5.90	-	-	Sunridge-Anatolia, LLC
Lot D (Zone 1)	School	9.90	-	-	Angelo K. Tsakopoulos, et al
Lot B (Zone 2)	MF/Fire Station/GWTP	16.78	-	-	Anatolia, LLC
Lot D (Zone 2)	Park	3.06	-	-	Sunridge-Anatolia, LLC
Lot E (Zone 2)	School	9.89	-	-	Angelo K. Tsakopoulos, et al
Lot F (Zone 2)	Park	4.89	-	-	Sunridge-Anatolia, LLC
Lot H (Zone 2)	Park	20.46	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 3)	Park	5.00	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 4)	Park	2.60	-	-	Angelo K. Tsakopoulos
Lot A-5 (Zone 5)	Open Space	5.80	-	-	BD Properties, LLC (et al)
Total - Other		*84.28*	-		

The appraised properties are situated in the southeastern portion of the city of Rancho Cordova and are identified as Zones 1 through 5 in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003. The boundaries of the Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) generally correspond to Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Zone 1, the northernmost portion of the CFD, is located at the southeast quadrant of Douglas Road and Sunrise Boulevard. Zone 2 is contiguous to

Zone 1, along the east line of Sunrise Boulevard, south of the proposed Chrysanthy Road. Zone 3 represents the southernmost portion of the District and is located at the northwest quadrant of Jaeger Road and Kiefer Boulevard. Zone 4 is located south of Chrysanthy Road and west of Jaeger Road and, finally, Zone 5 is located adjacent to Zone 1, along the west line Sunrise Boulevard, south of Douglas Road.

The subjects' immediate area is currently comprised of agricultural land with rural residential development. However, the area is on the verge of change, as there are a variety of land uses, including single and multifamily residential, commercial and recreational uses to be incorporated into the area in the near-term.

Type and Definition of Value

The purpose of this appraisal is to estimate the hypothetical market values of the subject properties (*fee simple estate*), assuming the completion of the primary infrastructure and facilities to be financed by the Sunridge-Anatolia Community Facilities District No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds). Market value is defined as follows:

Market Value: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, 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.[1]

In light of the fact all the improvements to be financed by the District bonds were not in place as of the date of value (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. Additionally, the estimates of hypothetical market value are representative of the individual

[1] Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.

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.

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.[2]

The rights appraised are also 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 the value estimate reflects the completion of the public facilities to be financed by bonds and accounts for the impact of the Special Tax securing the bonds.

Type of Appraisal and Report Format

This report documents a Complete Appraisal of the subject properties. It is presented in a Self-Contained Appraisal Report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

Dates of Inspection, Value and Report

An inspection of the subject properties was completed on November 21, 2005, which represents the effective date of hypothetical market value. This appraisal report was completed and assembled on November 29, 2005.

Scope of the Appraisal

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

[2] The Dictionary of Real Estate Appraisal, 4^{th} ed. (Chicago: Appraisal Institute, 2002), 113.

We researched and documented several legal and physical aspects of the subject properties. A physical inspection of the properties was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Ryan Fong, a representative of River Rock Development Company, and Jack Sevey, with Lennar Communities, Inc, regarding the property history and development information. The sales history was verified by consulting public records. Various documents were provided for the appraisal, including developers' budgets, 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 subjects' 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 properties 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 market value estimates.

We have been requested to provide estimates of hypothetical market value for the subject properties by both ownership and land use. The subdivision development method to value (discounted cash flow analysis) was relied upon to derive estimates of hypothetical market value. As a component of the subdivision development method, the sales comparison approach and extraction technique were employed to estimate value for the typical, or predominate, production residential lot configuration (5,775 square feet) within the subject properties. Then, we utilized the data set and other market indicators to establish the incremental value difference between each of the lot groupings either smaller or larger than the subjects' 5,775 square foot lots. The sales comparison approach was also employed to estimate revenue for the commercial and multifamily components. The resultant value indicators were incorporated into a discounted cash flow analysis to estimate the hypothetical market values of the subject properties, assuming the completion of the improvements to be financed by the Sunridge-Anatolia CFD No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds). The sum of the hypothetical market values for the various components 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. Further, the estimate of hypothetical cumulative, or aggregate, value for the components of Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) comprising the subject of this appraisal represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based on an improved lot condition. Specifically, as of November 21, 2005, 300 homes have closed escrow from

merchant builders to individual homebuyers, and more than 1,000 additional lots had been issued building permits with homes in various stages of construction. Further, no contributory value is given to permits and fees paid for those homes in various stages of construction.

There are two land areas identified as Zone 1, Lot A and Zone 2, Lot A that have a zoning ordinance of RD-10, a medium density land use designation permitting either single-family or multifamily residential development. The owners/developers have approved tentative maps and are proposing to construct medium density, detached single-family residences on these properties, which is in accordance with our conclusion of highest and best use.

A 3.83-acre site is centrally located in the Anatolia master planned community and is designated for a proposed recreation center identified as The Club at Anatolia. The site is situated within the Special Tax district and has a proposed maximum tax rate of $7,000 per acre, similar to the RD-10 sites. In light of the fact there have been no recent sales of land designated for recreation centers, we evaluated this site based on its highest and best *economic* use. In consideration of the surrounding uses, the recreational center site could be developed into medium density, detached single-family residences. Therefore, we estimated the hypothetical market value for this site in the same manner as the RD-10 land areas.

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

EXTRAORDINARY ASSUMPTIONS AND SIGNIFICANT FACTORS

1. *The estimates of hypothetical market value contained within this report assume the completion of the public infrastructure improvements to be financed by the Sunridge-Anatolia Community Facilities District No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds). In summary, the funds will be used for improvements to drainage, water, sewer, park improvements and other miscellaneous expenses.*

2. *The values derived in this report are directly tied to a combination of maps prepared by Wood Rogers, Inc. Any significant change in the proposed use or development of the subject properties would likely alter the values contained herein.*

3. *We have been provided site development cost projections for the subject properties. In comparing these costs with the in-tract costs for other residential developments, it appears the budgeted costs are reasonable. Any significant variations from the cost projections used in this analysis could have an impact on the values concluded in this report. We requested site development cost estimates for each of the individual villages; however, budgets were not available for the recreational center site and Village 1 within Zone 4. Therefore, in calculating revenues for these villages, we analyzed the development budget for the balance of the villages within Anatolia and applied average site development costs based on typical lot sizes. For example, site development costs for the RD-10 site within Zone 1 (3,182 square foot typical lot size) average approximately $28,000 per lot. As such, we will deduct this amount from the loaded lot indicators of the villages with a similar typical lot size.*

4. *There are several properties under the ownership of either Sun Ridge, LLC, Sunridge-Anatolia, LLC, Anatolia, LLC, Angelo K. Tsakopoulos, et al and Angelo K. Tsakopolous. These ownership entities are related, with Sun Ridge, LLC serving as a land holding group, Sunridge-Anatolia, LLC acting as the master developer, and the remaining entities as investors. Due to the relationship between these ownership interests, all are considered, and valued, collectively as the master developer.*

5. *The tentative map application for Village 1 within Zone 4 has been submitted and is pending approval. It is assumed the tentative map will be approved as planned so as not to impede the development timeline.*

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 a personal inspection of the properties that are the subject of this report;
- Kevin K. Ziegenmeyer and Eric A. Segal, Appraisers, also inspected the subject properties and provided significant real property 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; and
- 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

P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2006)

CERTIFICATION OF VALUE

I certify, 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 properties that are the subject of this report.
- Eric A. Segal, Appraiser, also inspected the subject properties and provided significant real property 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;
- P. Richard Seevers, MAI, reviewed 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.

KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2007)

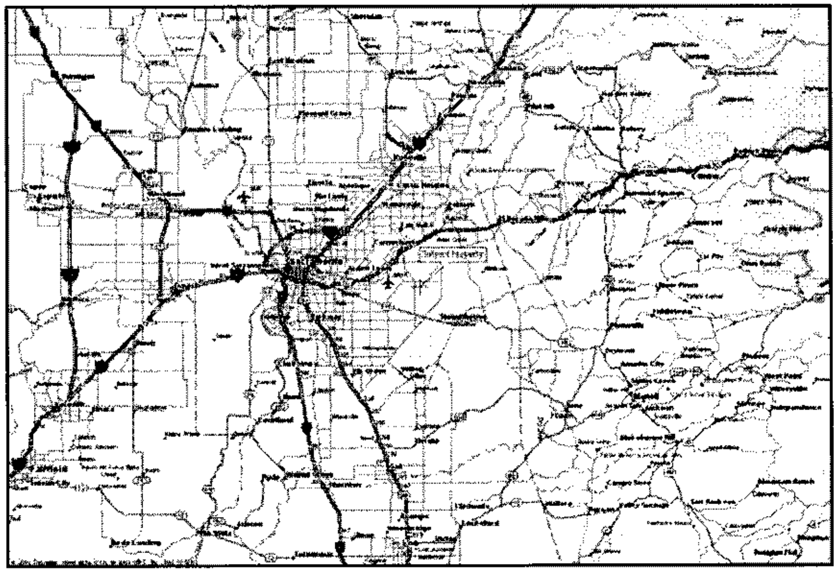
CERTIFICATION OF VALUE

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 properties that are the subject of this report.
- P. Richard Seevers, MAI, reviewed 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.

ERIC A. SEGAL, APPRAISER
State Certification No.: AG026558 (Expires: February 18, 2007)

SACRAMENTO METROPOLITAN AREA REGIONAL OVERVIEW



Introduction

Traditionally, the Sacramento Area has been defined as the Sacramento-Yolo Consolidated Metropolitan Statistical Area (CMSA), which includes the four counties of Sacramento, Placer, El Dorado and Yolo. In recent years, however, several local research and trade organizations, including the Sacramento Area Commerce and Trade Organization (SACTO), have expanded their definitions of the Sacramento Area to include Yuba and Sutter Counties to the north. For purposes of this analysis, we will follow this recent trend and define the Sacramento Area as the six-county region (Sacramento, Placer, El Dorado, Yolo, Yuba and Sutter).

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, governmental, and environmental influences within the region. In the final section, we will summarize the impact that these forces have on the desirability of the region and local property values.

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 this region is the County of Sacramento, 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 Capitol of California. Surrounding Sacramento are a number of smaller towns and communities, including college towns, tourist destinations, suburban communities, and agricultural centers. The city of Sacramento is approximately 385 miles north of Los Angeles, 500 miles south of the Oregon border, 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 Mountains. The American River and the Sacramento River are the two major waterways in the region. The American River flows from the east and travels west along the southern portion of the Sacramento Area and joins the Sacramento River just northwest of Sacramento's Central Business District. The Sacramento River flows from the north and 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 above 100° in the summer on the valley floor, and heavy rain and snowfall can occur during winter in the northeastern part of the region in the mountainous areas of Placer and El Dorado counties. The climate of Sacramento is warm and dry in the summer with an average daytime high temperature of 93°F, and a cool 58° at night. During Sacramento's winter, average temperatures range from 37° to 52°. During Sacramento's rainy season, November to April, an accumulation of 16 to 20 inches of rain is normal.

Besides the relatively mild climate, the region is also known for its 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 land located in an Earthquake Fault Zone, 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 State 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 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, kayaking, sailing, rafting, 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 forest, and the beaches of the Pacific Ocean. To the east are Lake Tahoe and the Sierra Nevada Mountains, which are home to more than 10 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 also 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, Sacramento has 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. Sacramento hosted the track and field qualifying trials for the 2000 and 2004 Summer Olympics. Several professional golf tournaments have been hosted at area courses. Sacramento often hosts playoff games for the National Collegiate Athletic Association (NCAA) men's basketball championship tournament.

Population

The Sacramento Area is among the fastest growing metropolitan areas in the United States. The population grew by 20% between 1990 and 2000, and by another 10% between 2000 and 2004. This strong growth is attributed primarily to the in-migration of residents from other California and U.S. urban areas. The following table shows historical population growth in the six-county region.

POPULATION TRENDS

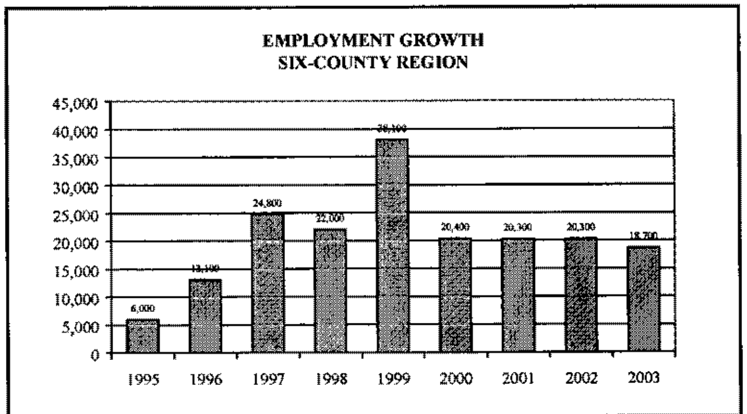
County	2000	2001	2002	2003	2004	Avg. Annual Growth
El Dorado	156,299	159,600	162,800	165,900	168,100	1.9%
Placer	248,399	260,300	272,100	283,500	292,100	4.4%
Sacramento	1,223,499	1,249,200	1,282,600	1,311,700	1,335,400	2.3%
Sutter	78,930	80,200	81,800	83,800	85,500	2.1%
Yolo	168,660	172,500	177,300	181,100	184,500	2.3%
Yuba	60,219	61,300	62,600	63,800	64,800	1.9%
Total	1,936,006	1,983,100	2,039,200	2,089,800	2,130,400	2.5%

Source: California Department of Finance

The population in the region is expected to continue growing. According to the State Department of Finance, the population in the Sacramento Area is projected to increase nearly 40% between 2000 and 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. Most of the population is concentrated in the region's major cities, including Sacramento, Folsom, Roseville, Rocklin, Auburn, Placerville, Woodland, Yuba City and Marysville.

Employment

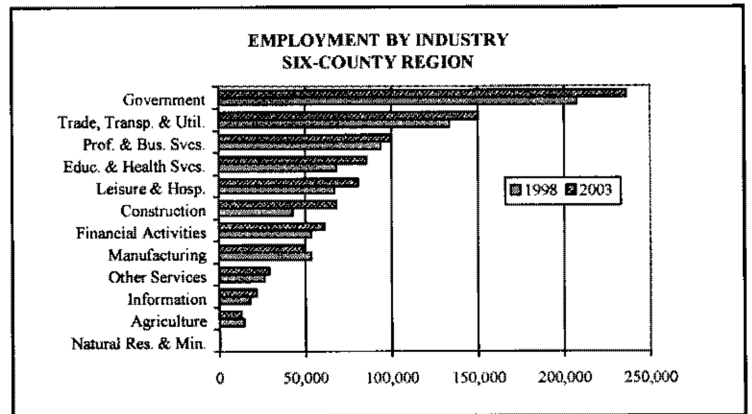
According to the State Employment Development Department (EDD), the Sacramento metropolitan area represents one of the strongest employment centers in California, despite some slowing in the employment growth rate in recent years. During the last four years, a period of statewide and national economic instability, employment in the Sacramento region grew at a steady 18,000 to 20,000 jobs per year, which is about a 2% annual growth rate. The following table exhibits employment growth in the region over the past decade.



Source: Sacramento Area Commerce and Trade Organization (SACTO),
Greater Sacramento Area 2004/2005 Economic Profile

During the past several 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. The region is developing a large high technology research and manufacturing base and has become a western hub for data processing, customer call centers and other corporate back office support activities. The government sector's proportion of total employment is getting smaller as the region grows and diversifies.

The following chart compares the region's employment by industry in 1998 and 2003. During this five-year period, the Construction sector experienced the largest percentage increase in jobs (+59%), followed by Educational & Health Services (+25%), Information (+21%), and Leisure & Hospitality (+20%). The only sectors to experience negative job growth were Agriculture (-12%) and Manufacturing (-9%). Overall, the region is continuing to shift from a goods-producing economy to a service-providing economy.



Source: Sacramento Area Commerce and Trade Organization (SACTO),
Greater Sacramento Area 2004/2005 Economic Profile

Government employment, however, is still very significant in the Sacramento region. In fact, government entities (including universities and school districts) account for about 27% of total employment in the region. The State of California, with its main offices situated primarily throughout Downtown Sacramento, is the region's largest employer, with over 70,000 employees. UC Davis ranks second with about 15,000 employees, and Sacramento County is third with approximately 12,000 employees. Overall, government employment in the Sacramento region increased nearly 14% between 1998 and 2003. This growth rate has slowed in the last year or two due to the State budget situation.

The region's largest non-government employers are listed in the following table, in order of number of employees.

TOP 10 PRIVATE EMPLOYERS
FOUR-COUNTY REGION*

Company	Industry	Year Est. in Area	No. of Employees
Raley's Inc.	Retail grocery	1935	7,340
Sutter Health Sacramento Sierra	Healthcare	1923	7,314
Kaiser Permanente	Healthcare	1965	7,037
Intel Corp.	Semiconductors	1984	7,000
CHW/Mercy Healthcare Sacramento	Healthcare	1896	6,615
SBC	Telecommunications	1881	5,300
Hewlett-Packard Co.	Computer hardware	1979	4,500
Target Corp.	Retail	N/Av	4,158
Wells Fargo	Financial services	1852	3,145
Wal-Mart Stores Inc.	Retail	1991	2,950

Source: Sacramento Business Journal, Top 25 Book of Lists 2004
* Sacramento, Placer, El Dorado and Yolo Counties

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

LABOR FORCE AND EMPLOYMENT TRENDS

Sacramento County	1990	1995	2000	Nov. 2003	Nov. 2004
Labor Force	533,600	538,900	602,900	657,600	661,400
Employment	509,700	502,100	577,400	620,900	628,800
Unemployment Rate	4.5%	6.8%	4.2%	5.6%	4.9%
El Dorado County					
Labor Force	65,200	72,700	77,300	84,100	83,900
Employment	62,400	67,700	74,100	79,800	80,100
Unemployment Rate	4.4%	6.9%	4.1%	5.1%	4.5%
Placer County					
Labor Force	91,500	102,900	125,600	141,900	144,100
Employment	87,700	96,500	121,600	135,300	138,200
Unemployment Rate	4.1%	6.2%	3.1%	4.6%	4.1%
Yolo County					
Labor Force	76,100	87,300	93,100	97,100	101,200
Employment	71,000	81,300	89,100	91,600	96,100
Unemployment Rate	6.7%	6.9%	4.3%	5.6%	5.1%
Yuba County					
Labor Force	22,900	21,200	21,200	22,300	20,900
Employment	20,500	18,000	18,700	19,400	18,400
Unemployment Rate	10.3%	15.0%	11.8%	12.9%	11.9%
Sutter County					
Labor Force	34,200	34,600	36,700	38,800	36,700
Employment	29,500	28,600	31,900	33,400	31,700
Unemployment Rate	13.7%	17.2%	13.1%	13.9%	13.6%
TOTAL REGION					
Labor Force	823,500	857,600	956,800	1,041,800	1,048,200
Employment	780,800	794,200	912,800	980,400	993,300
Unemployment Rate	5.2%	7.4%	4.6%	5.9%	5.2%

Source: State of California Employment Development Department,
Labor Market Information Division

According to the State Employment Development Department (EDD), the unemployment rate in the Sacramento region was 5.2% as of November 2004, which marks a decrease from 5.9% a year ago. This compares to 5.6% for the state of California, and 5.2% 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. Several local forecasting organizations expect full-time hiring to continue to pick up in 2005. It is noted Sutter and Yuba Counties have relatively high unemployment rates, due in large part to a greater dependence on agricultural employment, which tends to be seasonal.

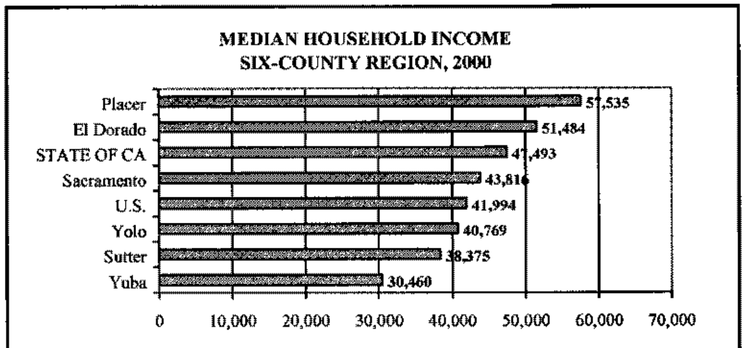
Most local experts and forecasting organizations expect employment growth in the Sacramento Area to improve for 2005. According to a forecast by the California Institute for County Government, a group affiliated with California State University Sacramento, job growth is expected to reach 2% to

3% in the Sacramento Area by the third quarter of 2005. The forecast expects a decline in government hiring, which should be more than offset by growth in private sector hiring.

According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in services, trade and government.

Personal Income

The following chart shows median household income by county for the six counties within the Sacramento region, as well as the state and nation, as of the 2000 Census.



Source: U.S. Census Bureau, 2000 Census

As indicated in the chart above, Placer County exhibits the highest personal income in the region. This is attributed in part to the large degree of high-tech employment in the county, and a significant amount of in-migration of high-income households from the Bay Area. Sutter and Yuba Counties have the lowest incomes, due in large part to significant agricultural employment in these areas.

For the past several decades, the Sacramento region has been characterized by steadily increasing personal income levels. The following table depicts recent income trends and projections for the six-county region.

PERSONAL INCOME TRENDS
SIX-COUNTY REGION

Income	2000 Census	2003 Estimate	% Chg	2008 Projection	% Chg
Average Household	$58,376	$65,451	12.1%	$75,159	14.8%
Median Household	$45,714	$50,010	9.4%	$57,809	15.6%
Per Capita	$21,849	$24,278	11.1%	$27,668	14.0%

Source: Claritas Inc., Demographic Trend Report

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. The Sacramento County Office of Education operates Regional Occupational Programs (ROP) for high school students and adults that offer a variety of classes and training. Vocational schools in the area offer various technical and business related programs. There are a number of community colleges within the greater Sacramento region. Sierra College is a fully accredited, two-year college with the main campus located in Rocklin. The Los Rios Community College District offers five local campuses: American River, Cosumnes River, Sacramento City, the El Dorado Center, and the Folsom Lake Center. Two large universities, California State University Sacramento (CSUS) and the University of California Davis (UCD), are located in the region and are recognized throughout the nation. Finally, bachelor and graduate degrees are offered through several private schools, such as Chapman University, Golden Gate University, William Jessup University, McGeorge School of Law, University of Southern California, University of Phoenix, and others. At least two additional private universities are planning to open in the Sacramento area in the coming years.

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.

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 transportation systems.

Sacramento's freeway system has over 800 miles of maintained state highways in the region. 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 Highway 99. Highways 65 and 70 link Yuba and Sutter Counties with the rest of the Sacramento Area. Interstate 5 provides a direct route to Redding, Portland and Seattle to the north and Los Angeles to the south. Interstate 80 permits travel to Reno and Salt Lake City 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. 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. In 2003, many promising transportation projects were on the drawing board; however, most of these projects are now being delayed several months or years because the region has failed to meet Federal clean-air standards that are required for Federal funding. In addition, the State budget has reduced financing for transportation projects. One project that is underway involves improving and reconfiguring the Douglas Boulevard interchange on Interstate 80. Another project in the planning pipeline is the 15-mile Placer Parkway, which would provide a new east-west route between Highway 99/70 in Sutter County and Highway 65 in Roseville. The road would be 250 feet wide and contain either four or six lanes. A bypass of Highway 65 around the city of Lincoln is also being planned.

The major public transit system in the Sacramento Area is operated by Sacramento Regional Transit (RT), with additional service provided by several regional public and private transit companies. Regional Transit covers a 340-square mile service area that is serviced by 240 buses and 65 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 September 2004, RT set a new record for combined bus and light rail daily ridership of more than 120,000 passengers. This figure reflects the many new passengers taking advantage of the South Line and Sunrise light rail extensions. RT's combined bus and light rail ridership is up 21% compared to last year. During the next 10 years, RT plans to extend even further, adding new tracks that will reach Folsom to the east, Elk Grove to the south, Natomas and the Sacramento International Airport to the north, and Davis to the west. The Amtrak/Folsom Corridor Project, with extensions to the city of Folsom and the Sacramento Valley Amtrak Station, is expected to begin service in October 2005. This route will add seven new light rail stations and four park-n-ride lots, providing a viable transportation alternative for Highway 50 corridor commuters.

The City of Sacramento is currently considering a transit-oriented village at Highway 50 and 65 Street, near California State University Sacramento. The transit village would incorporate high-density housing above street-level retail adjacent to a light-rail station. A bike path tunnel would connect with the university. Funding is not yet available, but the proposed village is located within a redevelopment zone that is expected to generate funding options for the project. Planners estimate the project would take 20 years to fully build out.

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

Finally, the region 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, JetBlue began service out of Sacramento, with direct flights to New York City, Washington D.C. and other destinations. Also in 2004, Sacramento International opened a multi-story, 5,300-stall parking garage. Over 9 million passengers traveled through Sacramento International Airport during fiscal year 2003/2004. 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 process over 250 million pounds of air freight per year.

Public Utilities

Residents and businesses in the region receive natural gas from Pacific Gas & Electric (PG&E), and electric power from Sacramento Municipal Utility District (SMUD), PG&E, Roseville Electric, and Sierra Pacific Power. The passage of Assembly Bill 1890 in September 1996 resulted in open competition in California's electricity generation on March 31, 1998. This bill requires investor-owned utilities, such as PG&E, to allow their customers to choose from which company they want to buy their electricity. Deregulation in the electricity market caused a shake-up throughout the state, with several months of drastic inflation in prices in 2000 and 2001, when a number of power generators controlled the market and charged inflated prices to utility companies such as PG&E. Since that time, prices have stabilized and the situation is no longer considered a crisis.

Environment

As the region expands, various environmental issues, such as water supply and quality, air quality, flood control, endangered habitat/species, and open space preservation, are becoming significant issues. Numerous environmental groups and organizations are constantly addressing these issues as they pertain to the Sacramento region.

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, only 70 miles east of Sacramento, normally provide a plentiful water supply during the dry summer months. According to the State Department of Water Resource's California Water Plan, approximately 30% of the Sacramento River Region is irrigated with groundwater.

Water supply and quality issues are among the most important 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. Water years 2001 and 2002 were dry years throughout California, following six years of wet to average conditions. Water year 2003 was dry to average. The outlook for winter 2004-2005 calls for average conditions in the Sacramento region, with an ample supply of water to meet the needs for development. However, 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. This area is designated a severe ozone "non-attainment area" by the U.S. Environment 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. 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. Vehicles and other mobile sources cause about 70% of this region's air pollution problem.

In the past decade, air quality has improved in the Sacramento region. Some of the things that have helped air quality are: cleaner cars, smog check requirements, vapor recovery nozzles on gas dispensers, reformed gas, state-wide 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. In 1988, Sacramento County voters passed Measure A, a one-half cent sales tax increase which provided one-sixth cent to

Regional Transit, and allowed for the purchase of 135 buses fueled with natural gas. The buses emit the lowest level of pollutants of any internal combustion engine bus manufactured in North America, making a major contribution to a reduction in air pollution. In September 2004, the California Air Resources Board approved a landmark regulation that requires automakers to begin selling vehicles with reduced greenhouse gas emissions by model year 2009.

Another environmental concern in the area is flooding. Sacramento's location along two major rivers and several tributaries has resulted in a number of flooding issues. Major floods occurred in multiple areas in 1986 and 1997. The majority of flood problems 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 recent years, in early 2005 the Federal Emergency Management Agency (FEMA) will revise 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 will no longer be required to maintain flood insurance. In 2006, another new map may declare neighborhoods in the southern portion of the county out of the 100-year floodplain as well.

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 when it is completed, Sacramento will have reached SAFCA's goal of 200-year flood protection for the entire region.

With the rapid increase of 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 south Placer County, 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, which are primary habitats for various endangered species. The U.S. Fish and Wildlife Service intends to designate 154,000 acres in the four-county Sacramento region as critical habitat for 15 species of plants and animals that live in seasonal wetlands known as vernal pools. According to Fish and Wildlife, this measure could cost landowners in the Sacramento Area about $25 million over the next 20 years, primarily in lost land values and consultation and mitigation fees. Local landowners and their representatives believe this cost is likely to be much higher – possibly surpassing $500 million or even $1 billion.

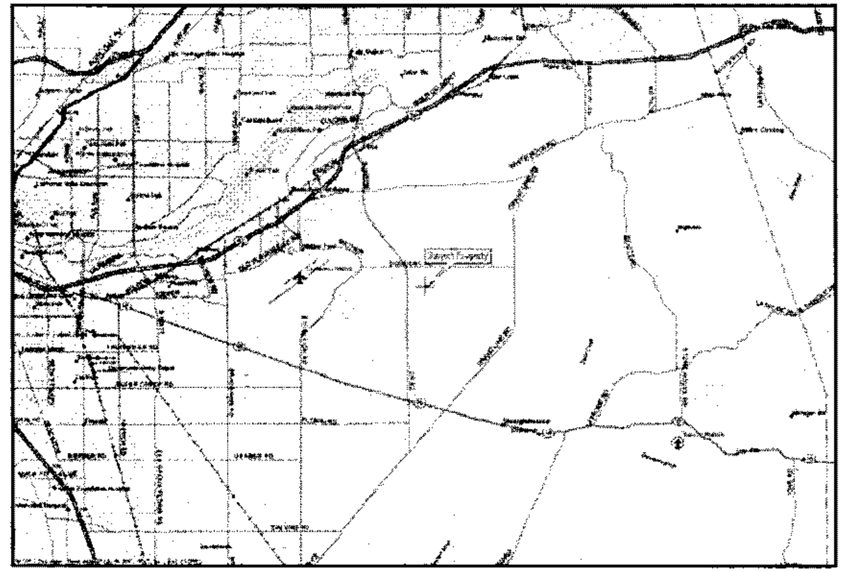
Summary

The Sacramento region is an integral part of the state in terms of population, employment, government and economic productivity. The region has established itself as one of the strongest economies in California, and recent data show this trend is continuing. The region offers several geographical, social and economic advantages that have induced businesses and families to relocate to the Sacramento region from other California and U.S. urban areas. In 2003, the Milken Institute, a highly regarded economic research organization, ranked Sacramento 15th out of 296 U.S. metropolitan areas for "best-performing" cities 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 a short-term recession. The weakening economy was attributed to several factors, including the energy crisis, the rapid slowdown in the technology sector, the events of September 11, 2001, national and international recessions, and the State budget crisis. During the year 2004, the Sacramento region experienced large gains in the housing market and moderate job growth. Continued improvements in the local economy, particularly in terms of job growth, are anticipated in 2005.

The long-term outlook for the region is very good. Characterized by a mild climate, seismic stability, an adequate water supply, and coupled with relatively affordable housing, ample recreational and cultural opportunities and good transportation systems, Sacramento has secured a locational advantage over similar sized markets. 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, with stable to rising property values expected for most areas.

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." [3]

Neighborhood Boundaries

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

The subject properties are 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

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

appraised properties are 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 subjects' 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 subjects' 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 subjects' 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 properties are 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 subjects' immediate area is primarily comprised of rural residential and agricultural uses. However, there are a number of land uses located just outside the subjects' area, including office, retail, multifamily housing projects, light industrial and public service facilities such as schools, churches, hospitals, recreational and cultural facilities.

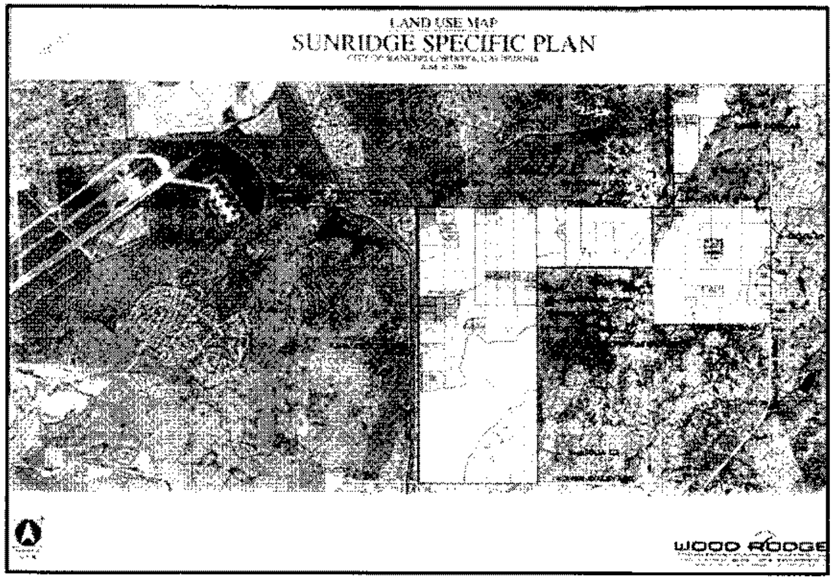
Office and industrial development is generally situated along Sunrise Boulevard, north of the subject properties and south of U.S. Highway 50. While the Rancho Cordova residential market is considered to be mature, there are several newer single-family residential projects in the area. KB Homes sold-out 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 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 have began marketing and sales of new residences.

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

Sunridge Specific Plan

The subject properties are 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 was a lawsuit filed challenging the adequacy of the environmental impact report (EIR), which sought as relief invalidation of the 2002 approval of the Sunridge Specific Plan. Most, but not all, of the issues arose under the California Environmental Quality Act (CEQA). The case has proceeded through a trial court and appeals court, both of which unanimously upheld the EIR; however, the California Supreme Court has accepted the case for review. The City presently estimates final resolution may not be until 2007 or 2008. It should be noted no action has been taken to stop development in the Sunridge Specific Plan area from continuing, and construction planned and underway has not been affected by the lawsuit.

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 properties.

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, parks and two school sites. Additionally, this development has approximately 481.6 gross acres allocated to open space and wetland preserve. As proposed, the project will be developed in four separate phases.

<u>Phase I</u>

There are nine individual villages allocated to the development of 1,049 lots in Phase I 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.

<u>Phase II</u>

Phase II is comprised of three parks, a school site, a fire station, ground water treatment plant, a commercial site, a multifamily site, and nine individual villages allocated to the development of 978 lots. The lots in Phase II range in size from 2,500 to 8,540 square feet. Furthermore, intended to be the centerpiece of the community, a 11,000 square foot recreational center, identified as The Club at Anatolia, is proposed for development on a 3.83-acre site. This recreational center will feature a large fitness area, aerobics/meeting rooms, lounges and gathering areas. The exterior amenities are expected to include a swimming pool, children's pool, spa and gazebos. The operation and

maintenance of The Club will be funded by a proposed Homeowners Association (HOA) in the amount of $73.50 per unit, per month, plus $30 per month for a cable television package that is projected to affect Phases I, II and IV.

<u>Phase III</u>

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

<u>Phase IV</u>

Phase IV is located at the southwest quadrant of Chrysanthy Road and Jaeger Road. This phase will be comprised of 203 single-family residential lots, plus a 2.6-acre park site.

With exception to Village 1 within Zone 4, the single-family residential villages have either tentative map or final map approval from the city of Rancho Cordova. The aforementioned site is scheduled to receive tentative map approval in early 2006.

<u>Mather East</u>

Mather East is located at the southwest quadrant of Douglas Road and Sunrise Boulevard, and includes three parcels of land intended for commercial development and one multifamily component proposed for 101 single-family residential (cluster) lots and 28 half-plex lots.

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 Phases I and II 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. There have been numerous pre-sales, and more than half the homes in Villages 1 through 16 are under construction.

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 subjects' market area is planned for residential development. The Sunrise Douglas community plan, as well as the Sunridge Specific Plan, is on the verge of growth as an emerging residential community in the Rancho Cordova area.

Given the continued improving market conditions in the residential sector of Sacramento, the subject properties seem poised to benefit from the demand of new homebuyers seeking attractive communities located proximate to one of the region's largest suburban office market (Rancho Cordova), as well as the Sacramento Central Business District.

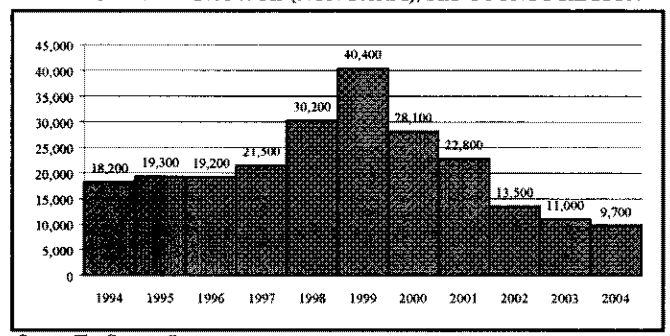
SACRAMENTO METROPOLITAN AREA HOUSING MARKET OVERVIEW

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 the 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 total non-farm employment growth in the Sacramento Region over the past decade.

EMPLOYMENT GROWTH (NON-FARM), SIX-COUNTY REGION



Source: The Gregory Group

Since peaking in 1999, job growth in the region has gradually decreased each year. Some local analysts, economists and industry experts have cited concerns about the slowdown in job growth and its ultimate impact on the housing market. However, job growth has remained positive and the housing market has continued to show solid growth over the past few years.

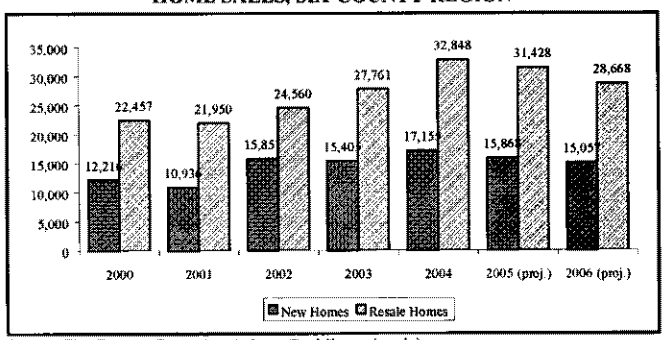
Based on information provided by The Gregory Group, a local enterprise tracking the regional housing market, and the California Employment Development Department (EDD), between September 2004 and September 2005, the total number of non-farm jobs in the Sacramento Region increased by 29,600 jobs, or by 3.4%. Currently the region's non-farm employment is 912,000. The Construction industry recorded an increase of 2,100 jobs (+2.8%); the Services industry grew by 18,500 jobs (+3.7%); and the Manufacturing industry grew by 2,900 jobs (+5.9%). The Government industry posted a gain of 4,900 (+2.2%) jobs over the past year. The unemployment rate in the Sacramento MSA was 4.6% as of September 2005, which is down from the year-ago estimate of 5.2%.

For the coming year, most experts predict moderate job growth in the range of 1-3% for the Sacramento Region. Beyond that, the long-term outlook for employment in the region is good. According to EDD, employment in Sacramento County is projected to grow 19% between 2001 and 2008. The projections for the other counties in the region are as follows: 26% for El Dorado, 37% for Placer, 15% for Yolo, and 13% for Yuba and Sutter. In terms of employment industries, the largest gains are expected to occur in Services, Trade and Government.

Historical Trends

The following chart exhibits the number of home sales in the Sacramento Region, both resale and new.

HOME SALES, SIX-COUNTY REGION

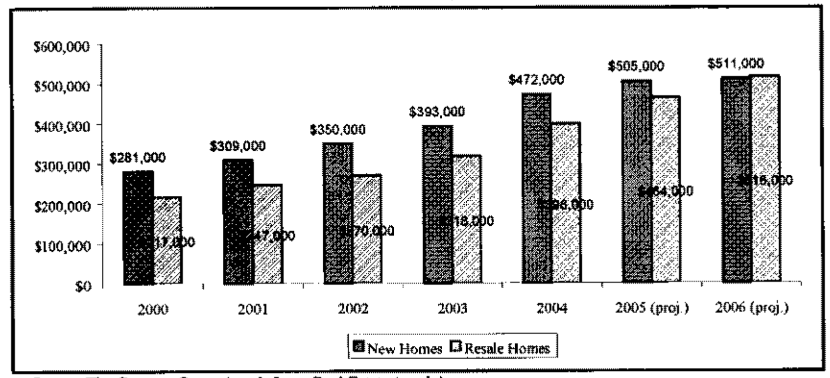


Source: The Gregory Group (new); Lyon Real Estate (resale)

The chart indicates sales of new and resale homes are expected to decline for the year 2005 compared to the year 2004. Further declines are expected for 2006. However, the figures for 2005 and 2006 are strong compared to historical figures.

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

AVERAGE HOME SALE PRICE, SIX-COUNTY REGION



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

As shown above, prices for both new and resale homes have climbed over the past several years, and are expected to continue to increase in 2006. Prices for new homes should see a slowing in the rate of appreciation in the coming year.

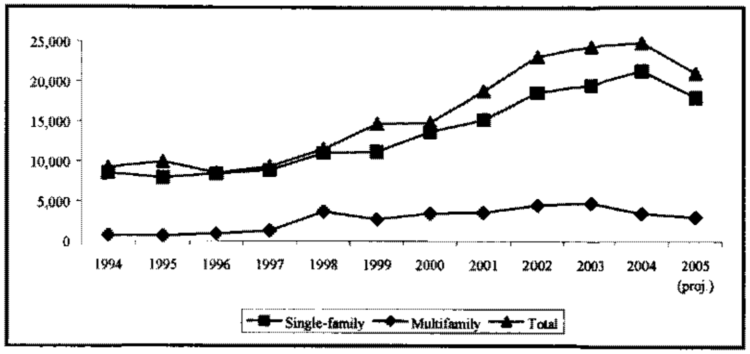
Housing Permits

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. For the year 2002, a total of 23,177 single- and multifamily permits were issued, which represented a gain of 22.8% over 2001. In 2003, 24,419 permits were issued during the year, reflecting an increase of 5.4% over 2002. In 2004, a slight increase was seen when 24,840 permits were issued during the year. Should current trends continue, it is estimated a total of 23,310 permits will be issued during 2005. This would represent a decrease of 6.2% from 2004.

A total of 5,898 building permits were issued during Third Quarter 2005 in the Sacramento Region, which represents a 7.6% decrease from a year ago, when 6,385 permits were issued. Of the 5,898 total permits, 5,109 were single-family and 789 were multifamily. Compared to one year ago, the single-family segment showed a decrease of 5.9%, and the number of multifamily permits declined by 17.3%. The reduction in building permits is largely attributable to diminishing inventories of developable land in the Sacramento Region.

The following table reflects new permit activity for the Sacramento Region for the past decade.

BUILDING PERMITS, SIX-COUNTY REGION



Source: The Gregory Group

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 since 1994.

E/P RATIO, SIX-COUNTY REGION

Year	Employment Gains (Non-farm)	Total Permits	E/P Ratio	Single-family Permits	E/P Ratio
1994	18,200	9,233	1.97	9,233	1.97
1995	19,300	9,954	1.94	7,951	2.43
1996	19,200	8,538	2.25	8,470	2.27
1997	21,500	9,351	2.30	8,898	2.42
1998	30,200	11,535	2.62	11,035	2.74
1999	40,400	14,694	2.75	11,212	3.60
2000	28,100	14,876	1.89	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	24,419	0.45	19,631	0.56
2004	2,400	24,840	0.10	21,339	0.11
2005 (proj.)	29,600	23,310	1.27	20,218	1.46

Source: The Gregory Group

The table above illustrates that job growth was particularly strong relative to building permits between 1994 and 2001. The E/P ratio declined steadily between 2001 and 2004, and has increased in 2005. Market evidence suggests there is still significant pent-up demand for housing from the high job growth in previous years. Despite increases in the number of building permits issued in recent years, construction has not been keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. It appears the market has been attempting to meet the demand for new housing in the region.

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 1994 through 2020 (projected), with corresponding growth for the periods noted.

POPULATION TRENDS

Year	El Dorado County	Placer County	Sacramento County	Yolo County	Sacramento-Yolo CMSA	Population Growth
1994	141,800	200,000	1,113,800	150,400	1,606,000	1.3%
1995	143,900	207,200	1,118,600	152,900	1,622,600	1.0%
1996	145,900	215,000	1,127,700	155,700	1,644,300	1.3%
1997	148,400	222,300	1,141,900	158,300	1,670,900	1.6%
1998	150,900	229,700	1,157,400	160,700	1,698,700	1.7%
1999	153,200	238,300	1,185,100	163,500	1,740,100	2.4%
2000	156,299	248,399	1,223,499	168,660	1,796,897	3.3%
2001	159,600	260,300	1,249,200	172,500	1,841,600	2.5%
2002	162,800	272,100	1,282,600	177,300	1,894,800	2.9%
2003	165,900	283,500	1,311,700	181,100	1,942,200	2.5%
2004	168,100	292,100	1,335,400	184,500	1,980,100	2.0%
2010*	212,000	339,300	1,486,500	205,000	2,242,800	13.3%
2015*	232,900	373,400	1,591,100	219,500	2,416,900	7.8%
2020*	252,900	406,900	1,707,600	236,400	2,603,800	7.7%

*Projected
Source: California Department of Finance

During the 1994 to 2004 decade, the population in Placer County grew by 46%, Yolo by 23%, Sacramento by 20%, and El Dorado by 19%. The four-county region experienced a 23% increase in population over this period.

New Home Sales

A total of 3,590 new homes were sold during Third Quarter 2005 in the six-county Sacramento Region. This represents a 3.9% increase compared to a year ago, when 3,455 units sold during Third Quarter 2004. Pricing has increased from an average sale price of $460,734 in the Third Quarter 2004 to $492,985 in the Third Quarter 2005, an increase of 7.0%.

The Elk Grove/Laguna area combined accounted for 18.1% of the market, while the tri-city South Placer County area (Rocklin, Roseville and Lincoln) captured 17.6% of the market. The growing Yuba/Sutter area captured 12.3% of the regional market share during Third Quarter 2005. The Yuba/Sutter area is poised for explosive growth, with over 15,000 residential units currently planned. Other future developing areas include Anatolia in the city of Rancho Cordova and Sunset Ranchos in South Placer County.

New home sales activity for the current quarter compared to a year ago for the six counties are detailed in the following table.

NEW HOME SALES

County	3rd Qtr. 2004	3rd Qtr. 2005	% Change
Sacramento	1,693	2,047	+20.9%
El Dorado	167	151	-9.6%
Placer	773	640	-17.2%
Yolo	354	312	-11.9%
Yuba	305	310	+1.6%
Sutter	163	130	-20.3%
6-County Region	**3,455**	**3,590**	**+3.9%**

Source: The Gregory Group

The table above indicates new home sales throughout the Sacramento Region are mixed. Areas with diminishing levels of supply, such as El Dorado and Placer Counties, are experiencing negative sales rates. Sacramento County showed the largest increase in number of new home sales.

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

AVERAGE NEW HOME PRICE

County	3rd Qtr. 2005	% Change Last Year	% Change Last Qtr.
Sacramento	$463,240	+4.9%	-0.5%
El Dorado	$751,916	+31.3%	+4.9%
Placer	$555,583	+5.2%	-1.7%
Yolo	$556,413	+16.2%	+5.4%
Yuba	$379,180	+23.0%	+4.8%
Sutter	$349,579	+10.2%	+4.2%
6-County Region	**$492,985**	**+7.0%**	**+0.1%**

Source: The Gregory Group

The table above indicates new home sale prices have increased substantially throughout the Sacramento Region over the past year. However, the market is showing signs of stabilization as the regional average home price only increased 0.1% from Second to Third Quarter 2005. Sacramento and Placer Counties showed slight declines in average pricing during this period. According to the Gregory Group, "The housing market has entered a transition period, moving from an unsustainable rate of price increases and sales to more normal, and sustainable, market conditions." Most market participants view the market as stabilizing, rather than falling. Sales velocity and pricing are slowing, but demand remains strong.

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	1st Qtr. 2004	2nd Qtr. 2004	3rd Qtr. 2004	4th Qtr. 2004	1st Qtr. 2005	2nd Qtr. 2005	3rd Qtr. 2005
Avg. Price	$403,927	$439,407	$460,734	$471,987	$486,264	$492,498	$492,985
Median Price	$379,990	$419,990	$444,990	$459,990	$455,945	$459,990	$457,950
Avg. Home Size	2,551	2,551	2,541	2,506	2,483	2,427	2,360
Avg. Price/SF	$161.96	$156.54	N/A	$193.37	$200.55	$208.67	N/A
Number of Sales	5,178	4,901	3,455	3,621	4,812	4,143	3,590
Weekly Sales Rate	1.61	2.10	1.20	1.28	1.50	1.26	1.08
Unsold Inventory	884	875	1,221	1,460	982	1,687	2,404
Weeks of Inventory	2	2	3	4	3	4	6

Source: The Gregory Group

The table above shows rapid increases in unsold inventory over the past two quarters. Unsold inventory in the region increased 97% in the past year from Third Quarter 2004 to Third Quarter 2005. Market evidence suggests homebuilders are offering more incentives to prospective buyers.

Developer Market Share

Based on year 2004 housing starts, published in the Sacramento Business Journal, the five most active homebuilders in the region were Beazer Homes (1,326 local housing starts), Del Webb (1,170), U.S. Home Corp. (1,104), D.R. Horton Inc. (1,075) and Elliott Homes Inc. (1,000). Elliott Homes represents the only local builder; all the others are national homebuilders with headquarters out of state. The top five builders combined for about 30% of the market share in 2004.

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 information presented at Grubb & Ellis' 2005 Real Estate Forecast, 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 and several attached residential projects have recently been completed and are in the pipeline throughout the region. According to an April 2005 article in The Sacramento Bee, there are about 12,500 attached for-sale homes in the planning

process in the six-county region, including both new construction and apartment conversions. According to the industry research firm Market Perspectives, attached homes represented 4% of total new homes in the 2004 and are expected to represent 15% in 2005 and over 20% in 2006. According to The Gregory Group, during Third Quarter 2004, attached homes and those on lots less than 4,000 square feet represented 7% of active projects and 15% of new home sales; these high-density projects now account for 26% of active projects and 33% of new home sales.

As of Third Quarter 2005, there were 35 active developments offering attached units in the Sacramento Region, according to The Gregory Group's quarterly report. In addition, several projects are proposed for the coming years. In Downtown Sacramento, Saca Development plans two 53-story towers at Capitol Mall and 3rd Street. The Towers will include over 700 condos, plus a gym, spa, boutique hotel, parking, retail and restaurants. Regis Homes is building the Capitol Lofts, which will include 123 lofts, 65 single-family homes and 16 rental units in the Triangle area of West Sacramento.

Conclusion

The demand for new housing in the Sacramento Region, as evidenced by sales activity, has improved each year since 1995, when sales were the lowest since 1991. A slowing national economy resulted in a temporary decrease in sales rates observed in the region during 2001. However, many analysts believe the Fourth Quarter 2001 marked the beginning of renewed growth. The years 2002, 2003 and 2004 represented near-record years for the Sacramento housing market. Local experts attribute gains in sales activity and home prices to historically low interest rates, coupled with pent-up demand for housing created by robust job growth around the turn of the century. Further, buyers are drawn from other parts of the state and nation to the Sacramento Region for its established infrastructure, stable employment base, variety of housing products, healthy local economy and good climate.

The increase in new home prices in recent years has made single-family homes unaffordable to many entry-level homebuyers, with the affordability index decreasing over the past couple years. This trend has made home ownership more elusive to first-time homebuyers, resulting in an increased demand for alternative locations, such as Sutter and Yuba Counties, and for alternatives such as small lots and attached product.

The general consensus among local experts is that the Sacramento housing market will continue to see strong sales activity and moderate price increases in 2006, despite predictions by most for slightly increasing interest rates and modest job growth. Many market participants forecast single-digit price appreciation for the coming year. That level of growth would still represent a strong market, but not as strong as the 20%+ price increases seen in many submarkets in recent years. The number of new and resale home sales is expected to decline in 2006 compared to 2005. Overall, the market is expected to stabilize to more sustainable rates of growth. Areas of future development include the city of Rancho Cordova (Anatolia I, II and III), Sutter and Yuba Counties (Plumas Lake), West Sacramento (Southport), Roseville (Westpark / Fiddyment), south Folsom and Placer County (Sunset Ranchos).

RANCHO CORDOVA HOUSING MARKET OVERVIEW

The subject market is defined as the Rancho Cordova area of Sacramento County. As reported by The Gregory Group, a local enterprise that tracks the trends of the regional housing market, there were 23 single-family residential subdivisions actively marketing new, detached homes in the Rancho Cordova market area during the Third Quarter 2005. New home prices in this market typically range from roughly \$318,000 to \$907,000. According to the Gregory Group Report, the average base price for active subdivisions marketing homes in Rancho Cordova was \$511,158. The following table summarizes the First Quarter sales activity within the Rancho Cordova submarket.

Base Price Range	\$318,990 - \$906,990
Average Base Price	\$511,158
Size Range (SF)	1,291 – 5,300 SF
Average Size (SF)	2,482 SF
Price/SF Range	\$163.78 - \$283.90
Average Price/SF	\$210.76

The Rancho Cordova market area is experiencing increasing development, particularly with respect to residential projects. This is evidenced by the fact that in the Fourth Quarter 2004 there were only seven active subdivision projects within Rancho Cordova compared to 23 as of the Third Quarter 2005. The attraction to the area is primarily due to its proximity to the Sacramento Central Business District (CBD), as well as several of the major linkages in the region.

Existing Supply and Demand

In the Third Quarter 2005, 4 new subdivisions began actively marketing homes in the Rancho Cordova market area, with one of these projects located within the Anatolia master planned community. Please reference the *Neighborhood Overview* for a detailed discussion of Anatolia. In general, there appears to be ample demand for new homes in the area, with all of the active subdivisions achieving absorption rates of greater than one sale per week, and many projects are selling homes at a rate exceeding two sales per week. Therefore, due to the on-going demand for new residential housing in the area, the subject seems poised to benefit from steady market acceptance.

On the following page is a table summarizing all of the active subdivisions in Rancho Cordova as of the Third Quarter 2005.

Project	Builder	Units Planned	Units Sold	Lot Size (sf)	Total Weekly Sales Rate	Average Base Price
Zinfandel Village	Elliott Homes	550	341	6,600	1.58	$407,950
The Tuscany Collection	Elliott Homes	468	266	8,625	1.73	$639,200
The Masters @ Anatolia	JTS Communities	117	65	7,000	1.33	$623,808
The Estate Series @ Anatolia	JTS Communities	104	44	7,350	0.90	$769,190
Laureate @ Anatolia	US Home/Lennar	123	38	8,470	1.09	$628,157
Marquis @ Anatolia	Winncrest Homes/Lennar	108	50	4,675	1.56	$412,700
The Classics @ Anatolia	US Home/Lennar	132	83	4,725	2.37	$412,657
Sorrento @ Anatolia	Winncrest Homes/Lennar	149	56	6,090	1.70	$520,283
Sedona @ Anatolia	Tim Lewis Communities	105	46	5,775	1.39	$493,491
Artistry @ Anatolia	Renaissance Homes/Lennar	117	40	7,000	1.25	$550,521
Traditions @ Anatolia	US Home/Lennar	151	64	5,775	1.83	$447,323
Estancia @ Anatolia	D.R. Horton	122	52	5,775	1.73	$414,990
Monaco @ Anatolia	Winncrest Homes/Lennar	114	60	5,775	1.71	$442,807
Mastery @ Anatolia	Cambridge Homes/Lennar	92	30	8,400	0.94	$644,900
Morrison Homes @ Anatolia	Morrison Homes	106	55	5,775	1.90	$437,990
Regalia @ Anatolia	Renaissance Homes/Lennar	111	62	4,725	2.00	$427,617
The Alexander Collection	Elliott Homes	196	90	4,800	2.90	$439,700
Ellenwood Estates	D.R. Horton	60	32	5,000	1.14	$392,990
Evania @ Anatolia	Pulte Homes	80	63	5,775	2.63	$518,323
Verona at Anatolia	William Lyon Homes	79	17	5,720	1.55	$474,990
The Cottages at Capital Village	Beazer Homes	163	11	2,450		$360,490
The Bungalows @ CV	Beazer Homes	151	10	4,140		$396,490
The Brownstones @ CV	Beazer Homes	248	18	1,904		$349,990

Absorption Conclusion

According to the most recent absorption statistics reported by The Gregory Group, most projects are achieving stable absorption rates. The table of the Rancho Cordova market area suggests a weekly absorption rate of between one to three units, or four to 12 units per month. Most of the of the subdivisions are located in the Anatolia master planned community and are considered good indicators of achievable absorption, assuming a well separated mix of product lines is represented. The ample demand is substantiated by the fact a number of the homes were under contract (pre-sold), even prior to the completion of the model complexes.

RETAIL MARKET OVERVIEW

Introduction

Third Quarter 2005 represented another solid quarter for the retail market in the Sacramento region. The overall vacancy rate was 4.5%, up slightly from 4.1% in Second Quarter 2005. Lease rates were stable to rising in most submarkets, with the average asking lease rate for in-line space in existing community centers at $1.98 per square foot per month, triple net. Net absorption was positive for the 9th consecutive quarter, with over 65,000 square feet of retail space absorbed during the third quarter. The submarkets seeing most of the region's new construction activity are Roseville/Rocklin, Northgate/Natomas, Laguna/Elk Grove and West Sacramento/Davis. These areas have seen significant residential growth in recent years, which has triggered demand for supporting retail uses.

Overall, the past year has been very strong for the Sacramento retail market. The region continues to attract local, regional and national retailers. In 2004, Kohl's opened four department stores in Natomas, West Roseville, Folsom and Elk Grove. Also last year, Sport Chalet entered the region and added four sporting goods stores in the area. IKEA will enter the market in late 2005 with a home furnishings store that is currently under construction in West Sacramento. Beck's Furniture plans two additional stores in south Sacramento and Roseville. The Sacramento retail market is expected to experience steady growth for the near term.

Lease Rates

Lease rates were stable to slightly rising for most product types during Third Quarter 2005. The average asking lease rate for in-line space in existing community centers was $1.98 psf/month (triple net) during the quarter. This represents an increase from the average rate of $1.76 in 2004. In high-growth submarkets, rental rates for new shop space typically average $2.50 to $3.00 psf/month (triple net). In some areas, such as Roseville/Rocklin and Laguna/Elk Grove, in-line space within new anchored shopping centers is now garnering upwards of $3.00 psf/month. It is anticipated retail lease rates will continue to rise through the end of 2005 and into 2006.

Vacancy

The overall retail market vacancy rate in the Sacramento Region as of Third Quarter 2005 was 4.5%, up slightly from 4.1% in the second quarter. This marks the first increase after six consecutive quarters of declines in the average vacancy rate. The Laguna/Elk Grove submarket has the lowest vacancy rate in the region at 0.5%. Eleven of the region's 15 submarkets posted vacancy rates under 5% for the quarter. Developers have been quick to respond to these low vacancy rates, with new construction planned or underway in most of these areas.

The recent quarterly vacancy rates for the Sacramento area submarkets are presented in the following table, in ascending order.

Submarket	3Q 2005 Vacancy
Laguna/Elk Grove	0.5%
Folsom/El Dorado Hills	1.1%
Northgate/Natomas	1.7%
West Sacramento/Davis	1.7%
Auburn/Loomis	1.8%
South Natomas	1.9%
Arden/Watt/Howe	2.7%
Roseville/Rocklin	3.1%
Greenhaven/Pocket	3.2%
South Sacramento	4.0%
Carmichael	4.2%
Citrus Heights/Fair Oaks	8.0%
North Highlands	8.1%
Hwy 50/Rancho Cordova/Rosemont	15.7%
Downtown/Midtown/East Sac	17.0%
Market Total	**4.5%**

Source: CB Richard Ellis

This recent survey demonstrates most submarkets are performing very well, with about three-fourths of the submarkets exhibiting vacancy rates below 5%. It should be noted the above rates include retail properties over 50,000 square feet and exclude regional malls.

The following table summarizes average vacancy rates by type of retail property.

Property Type	3Q 2005 Vacancy
Power Centers	1.8%
Community Centers	2.8%
Specialty Centers	3.3%
Freestanding Buildings	6.3%
Neighborhood Centers	6.8%
Strip Centers	13.5%
Market Total	**4.5%**

Source: CB Richard Ellis

Absorption

Net absorption for the retail market in the Sacramento area was positive 65,678 square feet during Third Quarter 2005, which represents the 9th consecutive quarter of positive absorption. For the year 2004, the region had positive absorption of 2,056,539 square feet, which was higher than 2003. The leading submarkets in terms of net absorption in the third quarter were Laguna/Elk Grove and West Sacramento/Davis. For the first three quarters of 2005, the leading submarkets were Laguna/Elk Grove, Auburn/Loomis, Citrus Heights/Fair Oaks, and Roseville/Rocklin.

The following table shows the quarterly and year-to-date net absorption totals by submarket. The submarkets are listed in descending order by total year-to-date net absorption.

Submarket	3Q 2005 Net Absorption (SF)	Year-to-Date Net Absorption (SF)
Laguna/Elk Grove	221,932	218,749
Auburn/Loomis	0	104,393
Citrus Heights/Fair Oaks	9,148	58,525
Roseville/Rocklin	(57,590)	55,342
West Sacramento/Davis	40,974	37,879
South Natomas	0	21,202
Northgate/Natomas	15,099	15,086
Arden/Watt/Howe	(20,828)	14,426
South Sacramento	(2,503)	5,759
Downtown/Midtown/East Sac	(67,395)	2,864
Greenhaven/Pocket	(4,058)	1,491
Hwy 50/Rancho Cordova/Rosemont	(49,038)	693
Folsom/El Dorado Hills	(513)	(4,330)
Carmichael	(770)	(11,103)
North Highlands	(18,781)	(15,720)
Market Total	**65,678**	**505,256**

Source: CB Richard Ellis

New Construction

Third Quarter 2005 saw the completion of Phase II of the Laguna Gateway power center in Elk Grove. This center is anchored by Circuit City, Petsmart, Sportmart and Zinaz Furniture at the northeast corner of Laguna and Big Horn Boulevards. CB Richard Ellis reported this center was 100% pre-leased prior to completion of construction.

The retail projects currently under construction in the region total nearly 2.8 million square feet of space. Roseville/Rocklin has the largest share of this figure, with almost 1.4 million square feet under way, mostly in neighborhood and community shopping centers. Following Roseville/Rocklin are Northgate/Natomas (783,000 SF), Laguna/Elk Grove (290,000 SF), West Sacramento/Davis (265,000 SF) and Auburn/Loomis (52,000 SF). Most of these projects are due for completion in late 2005 and early 2006.

In Roseville, the 115,000 square foot Fairway Creek is under construction at Fairway Drive and Five Star Boulevard, and site work recently began for the Blue Oaks Town Center at Blue Oaks Boulevard and Highway 65. This 600,000 square foot center will contain retail space, two hotels and office space. Owners of the Galleria mall in Roseville plan to expand the mall with additional stores, restaurants, parking and a movie theater complex. Across from the mall, The Fountains is a proposed "lifestyle center" on 52 acres. As of mid-2005, this center had leases or letters of intent for 150,000 of its planned 385,000 square feet of retail space. Retailers with signed leases include Whole Foods Market, Z Gallerie, Chico's and Ecco Shoes. The center will also include 197,600 square feet of office space. Construction should start in the spring of 2006, with completion in the spring of 2007. Other notable retail projects under way in the region include The Promenade at Sacramento Gateway in Natomas, with 663,000 square feet; Elk Grove Marketplace, with 200,000 square feet; and IKEA in West Sacramento. The Promenade at Sacramento Gateway, located at Interstate 80 and Truxel Road, will be anchored by Target, Sam's Club, Barnes & Noble and Old Navy.

In addition to the projects under construction described above, several notable retail projects are planned for the near future. Construction is expected to begin soon on two new neighborhood shopping centers in the Highway 50/Rancho Cordova/Rosemont submarket. Safeway and Raley's will anchor the new centers at the intersection of Sunrise Boulevard and Douglas Road in the developing Anatolia master planned community. In El Dorado Hills, Village Green is a proposed 27-acre center for commercial, retail, restaurant and office development within the Serrano master-planned community. In Elk Grove, a regional mall has been in the works for several years. The 1.3 million square foot project, located at Highway 99 and Kammerer Road, is now planned as an open-air town center. The developer, General Growth Properties Inc., is calling the project Elk Grove Promenade and wants to include four department stores, 16 to 18 movie screens, a grocery store, public space for performances, and several shops and restaurants. The center is slated to open in the fall of 2007.

Historical Trends

A table exhibiting historical retail market statistics in the Sacramento region is presented below.

Year	Vacancy Rate	SF Net Absorption	Average Lease Rates (/SF/Mo.)
1990	8.7%	1.7 million	$1.35 - $2.50
1991	10.0%	1.1 million	$1.35 - $2.50
1992	9.4%	1.2 million	$1.15 - $2.25
1993	10.4%	1.6 million	$1.35 - $1.85
1994	8.6%	1.2 million	$1.35 - $1.85
1995	7.2%	N/A	$1.20 - $1.65
1996	11.7%	N/A	$0.80 - $2.35
1997	10.1%	509,545	$0.90 - $2.15
1998	7.1%	532,171	$1.00 - $1.76
1999	6.5%	944,840	$1.00 - $2.13
2000	6.0%	1.1 million	$1.00 - $2.28
2001	5.8%	1.4 million	$1.00 - $2.50
2002	6.9%	402,374	$1.40 - $2.60
2003	5.6%	522,534	$1.40 - $2.60
2004	4.5%	2.1 million	$1.40 - $2.60
2005 YTD	4.5%	505,256	$1.40 - $2.60

Source: CB Richard Ellis and Grubb & Ellis

Forecast – Next 12 months

The Sacramento area retail market is expected to remain strong over the course of the next year. Certain areas are poised for significant growth, including Roseville/Rocklin, Natomas, Elk Grove and West Sacramento. Vacancy rates are expected to remain low, but could increase slightly due to new construction projects coming online in late 2005 and early 2006. Demand for retail development should remain high as the area's housing market continues to expand. Retail lease rates and sale prices are expected to rise in the coming year.

National retailers are expected to continue to enter the Sacramento market. In late 2005 the IKEA home furnishings store currently under construction in West Sacramento should open, and will represent the first tenant in the Riverpointe Marketplace, a 700,000-square foot development that will reportedly also include Wal-Mart and The Home Depot. Another major retailer, R.C. Willey, will enter the region with a new store at the Blue Oaks Town Center in Rocklin. The Promenade at Sacramento Gateway in Natomas, with 663,000 square feet, will become the area's largest non-mall retail development.

Finally, market participants expect to see more "lifestyle centers" proposed in the coming months. These open, pedestrian-oriented centers focus on outdoor gathering places to encourage lingering. Two such projects are already proposed, including The Fountains in Roseville and Palladio at Broadstone in Folsom.

OFFICE MARKET OVERVIEW

Introduction

During Third Quarter 2005, the office market in the Sacramento region continued to show signs of improvement. The average market vacancy rate declined to 12.8% from 13.3% in the previous quarter, and net absorption was 473,000 square feet for the quarter, for a total of over 1.1 million square feet so far this year. Absorption of office space in the first three quarters of this year already exceeds the annual absorption seen in each of the years 2003 and 2004. However, the increased absorption has not had a drastic effect on vacancy figures due to the significant amount of new product that continues to come online.

Lease rates and sale prices in the region continue to increase. The average asking lease rate in the region has slowly inched upward over the past several quarters, and now stands at $1.71 per square foot per month (full service). Class-A product is averaging $2.33 psf/month. The submarkets achieving the highest rents are Downtown ($2.25 overall and $2.85 Class-A), Roseville/Rocklin ($2.10 overall and $2.40 Class-A) and Elk Grove ($2.00 overall and $2.40 Class-A). Rents are expected to be stable to rising in the next 12 months, with continued reductions in rent concessions. CB Richard Ellis reports increases in both the number and size of office transactions year-to-date in 2005 compared to the year 2004. Overall, investors see a strong long-term outlook for the Sacramento office market, particularly in the submarket of Roseville/Rocklin.

Vacancy

Office vacancy rates in the Sacramento Area reached a low in the year 2000, and steadily increased through the year 2004. Fourth Quarter 2004 represented the first decline in vacancy in recent years. This decline has continued through the first three quarters of 2005. The average market vacancy rate reached a high of 14.0% in Third Quarter 2004, and then declined to 13.9% in Fourth Quarter 2004, 13.7% in First Quarter 2005, 13.3% in Second Quarter 2005, and 12.8% in Third Quarter 2005.

The submarkets experiencing the lowest vacancy rates are the relatively established suburban areas of Carmichael/Fair Oaks, East Sacramento and Point West. As was the case during the first two quarters of the year, Northgate/Natomas, West Sacramento and Elk Grove continue to post the highest vacancy rates in the market. Vacancy has been high in Northgate/Natomas due to new construction of large buildings and the conversion of portions of McClellan Air Force Base to general office space. The high vacancy rates in West Sacramento and Elk Grove are the result of significant new construction coming online in recent months.

The recent quarterly vacancy rates for the Sacramento area submarkets are presented in the following table, in ascending order.

Submarket	3Q 2005 Vacancy
Carmichael/Fair Oaks	4.8%
East Sacramento	6.8%
Point West	6.8%
Watt Avenue	7.0%
Campus Commons	7.6%
Citrus Heights/Orangevale	8.5%
Howe/Fulton	10.1%
Roseville/Rocklin	11.0%
Highway 50 Corridor	12.8%
South Sacramento	13.0%
Downtown	13.1%
Folsom	13.5%
South Natomas	14.4%
Midtown	14.4%
Elk Grove	17.0%
West Sacramento	22.3%
Northgate/Natomas	26.0%
Market Total	**12.8%**

Source: CB Richard Ellis

This recent survey demonstrates many submarkets are performing reasonably well, with seven submarkets exhibiting vacancy rates at or below 10%. It should be noted the above rates include single- and multi-tenant office buildings, as well as office space for buildings located within industrial parks. Government-owned and medical buildings are not included in the survey. Additionally, the above statistics do not include office buildings with fewer than 10,000 square feet. In general, smaller properties with good quality improvements typically experience vacancy rates close to 5%.

The following table summarizes vacancy rates in the Sacramento region by class of office product.

Office Product	2Q 2005 Vacancy
Class A	16.1%
Class B	14.4%
Class C	10.9%
Market Total	**13.5%**

Source: Colliers International (3rd Qtr. Not yet available)

Absorption

Net absorption for the office building market in the Sacramento Area was 472,967 square feet during Third Quarter 2005, down slightly from 546,800 square feet in the second quarter. Year-to-date net absorption in the region stands at 1,141,286 square feet. For the year 2004, the region had positive absorption of 291,027 square feet, which was higher than 2003. This indicates absorption of office space in the first three quarters of this year, as well as the third quarter alone, already exceeds the annual absorption seen in the years 2003 and 2004.

The following table shows the quarterly and year-to-date net absorption totals by submarket. The submarkets are listed in descending order by total year-to-date net absorption.

Submarket	3Q 2005 Net Absorption (SF)	Year-to-Date Net Absorption (SF)
Roseville/Rocklin	94,605	409,141
Highway 50 Corridor	128,426	221,381
Northgate/Natomas	30,892	119,916
Downtown	37,399	87,123
Folsom	13,788	78,205
West Sacramento	17,921	53,394
South Natomas	6,014	50,150
Watt Avenue	17,817	34,304
Point West	43,923	29,411
Elk Grove	500	25,352
Midtown	(6,410)	22,872
Howe/Fulton	72,256	22,039
South Sacramento	14,869	4,043
East Sacramento	0	0
Campus Commons	2,604	(60)
Carmichael/Fair Oaks	(3,576)	(2,487)
Citrus Heights/Orangevale	1,939	(13,498)
Market Total	**472,967**	**1,141,286**

Source: CB Richard Ellis

Highway 50 Corrdior had the strongest net absorption in the third quarter, with 128,426 square feet. The next leading submarket in the third quarter was Roseville/Rocklin, with 94,605 square feet. This submarket leads the region in year-to-date net absoprtion. The Roseville/Rocklin submarket is increasingly becoming a hub for office development in the region. According to data presented by CB Richard Ellis at the Association of Commercial Real Estate (ACRE) 2005 Mid-Year Update, the Roseville/Rocklin submarket represents only 10% of the region's office inventory, but accounted for

52% of office absorption during Second Quarter 2005. The *Sacramento Business Journal* reports that the Roseville/Rocklin area leased more than double the amount of office space in 2004 than the next-strongest submarket in the region.

New Construction

At the end of Third Quarter 2005, office buildings under construction in the Sacramento market area totaled nearly 1.5 million square feet of space. Most of this construction activity is occurring in Roseville/Rocklin (737,000 SF), Folsom (225,000 SF), Highway 50 Corridor (200,000 SF), and Elk Grove (91,000 SF). Most of these projects are expected to be complete by the end of 2005. An estimated 84% of the space under construction has been pre-leased. CalPERS' 550,000 square foot project on R Street in the Downtown submarket is expected to be complete in the fourth quarter of 2005.

As discussed above, the Roseville/Rocklin submarket represents the most active segment of the Sacramento office market. According to CB Richard Ellis, about 50% of the office space currently under construction in the region is located in Roseville/Rocklin. Many experts attribute this activity to executives wanting to locate their companies near their homes in South Placer County. Market participants envision Roseville becoming a suburban hub for offices much like Walnut Creek in the Bay Area. Currently, Mourier Land Investment Corp. is constructing the first of four office buildings in Highland Pointe at Pleasant Grove Boulevard and Highway 65. When completed in 2008 or 2009, the complex will add 368,000 square feet to the area's office inventory, and three of the buildings will be four stories in height. The Stone Point Corporate Center will include 400,000 square feet of office space in six buildings at Eureka Road and Rocky Ridge Drive; three of these buildings will become Roseville's tallest office buildings with five stories. Just west of the Galleria Mall, Shea Properties is constructing 11 office buildings along Highway 65; when complete, the Shea Center will contain 575,000 square feet of space. In Rocklin, the Rocklin Corporate Center is being developed on 125 acres adjacent to the Atherton Center.

Elk Grove is another hot spot for new office buildings. Construction has begun on Laguna Pointe, which will eventually include 200,000 square feet of office space and a Hilton Garden Inn hotel along Highway 99. The first three-story office building should be complete in mid-2006. Three office buildings totaling 100,000 square feet are proposed on West Taron Drive near Interstate 5 and Elk Grove Boulevard. Phase two of Laguna Springs Corporate Center along Highway 99 will add three more office buildings to the two existing ones in the center.

The North Natomas area is also continuing to see new office development. Developer Abe Alizadeh plans a 300,000 square foot office park that is expected to be one of Natomas' more upscale office developments. Developer Sammy Cemo proposes a 50,000 square foot office project east of Arco

Arena. A small-building office park is proposed west of Arco Arena. The Interstate 5 corridor in North Natomas could see significant new construction of offices in the coming years. In the near future, The Offices at Duckhorn is planned, which will include 10 buildings with over 100,000 square feet of space. Catholic Healthcare West will be an anchor tenant at the project, located along the west side of Interstate 5 between Arena Boulevard and Del Paso Road.

A seven-building business park is being built west of the Radisson Hotel and Costco store in north Sacramento. The project, dubbed Woodlake Commerce Center, will include buildings ranging in size from 9,800 to 12,881 square feet each. The buildings will be offered for sale, most likely to owner/users.

The California Franchise Tax Board is close to finishing its 1-million-square-foot expansion in Rancho Cordova. The agency will move into the building in 2005, leaving about 500,000 square feet of vacant space in buildings it now occupies.

Sales Activity

The following table summarizes office sale data in the Sacramento region for the past several years.

Year	Average Sale Price	Average Price per SF	Average Cap Rate
2000	$2,198,905	$109.95	9.46%
2001	$2,550,653	$117.24	9.40%
2002	$2,368,664	$122.41	9.17%
2003	$4,224,815	$150.36	8.50%
2004	$3,671,751	$155.65	7.66%
1st half 05	$4,933,588	$173.09	7.21%

Source: Colliers International

The statistics above show a clear upward trend in sale prices per square foot and a downward trend in overall capitalization rates. Many brokers in the area report a large pool of potential buyers for the few quality office investments that become available, which continues to drive up prices.

Historical Trends

A table exhibiting historical office statistics for the Sacramento MSA is presented below.

Year	Vacancy Rate	Absorption (SF)	Average Lease Rates (/SF/Mo.)	Total Inventory (SF)
1990	13.3%	3,000,000	$1.10 - $2.50	30,000,000
1991	13.0%	1,800,000	$1.00 - $2.50	32,000,000
1992	16.3%	1,600,000	$0.75 - $2.65	33,500,000
1993	16.0%	750,000	$0.85 - $2.40	33,448,000
1994	12.5%	739,132	$0.85 - $2.40	33,178,000
1995	12.3%	1,053,918	$0.90 - $2.40	33,636,714
1996	9.8%	531,914	$0.85 - $2.40	33,949,837
1997	9.5%	540,458	$0.85 - $2.60	34,359,435
1998	8.3%	805,951	$1.00 - $2.60	33,493,847
1999	7.9%	2,589,228	$1.18 - $2.05	36,170,683
2000	5.9%	2,650,077	$1.35 - $2.25	38,241,913
2001	7.5%	131,263	$1.35 - $2.30	40,148,489
2002	10.1%	474,137	$1.35 - $2.30	41,539,830
2003	12.7%	277,007	$1.35 - $2.25	43,021,484
2004	13.9%	291,027	$1.35 - $2.25	44,074,260
2005 YTD	12.8%	1,141,286	$1.35 - $2.25	45,181,138

Source: CB Richard Ellis and Grubb & Ellis

Employment Conditions

Employment conditions in the Sacramento Area remained healthy during Third Quarter 2005. The overall unemployment rate in the region was 4.6% in August 2005, down from 5.1% a year ago and slightly up from 4.2% in the previous quarter. The region still has lower unemployment compared to the state, which had an unemployment rate of 5.1% during the third quarter. During the past year, job growth in the Sacramento area was about 1.8%, with about 15,400 new jobs added to the region. New jobs have been added in education, retail trade, professional and business services, construction, and manufacturing.

Forecast – Next 12 months

Over the course of the next year, it is expected the Roseville/Rocklin submarket will continue to lead the Sacramento office market in terms of new construction and absorption of space. Other areas that will see completion of new office buildings include Elk Grove, Folsom and Natomas. The Highway

50 Corridor should see a noticeable increase in vacancy as the California Franchise Tax Board moves into a new facility and vacates about 500,000 square feet of space it now occupies.

Market participants expect continuing improvement in the Sacramento office market in the coming months as private employment sectors shift into growth mode, led by gains in professional and business services. Health care companies are also expected to expand this year, particularly in the growing suburban areas. Significant job cuts in State government have ceased at least for the time being. However, some government agencies may still be consolidating locations, which could impact office vacancy in the market in the short term.

Investment activity is forecasted to remain strong, especially for small and medium-sized assets. Sale prices should continue to increase through the end of 2005 and into 2006. Lease rates are expected to be stable to rising in most submarkets. Net absorption should continue to be positive. No significant changes are forecasted in the overall market vacancy rate during the next year, although vacancy rates could inch upward in those submarkets with significant new construction.

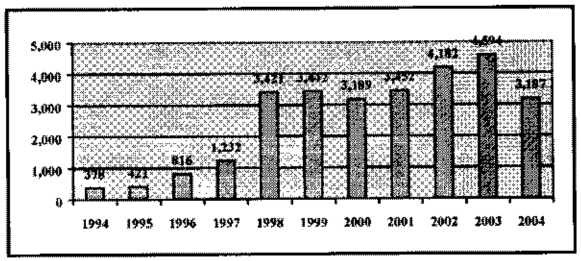
APARTMENT MARKET OVERVIEW

Introduction

Generally speaking, the Sacramento apartment market is stable and rental rates and sale prices have been increasing for the past few years. The market was very strong in the late 1990s and early part of this decade due to rising population and income levels in the region. In response to rising demand, there has been significant construction of new apartment projects in recent years, most notably in the growth areas of Roseville, Rocklin, Folsom and Elk Grove. Many of these new projects represent Class-A properties with relatively high rental rates. As a result of the new construction, some of these areas saw climbing vacancy rates in 2003 and 2004, and there was some softening in the apartment market during this time frame. According to market surveys, the average apartment vacancy rate in the Sacramento region reached a low of 2.0% in the year 2000, and climbed steadily through the year 2004 to a peak of 7.7%. Year-to-date figures for 2005 show vacancy rates are now falling, with an estimated vacancy rate of 6.1% in the Sacramento market as of Third Quarter 2005.

New Construction

A significant amount of new construction has been completed in recent years. The following table indicates the number of multifamily (5+ units) permits issued over the past decade in the six-county Sacramento Region (Sacramento, El Dorado, Placer, Yolo, Yuba and Sutter Counties).



Source: U.S. Census SOCDS Building Permits Database

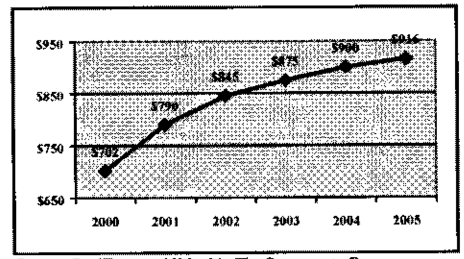
According to Marcus & Millichap, about 5,800 new apartment units were delivered in the Sacramento region during 2004. Marcus & Millichap projects a moderate slowdown for the year 2005 as many developers have shifted gears from apartments to for-sale condominiums, driven by rising home prices and a growing population. In the last two years, many existing apartment projects have been converted to condominiums, and the Sacramento market has seen thousands of new condo units constructed or proposed. According to CB Richard Ellis, about half of the attached product

now being built in the region is for-sale condominiums. This trend puts downward pressure on the supply of apartment units, which could bode well for the apartment market.

In the near term, several multifamily rental projects are under way or proposed in the region. USA Properties Fund Inc. is building the 158-unit Vintage Laguna, and the 168-unit Silverado, both of which are affordable projects located in Elk Grove. AG Spanos Co., a Stockton-based apartment builder, has plans for a project of 168 deluxe apartments just south of Arco Arena in North Natomas. Spanos also has plans for a 244-unit complex at Interstate 5 and Florin Road in the Greenhaven / Pocket neighborhood of South Sacramento, and a 208-unit project at Highway 50 and Mather Field Drive in the Rancho Cordova area.

Rental Rates

Rental rates have, on average, continuously risen in the region for over six consecutive years. The following chart indicates the average rental rate for units of all sizes in the Sacramento region in recent years, as of the first quarter of each year.



Source: RealFacts, published in The Sacramento Bee

The average rent in the Sacramento region was $923 in Third Quarter 2005, up slightly from $916 in Second Quarter 2005, and an increase of 2.1% from a year ago. Apartment rents are expected to continue to rise at a moderate pace in the Sacramento region in the coming year.

Starting around 2003 and continuing to date, the market for class-A projects has seen increasing concessions to lure renters into these relatively high-priced units. Concessions primarily include free or reduced rent for an initial period after move-in with a signed lease, and can also include free appliances or other items. While rent concessions remain commonplace in 2005 in order to entice renters into upscale apartment projects in high-growth areas like Elk Grove, Folsom, Roseville and Rocklin, these concessions are not as significant as they were in 2003 and 2004.

The following table shows the average rent per unit for several submarkets within the Sacramento area, based on surveys by RealFacts, an apartment industry research firm.

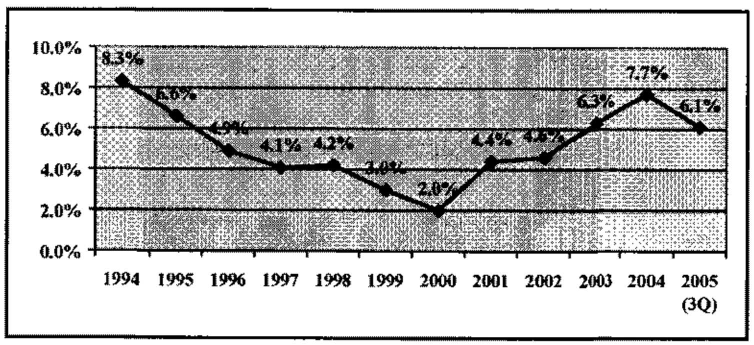
Submarket	3rd Qtr. 2005 Avg. Rent	% Change Past Year
Davis	$1,231	7.2%
Folsom	$1,103	2.2%
Elk Grove	$1,075	-2.6%
Roseville	$1,056	0.4%
Rocklin	$1,029	-1.6%
Fair Oaks	$889	1.8%
Sacramento	$876	2.1%
Citrus Heights	$832	0.7%
Rancho Cordova	$798	1.4%
Carmichael	$761	-1.2%
Market Total	**$923**	**2.1%**

Source: RealFacts, published in The Sacramento Bee

As shown in the table above, rental rates in most areas were slightly higher in Third Quarter 2005 compared to a year ago. The submarket of Davis saw the greatest percentage increase at 7.2% from Third Quarter 2004 to Third Quarter 2005. Elk Grove, Rocklin and Carmichael experienced slight decreases in average rent.

Vacancy

Presented in the following chart are average apartment vacancy rates in the Sacramento market for the past decade.



Source: CB Richard Ellis (1994-2001), Grubb & Ellis (2002-2004), RealFacts (2005)

The average vacancy rate in the market was 6.1% in Third Quarter 2005, down from 6.7% in the previous quarter and 7.5% a year ago, according to RealFacts.

Historically speaking, apartment owners are enjoying reasonably low vacancy rates. From 1993 through 2000, Sacramento experienced declining vacancy rates, with increases in 2001 through 2004. After peaking in the mid- to high-7% range in 2004, the region's average vacancy rate has fallen in each quarter of this year. This can be attributed to the region's dramatic price increases in the housing market in recent years, which has priced many people out of home-buying; as well as a slowdown in the construction of new apartments.

The following table shows average vacancy rates for submarkets within the Sacramento area, based on surveys by RealFacts.

Submarket	3rd Qtr. 2005 Vacancy	2nd Qtr. 2005 Vacancy
Elk Grove	7.9%	3.7%
Carmichael	6.9%	5.1%
Sacramento	6.5%	7.4%
Citrus Heights	6.1%	5.4%
Rancho Cordova	5.6%	5.0%
Davis	5.6%	5.2%
Rocklin	5.2%	8.1%
Roseville	4.3%	4.7%
Folsom	3.6%	6.8%
Fair Oaks	3.2%	5.4%
Market Total	**6.1%**	**6.7%**

Source: RealFacts, published in The Sacramento Bee

In 2003 and 2004, the areas with the highest vacancy were generally those that had large supply increases in the way of new construction, including Elk Grove, Folsom, Roseville and Rocklin. All of these submarkets have seen significant declines in vacancy in the past year. In fact, as shown in the table above, Roseville, Rocklin and Folsom now have some of the lowest vacancy rates in the region.

Sales Activity

The Sacramento apartment market has experienced strong sales activity and appreciation in sale prices over the past several years, even during the period of rising vacancy rates from 2001 through 2004. According to Grubb & Ellis, the average price per unit doubled between 2000 and 2004. In 2004, the average sale price per unit in the Sacramento region was about $89,750, which represents an increase of 11% over the previous year. The average price increased about 20% in 2003. Several local properties have sold and are currently being marketed at prices well over $100,000 per unit. The increase in sale prices can be attributed to historically low interest rates as well as confidence in the long-term fundamentals of the Sacramento market.

Overall capitalization rates on apartment sales have steadily fallen over the last few years. This trend can be tied to low interest rates, as well as an increase in the number of Section 1031 exchanges taking place in the market. The following table indicates average overall cap rates in the Sacramento region for the past three years and the projected average rate for 2005.

Year	Average Overall Cap Rate
2002	8.03%
2003	7.28%
2004	6.03%
2005 (proj.)	6.30%

Source: Grubb & Ellis 2005 Real Estate Forecast

Conclusion

The Sacramento area apartment market is stable by most accounts. Vacancy rates rose in the market between 2001 and 2004, but have declined in the first three quarters of 2005. Rental rates and sale prices have continued to increase and sales activity has been strong. Most market participants agree the Sacramento apartment market should continue to improve in the coming year as new construction subsides and developers continue to focus on for-sale condominiums. Investor confidence in the region remains very strong, as evidenced by several recent sales of large apartment projects at record-high prices. The Sacramento area has strong long-term fundamentals and growth is forecasted in both population and employment in the next 12 months. Another trend beneficial to the apartment market is the continuing decline in housing affordability. As the economy improves, interest rates are expected to rise, which means more residents will be priced out of homeownership and forced to rent as a more affordable alternative.

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The appraised properties are situated in the southeastern portion of the city of Rancho Cordova and are identified as Zones 1 through 5 in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003. The boundaries of Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) generally correspond to Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Zone 1, the northernmost portion of the CFD, is located at the southeast quadrant of Douglas Road and Sunrise Boulevard. Zone 2 is contiguous to Zone 1, along the east line of Sunrise Boulevard, south of the proposed Chrysanthy Road. Zone 3 represents the southernmost portion of the District and is located at the northwest quadrant of Jaeger Road and Kiefer Boulevard. Zone 4 is located south of Chrysanthy Road and west of Jaeger Road and, finally, Zone 5 is located adjacent to Zone 1, along the west line Sunrise Boulevard, south of Douglas Road.

Assessor's Parcel Number(s)

A complete list of the assessor's parcel numbers encompassing the subject properties is presented below.

Designation	APN(s)	Proposed Land Use	Acreage	Ownership
Anatolia I (Zone 1)				
Village 1	067-0440-001 through -111	Single-Family	16.60	GMAC (Lennar/U.S. Homes)
Village 2	067-0660-001 through -106	Single-Family	17.90	Morrison Homes
Village 3	067-0460-001 through -094 and 067-0470-001 through -055	Single-Family	29.80	GMAC (Lennar/U.S. Homes)
Village 4	067-0480-001 through -059 and 067-0490-001 through -058	Single-Family	27.10	GMAC (Lennar/U.S. Homes)
Village 5	067-0600-001 through -105	Single-Family	19.40	Tim Lewis Communities
Village 6	067-0570-001 through -103	Single-Family	19.50	Pulte Homes and William Lyon Homes
Village 7	067-0550-001 through -132	Single-Family	19.80	GMAC (Lennar/U.S.Homes)
Village 8	067-0540-001 through -108	Single-Family	18.00	GMAC (Lennar/U.S. Homes)
Lot A (RD-10)	067-0430-002	Single-Family	12.70	CH (Anatolia I) (Cambridge Homes)
Lot B	067-0430-001	Commercial	14.50	Anatolia, LLC
Total - Zone 1			*195.39*	
Anatolia II (Zone 2)				
Village 9	067-0500-001 through -051 and 067-0510-001 through -101	Single-Family	29.00	GMAC (Lennar/U.S.Homes)
Village 10	067-0590-001 through -117	Single-Family	24.40	JTS Communities, Inc.
Village 11	067-0580-001 through -056	Single-Family	10.10	William Lyon Homes
Village 12	067-0520-001 through -090 and 067-0530-001 through -034	Single-Family	34.20	GMAC (Lennar/U.S.Homes)
Village 13	067-0630-001 through -059 and 067-0640-001 through -045	Single-Family	25.80	JTS Communities, Inc.
Village 14	067-0610-001 through -037 and 067-0620-001 through -055	Single-Family	23.70	Cambridge Homes
Village 15	067-0450-001 through -114	Single-Family	20.10	GMAC (Lennar/U.S. Homes)
Village 16	067-0560-001 through -122	Single-Family	19.20	D.R. Horton, Inc.
Lot A (RD-10)	067-0430-030	Single-Family	8.95	GMAC (Lennar/U.S. Homes)
Lot C	067-0430-018	Commercial	11.13	Anatolia, LLC
Lot G	067-0430-034	Rec. Center	3.83	Sunridge-Anatolia, LLC
Total - Zone 2			*210.41*	

Designation		Proposed Land Use	Acreage	Ownership
		Anatolia III (Zone 3)		
Village 17	Portion of 067-0090-004 and -017	Single-Family	21.78	GMAC (Lennar/U.S. Homes)
Village 18	Portion of 067-0090-004 and -017	Single-Family	22.97	GMAC (Lennar/U.S. Homes)
Village 19	Portion of 067-0090-017 and -024	Single-Family	20.97	GMAC (Lennar/U.S. Homes)
Village 20	Portion of 067-0090-016, -017 and -024	Single-Family	25.41	GMAC (Lennar/U.S. Homes)
Village 21	Portion of 067-0090-017	Single-Family	17.40	JTS Communities, Inc.
Village 22	Portion of 067-0090-004 and -017	Single-Family	32.33	GMAC, Centex Homes & Corinthian Homes
Village 23	Portion of 067-0090-004 and -017	Single-Family	21.17	GMAC and Centex Homes
Village 24	Portion of 067-0090-004 and -017	Single-Family	13.77	GMAC, JTS Communities, Inc. & Corinthian Homes
Village 25/26 (Basin)	Portion of 067-0090-004 and -017	Single-Family	16.70	GMAC (Lennar/U.S. Homes)
Total - Zone 3			*192.50*	
		Anatolia IV (Zone 4)		
Village 1	067-0030-037 (portion)	Single-Family	19.50	Angelo K. Tsakopoulos
Total - Zone 4			*19.50*	
		Mather East (Zone 5)		
Lot A-1	067-0030-052	Commercial	4.63	Cemo Commercial, Inc.
Lot A-2	067-0030-038	Commercial	13.44	Donahue Schriber
Lot A-3	067-0030-039	Commercial	2.40	BD Properties, LLC (et al)
Lot A-4	067-0030-040	Multifamily	12.01	RHNC Sundance-Sacramento
Total - Zone 5			*32.48*	

Owner(s) of Record

Title to the subject properties is vested with numerous ownership entities, as detailed in the preceding tables.

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 properties.

According to the Sacramento County Treasurer-Tax Collector's Office, the subject properties are located in tax rate area 08-004, which has an annual tax rate of 1.0127% based on assessed value. Additionally, the properties are encumbered by the Sunridge-Anatolia Community Facilities District (CFD) 2003-1 bond. With respect to special taxes, we have relied upon the Hearing Report, prepared by Goodwin Consulting Group, Inc., for determining the annual special tax levy on the appraised properties. It is our understanding the annual special tax under the Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) will not exceed the following amounts:

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Acre*
	Anatolia I (Zone 1)	
Villages 1, 2 and 7	Single-Family	$1,055 per lot
Villages 3, 5, 6 and 8	Single-Family	$1,155 per lot
Village 4	Single-Family	$1,255 per lot
Lot A	Single-Family	$7,000 per acre
Lot B	Commercial	$5,000 per acre
	Anatolia II (Zone 2)	
Villages 9, 10, 11 and 15	Single-Family	$1,155 per lot
Villages 12, 13 and 14	Single-Family	$1,255 per lot
Village 16	Single-Family	$1,055 per lot
Lot A	Single-Family	$7,000 per acre
Lot C	Commercial	$5,000 per acre
Lot G	Rec. Center	$7,000 per acre
	Anatolia III (Zone 3)	
Villages 17, 18, 19 and 20	Single-Family	$1,255 per lot
Villages 21 through 27	Single-Family	$1,155 per lot
	Anatolia IV (Zone 4)	
Village 1	Single-Family	$1,140 per lot
	Mather East (Zone 5)	
Lots A-1, A-2 and A-3	Commercial	$5,000 per acre
Lot A-4	Multifamily	$5,000 per acre

* Taxes are increased 2% per year

The appraised properties are also subject to a number of direct levies, which, in total, represent only nominal assessments. The bond indebtedness and these direct levies will be considered in the valuation.

Conditions of Title

Preliminary title reports, prepared by Placer Title Company and Stewart Title Guaranty 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 date of the preliminary title report. The appraiser accepts no responsibility for matters pertaining to title.

Zoning

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) relates to developable portions designated for single-family residential, multifamily residential and commercial land uses. A description of the zoning ordinances encumbering the subject properties is presented in the following paragraphs. The information was obtained from our conversations with the City of Rancho Cordova Planning Department.

RD-4, RD-5, RD-7 and RD-10: The RD-4, RD-5 and RD-7 ordinances are single-family zones designated to provide areas with overall densities not to exceed four, five and seven units per gross acre, respectively. Areas within an RD-10 zone can be used for either single-family or multifamily residential development. For subdivisions, the maximum density under the RD-10 ordinance is 10 units per gross acre, and for multiple dwelling units, every parcel used for multifamily development cannot exceed 10 dwelling units per net acre of land.

CMU/M-F (Commercial Mixed Use/Multifamily): The CMU/M-F zoning ordinance is a multifamily land use designation that permits a maximum of 20 dwelling units per acre. Types of land uses intended within this zoning district include apartments, condominiums, town homes and similar uses, as well as limited commercial uses.

CMU/LC (Commercial Mixed Use/Limited Commercial): The purpose of the CMU/LC zone is to provide areas that will offer a wide choice of retail goods and services in areas where individual small lots are desired. It is intended that this zone be used in locations along major streets and in commercial subdivisions where unlimited commercial uses are not appropriate or would not be compatible with the surrounding development.

SC (Shopping Center): The purpose of the SC zone is to provide an area that will offer a wide choice of retail goods and services, while promoting the unified grouping of retail and service uses with convenient off-street parking and loading areas. It is intended that the Shopping Center district be designed in such a manner as to be an integral part of the neighborhood, community and urban area in which it is located.

There are several parcels designated for open space, parks and recreation and public/quasi-public use enveloped, but not part of, the District. These portions will not be encumbered by special taxes and are excluded from our analysis.

Entitlements

According to the City of Rancho Cordova Planning Department, the final map has been recorded for all of the villages within Zones 1, 2 and 3, with the exception of the Zone 1 RD-10 site and Villages 25 and 26 in Zone 3. The RD-10 site within Zone 2, as well as each of the villages within Zone 3,

have an approved tentative map. Application for tentative map have been submitted for the RD-10 site in Village 1 within Zone 4. The land areas within Zone 5 have been approved for the development of commercial and multifamily uses. The multifamily component, consisting of 12.01 acres, has a maximum allowable density of 20 units per acre and has tentative map approval for 101 single-family residential lots and 28 half-plex lots. The commercial portions consist of five separate sites totaling 46.10 acres. These land areas are designated for a variety of commercial uses, including shopping centers, retail development and office development.

A 3.83-acre site is centrally located in the Anatolia master planned community and is designated for a proposed recreation center identified as The Club at Anatolia. The site is situated within the Special Tax district and has a proposed maximum tax rate of $7,000 per acre, similar to the RD-10 sites. In light of the fact there have been no recent sales of land designated for recreation centers, we will evaluate this site based on its highest and best *economic* use. In consideration of the surrounding uses, the recreational center site could be developed into medium density, detached single-family residences.

Flood Zone

Source:	First American Flood Data Services
Flood Zone:	X – Areas outside of the 100 and 500-year floodplains
Map Panel:	060262-0240C
Panel Date:	September 30, 1988
Flood Insurance:	Not required

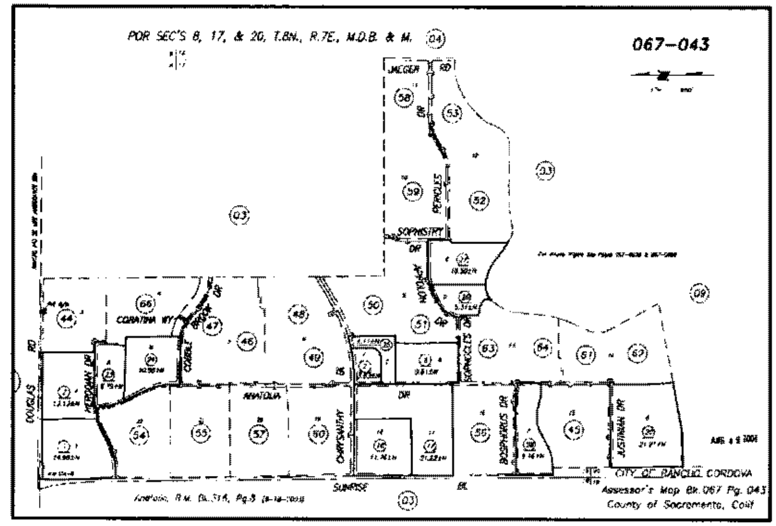
Earthquake Zone

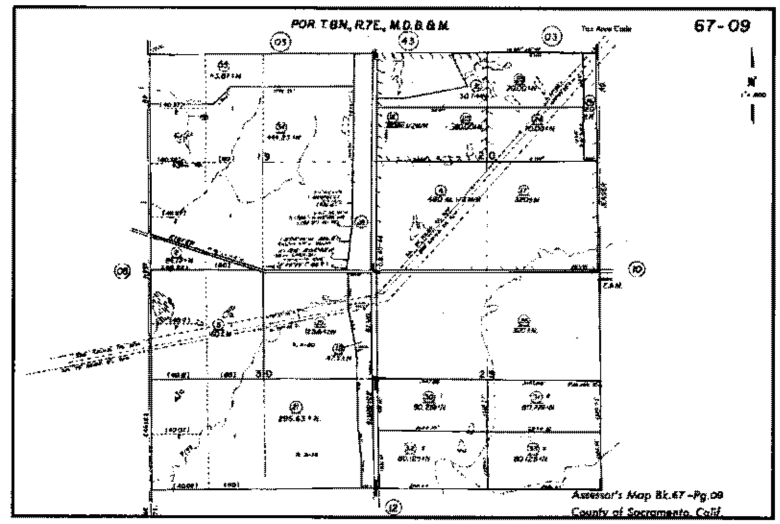
According to the Seismic Safety Commission, the subject properties are located within Zone 3, described as areas of moderate seismic activity. Zone 3 is considered to be the lowest risk zone in California. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to 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

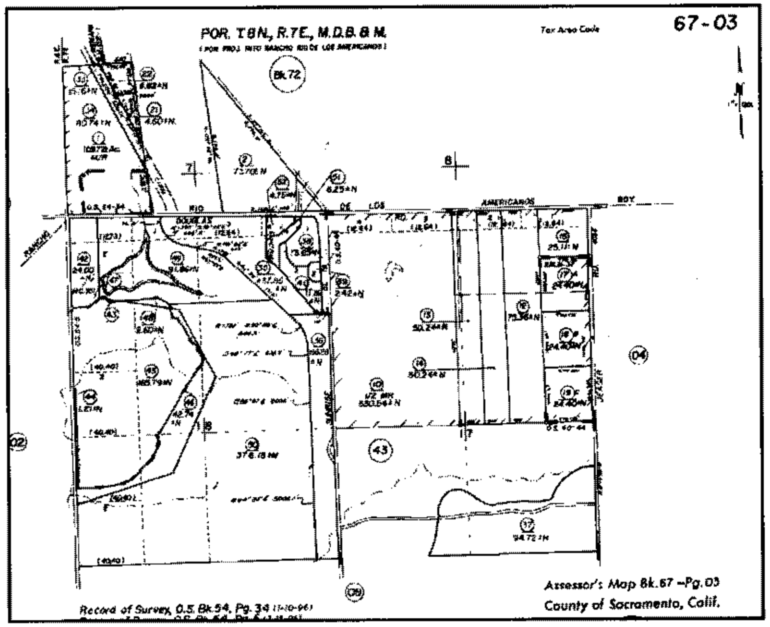
An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions that currently impact the subjects. According to the preliminary title reports provided for this appraisal (see Addenda), the subject properties contain easements for roadways and public utilities. However, these easements are typical for the area and are not considered to adversely affect the value or marketability of the subject properties. 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.

Assessor's Parcel Maps





Assessor's Parcel Maps (Continued)



SITE DESCRIPTION

The subject properties represent the land areas within Sunridge-Anatolia Community Facilities District (CFD) No. 2003-1 (Series 2003 and 2005), and subject to the Special Tax securing the bonds. At completion of development, Sunridge-Anatolia CFD will consist of 3,210 single-family residences, multifamily housing encompassing 28 half-plex lots, a commercial component comprising five sites totaling 46.10 acres and a recreational center site measuring 3.83 acres. There are also a number of public/quasi-public land areas within the District, but will not be encumbered by special taxes. Thus, these sites are excluded from our analysis. The following tables detail the various land use components comprising the District.

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
			Anatolia I (Zone 1)		
Village 1	Single-Family	16.60	111	4,725	GMAC (Lennar/U.S. Homes)
Village 2	Single-Family	17.90	106	5,250	Morrison Homes
Village 3	Single-Family	29.80	149	6,600	GMAC (Lennar/U.S. Homes)
Village 4	Single-Family	27.10	117	7,475	GMAC (Lennar/U.S. Homes)
Village 5	Single-Family	19.40	105	5,775	Tim Lewis Communities
Village 6	Single-Family	19.50	80	5,775	Pulte Homes
			23	5,775	William Lyon Homes
Village 7	Single-Family	19.80	132	4,725	GMAC (Lennar/U.S.Homes)
Village 8	Single-Family	18.00	108	4,675	GMAC (Lennar/U.S. Homes)
Lot A (RD-10)	Single-Family	12.70	118	3,182	CH (Anatolia I)
Lot B	Commercial	14.50	-	-	Anatolia, LLC
Total - Zone 1		*195.30*	*1,049*		
			Anatolia II (Zone 2)		
Village 9	Single-Family	29.00	151	5,775	GMAC (Lennar/U.S.Homes)
Village 10	Single-Family	24.40	117	6,600	JTS Communities, Inc.
Village 11	Single-Family	10.10	56	5,775	William Lyon Homes
Village 12	Single-Family	34.20	123	8,540	GMAC (Lennar/U.S.Homes)
Village 13	Single-Family	25.80	104	8,540	JTS Communities, Inc.
Village 14	Single-Family	23.70	92	8,540	Cambridge Homes
Village 15	Single-Family	20.10	114	5,775	GMAC (Lennar/U.S. Homes)
Village 16	Single-Family	19.20	122	4,725	D.R. Horton, Inc.
Lot A (RD-10)	Single-Family	8.95	99	2,500	GMAC (Lennar/U.S. Homes)
Lot C	Commercial	11.13	-	-	Anatolia, LLC
Lot G	Rec. Center	3.83	-	-	Sunridge-Anatolia, LLC
Total - Zone 2		*210.41*	*978*		

Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) (Continued)

Designation	Proposed Land Use	Acreage	No. of Lots	Typical Lot Size (SF)	Ownership
		Anatolia III (Zone 3)			
Village 17	Single-Family	21.78	91	7,150	GMAC (Lennar/U.S. Homes)
Village 18	Single-Family	22.97	90	8,540	GMAC (Lennar/U.S. Homes)
Village 19	Single-Family	20.97	82	8,540	GMAC (Lennar/U.S. Homes)
Village 20	Single-Family	25.41	107	7,150	GMAC (Lennar/U.S. Homes)
Village 21	Single-Family	17.40	92	5,775	JTS Communities, Inc.
Village 22	Single-Family	32.33	71	5,775	GMAC (Lennar/U.S. Homes)
			69	5,775	Corinthian Homes
			15	5,775	Centex Homes
Village 23	Single-Family	21.17	21	5,775	GMAC (Lennar/U.S. Homes)
			95	5,775	Centex Homes
Village 24	Single-Family	13.77	53	6,500	GMAC (Lennar/U.S. Homes)
			6	5,775	Corinthian Homes
			6	6,500	JTS Communities, Inc.
Village 25/26 (Basin)	Single-Family	16.70	81	5,775	GMAC (Lennar/U.S. Homes)
Total - Zone 3		*192.50*	*879*		
		Anatolia IV (Zone 4)			
Village 1	Single-Family	19.50	203	2,500	Angelo K. Tsakopoulos
Total - Zone 4		*19.50*	*203*		
		Mather East (Zone 5)			
Lot A-1	Commercial	4.63	-	-	Cemo Commercial, Inc.
Lot A-2	Commercial	13.44	-	-	Donahue Schriber
Lot A-3	Commercial	2.40	-	-	BD Properties, LLC (et al)
Lot A-4	Single-Family	12.01	101	-	RHNC Sundance-Sacramento
	Half-Plex		28		
Total - Zone 5		*32.48*	*129*		
		Other (Tax Exempt Areas)			
Lot C (Zone 1)	Park	5.90	-	-	Sunridge-Anatolia, LLC
Lot D (Zone 1)	School	9.90	-	-	Angelo K. Tsakopoulos, et al
Lot B (Zone 2)	MF/Fire Station/GWTP	16.78	-	-	Anatolia, LLC
Lot D (Zone 2)	Park	3.06	-	-	Sunridge-Anatolia, LLC
Lot E (Zone 2)	School	9.89	-	-	Angelo K. Tsakopoulos, et al
Lot F (Zone 2)	Park	4.89	-	-	Sunridge-Anatolia, LLC
Lot H (Zone 2)	Park	20.46	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 3)	Park	5.00	-	-	Sunridge-Anatolia, LLC
Lot A (Zone 4)	Park	2.60	-	-	Angelo K. Tsakopoulos
Lot A-5 (Zone 5)	Open Space	5.80	-	-	BD Properties, LLC (et al)
Total - Other		*84.28*	-		

The appraised properties are situated in the southeastern portion of the city of Rancho Cordova and are identified as Zones 1 through 5 in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003. The boundaries of the Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) generally correspond to Douglas Road to the north, Jaeger Road to the east, Kiefer Boulevard to the south and Sunrise Boulevard to the west. Zone 1, the northernmost portion of the CFD, is located at the southeast quadrant of Douglas Road and Sunrise Boulevard. Zone 2 is contiguous to Zone 1, along the east line of Sunrise Boulevard, south of the proposed Chrysanthy Road. Zone 3

represents the southernmost portion of the District and is located at the northwest quadrant of Jaeger Road and Kiefer Boulevard. Zone 4 is located south of Chrysanthy Road and west of Jaeger Road and, finally, Zone 5 is located adjacent to Zone 1, along the west line Sunrise Boulevard, south of Douglas Road.

The subjects' immediate area is currently comprised of agricultural land with rural residential development. However, the area is on the verge of change, as there are a variety of land uses, including single and multifamily residential, commercial and recreational uses to be incorporated into the area in the near-term.

The subject properties are further discussed as follows:

Size and Shape: Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and 2005) contains 650.19 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.

Topography: The topography of the subject properties is generally level.

Soils: A soils report was not provided for this analysis. However, based on the existence of a number of residential and commercial structures situated on nearby parcels, it appears the subject properties possess adequate load bearing capacity for development.

Drainage: Based on the development plan, our physical inspection of the subject properties, and assuming typical grading and paving work will be completed, it is expected the subject properties will provide adequate drainage.

Frontage/Access: Zones 1 and 5 have frontage along the south line of Douglas Boulevard, east and west of Sunrise Boulevard. Zone 2 is located adjacent to Zone 1 to the south and has adequate frontage along the east line of Sunrise Boulevard. Zone 3 is located at the northwest quadrant of Kiefer Boulevard and Jaeger Road and has frontage along both of these streets. Finally, Zone 4 is located west of Jaeger Road and will have frontage along this street, as well as Chrysanthy Road upon completion of construction.

Adjacent Uses:

North	Douglas Road and vacant land
South	Kiefer Boulevard and vacant land
East	Vacant land and rural residential development
West	Vacant land and rural residential development

Utilities:

Public utilities, including electricity, natural gas, water and telephone service, are available to the properties 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:	SBC Communications, Inc.
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 properties. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties. The value estimates are predicated on the assumption that there is no such material on or in the properties 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.

Development Plan:

The development plan for the subject properties includes the construction of 3,210 single-family residences on home sites ranging in size from approximately 2,500 to 8,540 square feet and 28 half-plex lots. Also proposed are commercial components. The multifamily component, consisting of 12.01 acres, has a maximum allowable density of 20 units per acre and has tentative map approval for 101 single-family residential lots and 28 half-plex lots. The commercial component is comprised of five separate sites that have a combined land area of 46.10 acres. Additionally, there is a 3.83-acre site designated for a recreational center.

Functional Adequacy:

Development of the single-family residential subdivisions will require an interior street system, which will connect with Douglas Road, Sunrise

Boulevard, Kiefer Boulevard and Jaeger Road, to serve all of the various components of the subject properties. Based upon this plan, overall functional utility is considered good.

Offsite Improvements:

As of the date of value, the subject properties required significant offsite improvement work. The financing provided through the bond issuance will be used for improvements to Douglas Road, Jaeger Road, Sunrise Boulevard, Chrysanthy Road and Kiefer Boulevard. These improvements include—but are not limited to—drainage, water, sanitary sewer, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals and other miscellaneous improvements.

The hypothetical market value estimates contained herein assume the completion of the public facilities to be financed by the Sunridge-Anatolia CFD No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds).

Permits and Fees:

The subjects' permits and fees pertaining to the home construction costs range from $47,000 to $53,000 per unit, depending on the size of the proposed floor plans. Overall park fees are projected to increase from approximately $6,000 per unit to approximately $10,000 per unit to fund the development of regional parks and recreational areas. However, some properties have lower permits and fees relative to others due to the fact that the owners negotiated development agreements with the City of Rancho Cordova in which the amount the park fees can increase has been limited.

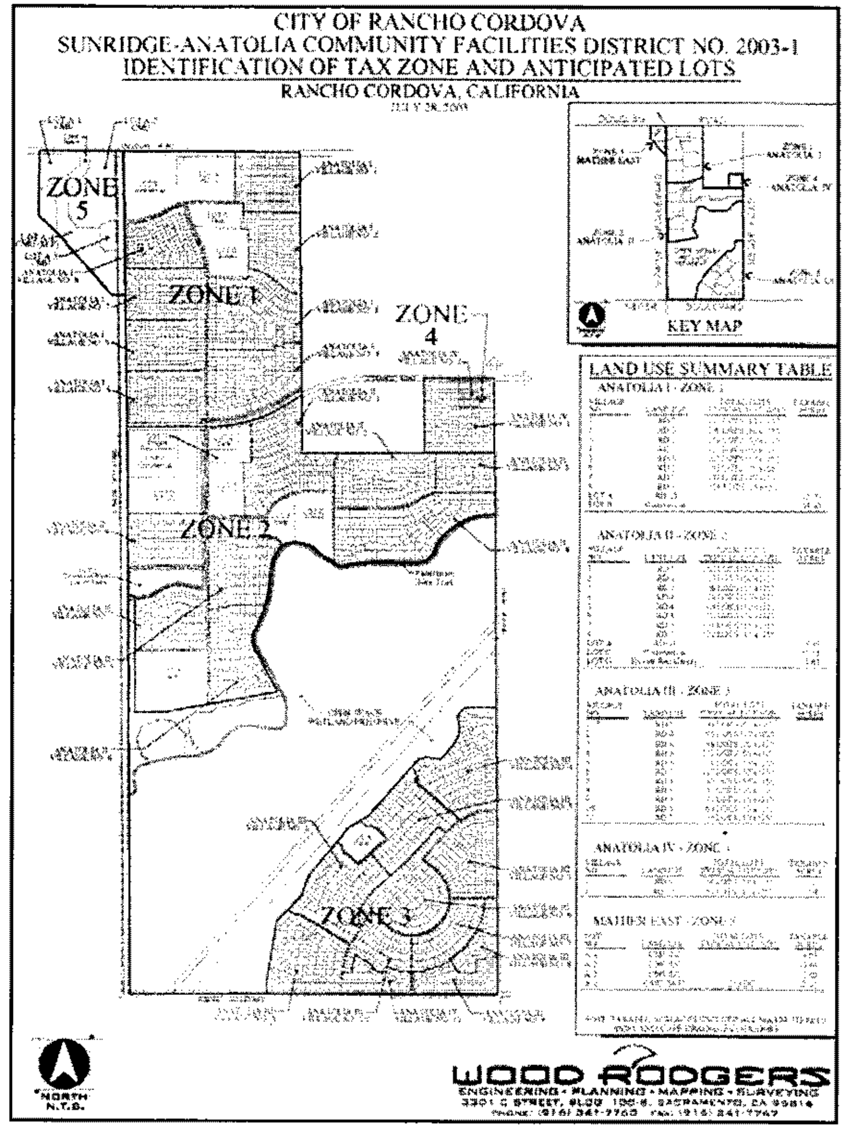
Detention Basin:

There are 81 lots within Zone 3 that will be utilized as an interim water detention basin (see Anatolia III map). The properties to the south of Kiefer Boulevard will include a detention basin when developed, at which point the 81 lots will be converted back for single-family residential use.

Conclusion:

The configuration and size of the subject properties are considered adequate for development. The demand for single-family product bodes well for this project and should increase the demand for the complementary land uses within Sunridge-Anatolia Community Facilities District No. 2003-1 (Series

2003 and 2005). We expect the subject properties to be competitive with the other local developments, as well as projects located elsewhere throughout the Sacramento Region.



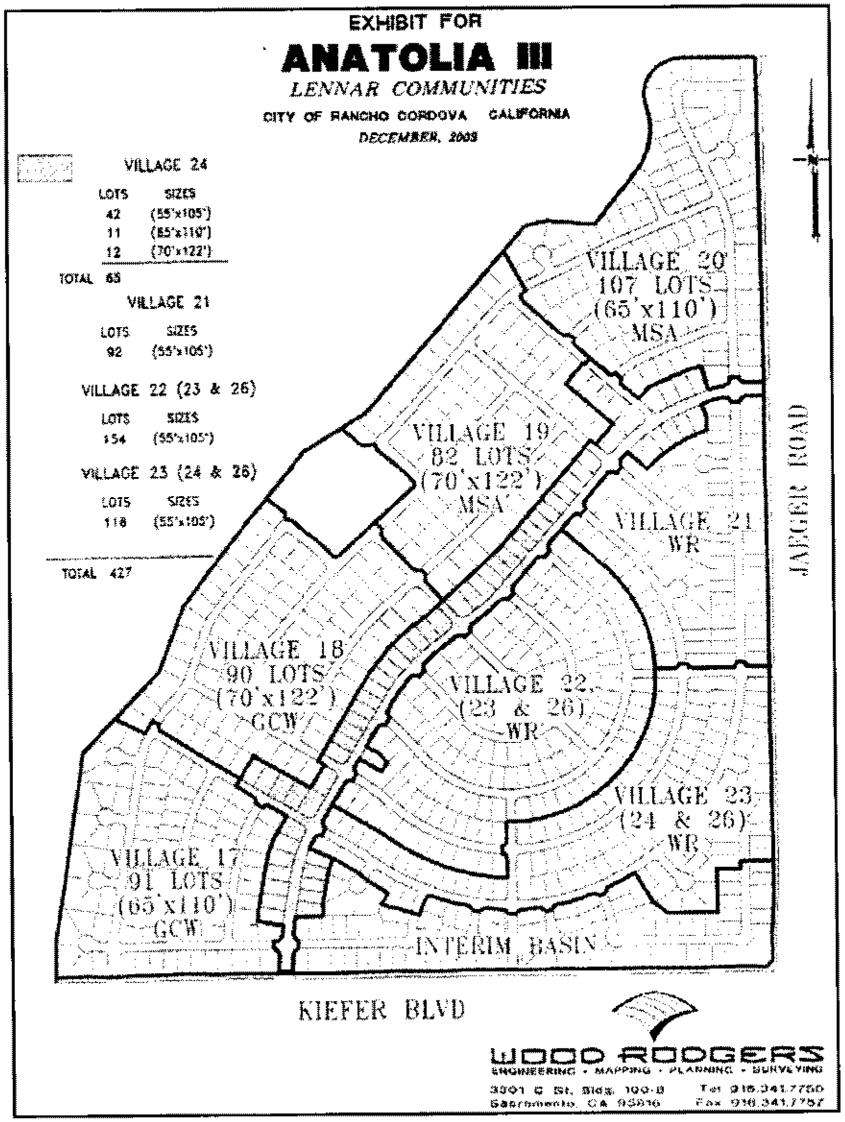


EXHIBIT FOR
ANATOLIA III
LENNAR COMMUNITIES
CITY OF RANCHO CORDOVA CALIFORNIA
DECEMBER, 2005
VILLAGE 24
LOTS SIZES
42 (55'x105')
11 (65'x110')
12 (70'x122')
TOTAL 65
VILLAGE 21
LOTS SIZES
92 (55'x105')
VILLAGE 22 (23 & 26)
LOTS SIZES
154 (55'x105')
VILLAGE 23 (24 & 26)
LOTS SIZES
118 (55'x105')
TOTAL 427
VILLAGE 20
107 LOTS
(65'x110')
MSA
VILLAGE 19
82 LOTS
(70'x122')
MSA
VILLAGE 21
WR
VILLAGE 18
90 LOTS
(70'x122')
GCW
VILLAGE 22
(23 & 26)
WR
VILLAGE 23
(24 & 26)
WR
VILLAGE 17
91 LOTS
(65'x110')
GCW
INTERIM BASIN
JAEGER ROAD
KIEFER BLVD
WOOD RODGERS
ENGINEERING • MAPPING • PLANNING • SURVEYING
3301 C St. Bldg. 100-B Tel 916.341.7760
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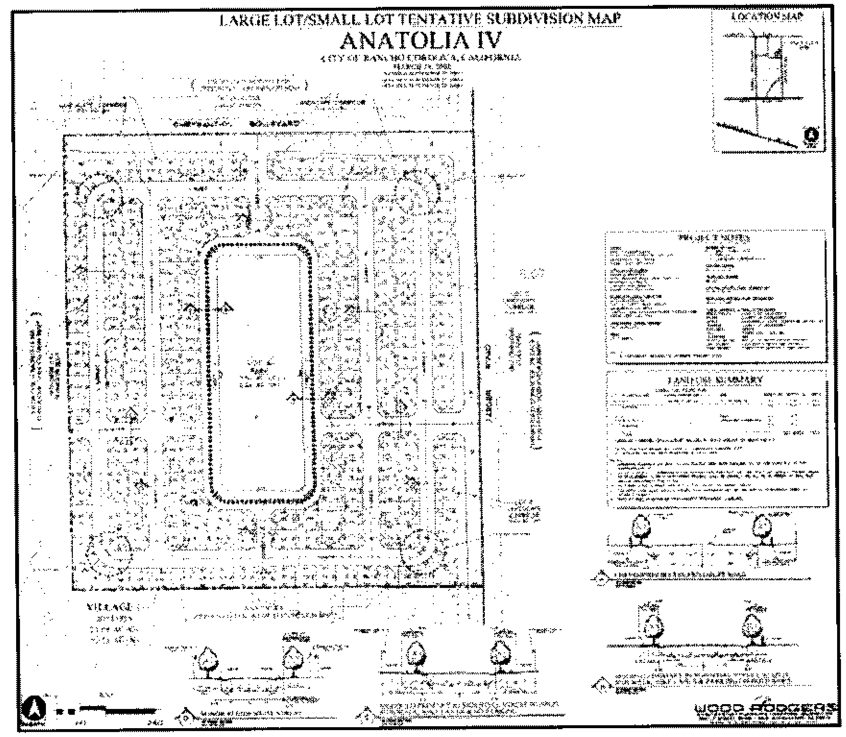

LARGE LOT/SMALL LOT TENTATIVE SUBDIVISION MAP
ANATOLIA IV
LOCATION MAP
PROJECT NOTES
LAND USE SUMMARY
WOOD RODGERS

FACILITIES TO BE FUNDED BY THE DISTRICT

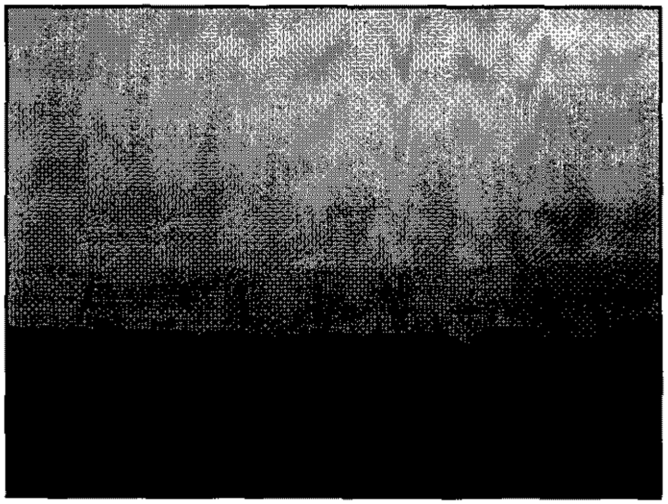
This report will address the hypothetical market values of the subject properties, assuming the completion of the improvements to be financed by the Sunridge-Anatolia Community Facilities District No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds). The improvements authorized to be funded by the District are detailed in the Hearing Report for Sunridge-Anatolia CFD District No. 2003-1, dated July 2003, a copy of which is included in the Addenda to this report. The primary facilities authorized to be constructed with the Special Tax proceeds include: (1) Roadway Improvements, (2) Wastewater System Improvements, (3) Water System Improvements, (4) Drainage System Improvements and (5) Park 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.

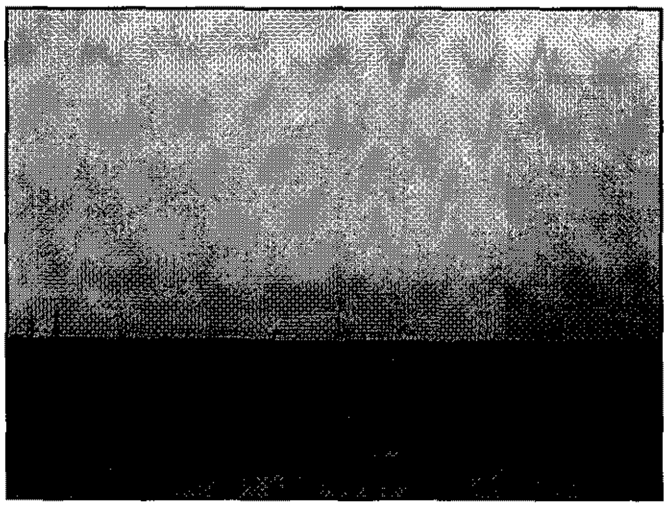
SUBJECT PHOTOGRAPHS

Looking north across Village 1, Zone 1

Looking south across Lot C towards Village 3, Zone 1



Looking west across Zone 4

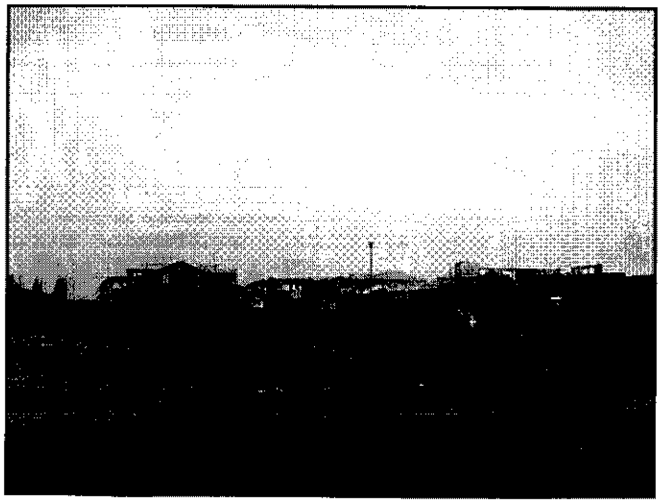


Looking northwest across Zone 3

Looking west across Village 4, Zone 1

View of Mather East (Zone 5)

Looking west towards Village 5, Zone 2



Looking west across Village 6, Zone 2

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.[4]

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the properties as though vacant. The second analysis (highest and best use as improved) is not relevant due to the fact that the subject properties represent vacant land. Definitions of these terms are provided in the *Glossary of Terms* in the Addenda to this report.

Highest and Best Use as though Vacant (Single-Family Residential Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject properties 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 properties are primarily government regulations, such as zoning and building codes. According to the City of Rancho Cordova Planning Department, the single-family residential component has RD-4, RD-5, RD-7 and RD-10 zoning, which are designated to provide areas with overall densities not to exceed four, five, seven and ten units per gross acre, respectively. With the exception of the RD-10 site within Village 1 in Zone 4, all of the properties have either tentative map approval or a recorded final map. A tentative map application has been submitted for the aforementioned property that would permit detached residential development. The area has undergone extensive planning and review and zoning modifications are highly unlikely. In accordance with the approvals and underlying zoning ordinances, single-family residential development is the only legally permissible use of this component.

As noted, there is a 3.83-acre site centrally located in the Anatolia master planned community designated for a recreation center identified as The Club at Anatolia. The recreation center will serve the residents of Anatolia, and the maintenance and operation of The Club will be funded by a proposed Homeowner's Association (HOA). There have been no recent sales of land designated for recreation centers; therefore, we will evaluate this site based on its highest and best *economic* use. In

[4] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 135.

consideration of the surrounding uses, the recreational center site is deemed best suited for medium density, detached single-family residences if the site was not designated for recreational use.

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.

Based on our physical inspection of the subject properties, we know of no reason why the properties would not support any legal development. The properties are located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. In addition, the properties are not located within a Fault-Rupture Hazard Zone. All utility services are available and evidence of residential construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subjects' potential for development.

Overall, the subject properties have physical characteristics that support the legally permissible uses.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon regional supply and demand influences. The subject properties are located in the southern portion of the city of Rancho Cordova, in an area that is proposed for, and in the process of, urbanization. After analyzing current absorption rates of residential projects in the Rancho Cordova submarket and the Sacramento region as a whole, it appears single-family residential development will continue to be well received by the marketplace.

Please refer to the *Sacramento Metropolitan Area Housing Market Overview* and *Rancho Cordova Housing Market Overview* for a discussion on absorption rates and supply and demand influences. In general, the residential market is strong in the Sacramento market area, with steady to increasing prices and steady absorption rates. With demand and prices steady to rising, land values are also increasing. Even with current land prices, builders are reportedly making sufficient profits to warrant construction of new residential units targeting moderate to upper-income level homebuyers. Homes in the move-up levels generally indicate slower absorption rates, as demand slowly pushes buyers into these levels. However, current pricing and absorption rates for product geared toward the moderate to upper-income earners suggests profit levels and rates of return attractive to builders. Considering the strong demand for new housing in the Sacramento area, as evidenced by the

continually increasing median new home price, single-family residential development is considered a financially feasible use of the subject properties.

Maximum Productivity – Conclusion

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject properties. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the properties. 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 subjects' specific characteristics, the highest and best use of the subject properties is for development as well balanced single-family residential subdivisions.

Highest and Best Use – As Though Vacant (Multifamily Residential Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property (Zone 5, Lot A-4) 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 parcel are primarily government regulations such as zoning and building codes. The subject property is located in the city of Rancho Cordova and is encumbered a CMU/M-F – Commercial Mixed Use with an underlying Multifamily Residential land use designation. The types of land uses intended for this district include apartments, condominiums, town homes and similar uses, as well as limited commercial uses. The maximum allowable density under this zone is 20 dwelling units per acre. Based on the legal characteristics, the legally permissible uses of this land area are limited to commercial or multifamily residential development, which are consistent with the CMU/M-F zoning ordinance.

Physical Possibility

The physical characteristics of the parcel, including size, shape, topography, accessibility and availability of utilities, were given consideration in determining whether legally permissible development of the subject property is physically possible. Since the legally permissible test has resulted in potential uses for limited commercial or multifamily residential development, at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

The subject parcel represents a 12.01-acre site that is irregular in shape and has level topography. The physical characteristics of the parcel would not prohibit commercial or multifamily development and, therefore, the property is physically suited for both types of development.

The information cited herein enables us to conclude the legally permissible uses are also physically possible on the subject parcel.

Financial Feasibility

At this point in our analysis, it is necessary to consider the financially feasible, or profitable, use of the subjects' multifamily residential component. The strong demand for single-family residential product in the Sacramento area has led to increases in the median home price over the past several years. Housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. In the Sacramento Region, home prices have soared and, as a result, demand for multifamily and alternative forms of housing in the area have increased significantly. Furthermore, rental rates in the region have been steadily increasing over the past five years. Considering the demand for multifamily housing in the area, development of the subject property as a multifamily residential project, consistent with the underlying land use designation, is financially feasible.

Unlike the balance of the sites within Mather East, the subject property has limited frontage along major thoroughfares (e.g. Douglas Road and Sunrise Boulevard) and is irregular in shape. As such, commercial development is not considered the most feasible use of the subject parcel.

Maximum Productivity - Conclusion

Development of a multifamily residential project is the maximally productive land use that is legally permissible, physically possible and financially feasible. Thus, it is our conclusion the highest and best use – as vacant – of the subject property is to maximize the allowable density and develop a multifamily project that would cater to the demands of the market.

Highest and Best Use – As Though Vacant (Commercial Component)

In accordance with the definition of highest and best use, it is appropriate to analyze the subject sites 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 properties are primarily government regulations such as zoning and building codes. The commercial component of the subject properties is comprised of five separate sites containing a total of 46.10 acres of land. According to the City of Rancho Cordova Planning Department, Zone 1, Lot B and Zone 2, Lot C are zoned SC – Shopping Center. The purpose of this zoning ordinance is to provide areas that will

offer a wide choice of retail goods and services, while promoting the unified grouping of retail and service uses with convenient off-street parking and loading areas. Zone 5, Lots A-1, A-2 and A-3 are encumbered by a CMU/LC – Commercial Mixed Use/Limited Commercial ordinance. The purpose of this zone is to provide an area that will offer a wide choice of retail goods and services in areas where individual small lots are desired. It is intended that this zone be used in locations along major streets and in commercial subdivisions where unlimited commercial uses are not appropriate or would not be compatible with the surrounding development. Based on the subjects' land use designations, the legally permissible uses of the commercial component are for retail or office development, or a combination of both.

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 potential use for commercial development, at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

Based on our physical inspection of the subject properties, we know of no reason why the properties would not support any legal development. The properties are located in Flood Zone X, described as areas outside of the 100 and 500-year flood plains. In addition, the properties are not located within a Fault-Rupture Hazard Zone. All utility services are available and evidence of construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subjects' potential for development.

Overall, the subject properties have physical characteristics that support the legally permissible uses.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon regional supply and demand influences. The subject sites are each located along major streets (Douglas Road and Sunrise Boulevard) and have adequate frontage along both of these roads. Further, the subject properties are located in proximity to U.S. Highway 50. Based on the forecasted growth in population for the city of Rancho Cordova, as well as the anticipated demand for supporting commercial development, it appears commercial use of the sites is financially feasible.

The Rancho Cordova submarket has been experiencing stable rental rates and reduced concessions, indicating there is positive demand for new commercial construction. As noted in the *Office and Retail Market Overviews,* the vacancy rates for office and retail properties along the U.S. Highway 50 corridor, in which the Rancho Cordova submarket is located, are 14.09% and 15.70%, respectively, both of which are higher than the vacancy rates for the Sacramento region as a whole. However, submarkets such as Folsom and El Dorado Hills are also grouped into the U.S. Highway 50 corridor and, considering the significant amount of new commercial construction in both of these submarkets, the vacancy statistics appear reasonable.

The subjects' proximity to new and proposed residential subdivisions in the area has led to a balanced market and the potential for increased development activity. The development of neighborhood shopping centers or complimentary commercial uses is an integral part of a well-balanced community. There is currently limited retail development in the subjects' immediate area. It is anticipated that as the residential projects develop, demand for retail land in the area will increase.

Maximum Productivity - Conclusion

Based on the preceding discussion, it is our opinion commercial development will serve the growing needs of the Anatolia master planned community, as well as adjoining and nearby residential developments. Thus, it is our conclusion the highest and best use – as vacant – of the subject properties is for commercial development.

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.[5] This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. In the valuation of the subject properties, two additional approaches, the extraction technique and the subdivision development method, are applicable. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

The definition of the cost approach is offered as follows:

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

Sales Comparison Approach

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

[5] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 305.
[6] The Dictionary of Real Estate Appraisal, 67.

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.[7]

Income Capitalization Approach

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

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

> Direct capitalization 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.[8]
>
> 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.[9]

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

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

[7] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 255.
[8] The Dictionary of Real Estate Appraisal, 88.
[9] The Dictionary of Real Estate Appraisal, 315.

> Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[10]

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.[11]

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.[12]

[10] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 143.
[11] The Dictionary of Real Estate Appraisal, 106.
[12] The Dictionary of Real Estate Appraisal, 279.

APPRAISAL METHODOLOGY

We have been requested to provide estimates of hypothetical market value for the subject properties by both ownership and land use. The subdivision development method to value (discounted cash flow analysis) will be relied upon to derive estimates of hypothetical market value. As a component of the subdivision development method, the sales comparison approach and extraction technique will be employed to estimate value for the typical, or predominate, production residential lot configuration (5,775 square feet) within the subject properties. 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 subjects' 5,775 square foot lots. The sales comparison approach will also be employed to estimate revenue for the commercial and multifamily components. The resultant value indicators will be incorporated into a discounted cash flow analysis to estimate the hypothetical market values of the subject properties, assuming the completion of the improvements to be financed by the Sunridge-Anatolia CFD No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds). The sum of the market values for the various components represents the cumulative value of the properties within the District, which is not equivalent to the market value of the properties as a whole. Further, the estimate of hypothetical cumulative, or aggregate, value for the components of Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) comprising the subject of this appraisal represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based on an improved lot condition. Specifically, as of November 21, 2005, 300 homes have closed escrow from merchant builders to individual homebuyers. Further, no contributory value is given to permits and fees paid for those homes in various stages of construction.

A 3.83-acre site is centrally located in the Anatolia master planned community and is designated for a proposed recreation center identified as The Club at Anatolia. The site is situated within the Special Tax district and has a proposed maximum tax rate of $7,000 per acre, similar to the RD-10 sites discussed above. In light of the fact there have been no recent sales of land designated for recreation centers, we will evaluate this site based on its highest and best *economic* use. In consideration of the surrounding uses, the recreational center site could be developed into medium density, detached single-family residences. Due to the fact a tentative map is not in place for this property, we will incorporate a higher discount rate to this site relative to the discount rate utilized for the villages that have tentative maps in place.

This appraisal report has been conducted 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.

HYPOTHETICAL MARKET VALUATION

The hypothetical market value of the subjects' single-family residential, multifamily and commercial revenue components will be estimated in this section of the report. The valuation of the subject properties will be presented by ownership and land use. It is assumed all improvements to be financed by the Sunridge-Anatolia CFD No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds) are in place. The subdivision development method will be employed and is 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.[13]

We will utilize a discounted cash flow analysis to value each ownership and land use component encompassing the subject properties. The four main items of our discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income of the individual components is derived in this section.
- **Absorption Analysis** – the time frame required to sell off the components. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off 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 our discounted cash flow analysis offered at the end of this section.

REVENUE

The revenue will be generated by the sale of the subjects' single-family residential, multifamily and commercial components. In the following section, we begin by estimating revenues for the single-family residential component. Subsequent sections will detail the revenue streams of the other components.

[13] The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002), 279.

In estimating revenues for the single-family residential component, we will derive loaded lot indicators for each residential village 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 – Single-Family Residential Component

In the sales comparison approach, the hypothetical market values of the subject properties are 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."*

We will utilize the sales comparison approach to estimate the expected revenues for the subjects' single-family residential component. 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, special assessments and permits and fees.

As discussed in the *Highest and Best Use* section of this report, single-family residential development is the maximally productive use of the 3.83-acre recreational center site. While the recreational center site does not have tentative map approval for residential development, it is concluded this property could be developed with 3,200 square foot lots, consistent with the RD-10 sites. Therefore, we have included this area in the single-family residential component valuation.

After deriving a loaded lot indicator for the subject properties from comparable sales data, the permits and fees for a typical lot within the subject properties, as well as site development costs for the villages within Zones 3 and 4, 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 our inspection, the residential lots within Zones 1 and 2 were improved (with exception to the RD-10 sites), while Zone 3 was partially improved and Zone 4 was unimproved. The value estimates also assume the improvements to be financed by the Sunridge-Anatolia Community Facilities District No. 2003-1 bond issuance (Series 2003 and Series 2005 bonds) are in place and available for use.

The subject properties 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 properties, with some projects not encumbered by an HOA. 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.

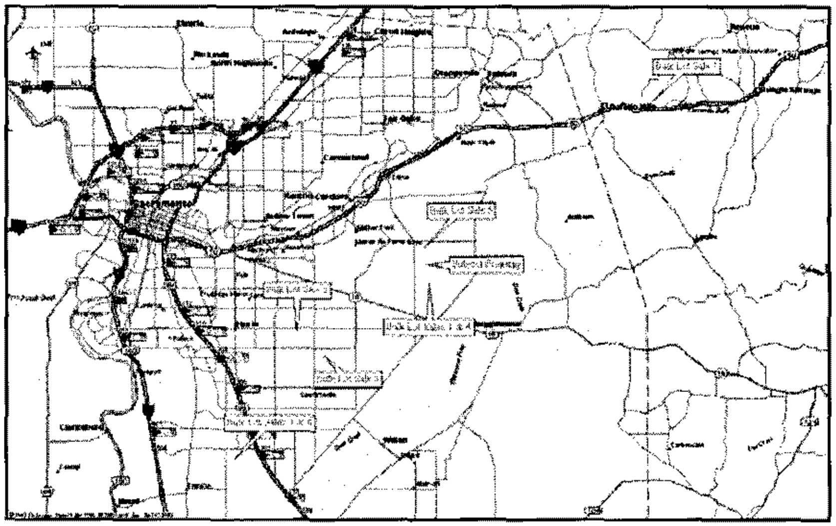
Building permit costs can vary substantially between projects, even though they may be located within the same region. Due to differences in building permit costs, all transactions have been analyzed with these costs taken into account.

There are approximately nine different lot size groupings represented by the subjects' single-family residential lots: 2,500 square feet, 3,182 – 3,200 square feet, 4,675 – 4,725 square feet, 5,250 square feet, 5,775 square feet, 6,500 – 6,600 square feet, 7,150 square feet, 7,475 square feet and 8,540 square feet. The largest single group of lots, in terms of lot count, is the subjects' 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, 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 subjects' 5,775 square foot lots.

The survey of recent transactions revealed eight comparables in the subjects' market area and surrounding submarkets that are considered good indicators of hypothetical market value for the subjects' residential component. The sales cover the period from September 2004 to September 2005 and range in quantity from 75 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 this summary.

COMPARABLE BULK LOT SALES

No.	Location	Sale Date	Sale Price	No. of Lots	$/Lot	Costs to Complete	PV of Bonds	Permits and Fees	Loaded Lot Value	Typical Lot Size
1	**Anatolia III - Portion of Villages 22 and 24** N/O Keifer Boulevard, west of Jaeger Road Rancho Cordova, Sacramento County	Sep-05	$13,725,000	75	$183,000	$0	$15,898	$50,000	$248,898	5,775
2	**Vineyard Creek (portion)** S/S Florin Road, west of Bradshaw Road Sacramento County	Aug-05	$36,720,000	272	$135,000	$38,500	$22,024	$55,000	$250,524	6,600
3	**Laguna Ridge, Village 2** E/O Bruceville Road, south of Elk Grove Blvd. Elk Grove, Sacramento County	Feb-05	$17,562,000	141	$124,553	$67,555	$20,991	$45,000	$258,100	7,000
4	**Anatolia III - Portion of Villages 22 and 23** N/O Keifer Boulevard, west of Jaeger Road Rancho Cordova, Sacramento County	Dec-04	$14,300,000	110	$130,000	$30,000	$15,898	$50,000	$225,898	5,775
5	**Anatolia I - Lot 3** N/L Herodian Drive, east of Anatolia Drive Rancho Cordova, Sacramento County	Dec-04	$11,000,000	121	$90,909	$28,039	$15,692	$47,183	$181,823	3,182
6	**Laguna Ridge, Villages 5, 6 and 8** E/O Bruceville Road, south of Elk Grove Blvd. Elk Grove, Sacramento County	Dec-04	$25,000,000	234	$106,838	$65,300	$20,991	$45,000	$238,129	6,500
7	**Blackstone - Village 5B** N/O U.S. Highway 50, east of Bass Lake Road El Dorado Hills, El Dorado County	Sep-04	$19,073,620	110	$172,942	$38,558	$0	$38,412	$249,912	12,150
8	**Vineyard Springs** E/O Bradshaw Road, south of Gerber Road Sacramento County	Sep-04	$8,970,000	78	$115,000	$35,200	$0	$45,000	$195,200	7,500



COMPARABLE BULK LOT SALE NO. 1 (SUBJECT SALE)

Property Identification

Project	Anatolia III– Portion of Villages 22 and 24
Location	North of Kiefer Boulevard, west of Jaeger Road, Rancho Cordova, Sacramento County, California

Sale Data

Grantor	U.S. Homes
Grantee	Corinthian Homes
Sale Date	September 2005 (Contract); November 2005 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$13,725,000
Annual Special Assessments per Lot	$1,155

Land Data

Zoning	Single-family residential
Topography	Level
Utilities	Available
Number of Lots	75
Development Status at Sale	Improved lots
Typical Lot Size (SF)	5,775 square feet

Indicators (Per Lot)

Sale Price	$ 183,000
Site Development Costs	$ 0
Finished Lot Indicator	$ 183,000
PV of Bonds	$ 15,898
Permits and Fees	$ 50,000
Loaded Lot Indicator	$ 248,898

Remarks

This comparable is a subject sale within 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.

COMPARABLE BULK LOT SALE NO. 2

Property Identification

Project	Vineyard Creek (portion)
Location	South side of Florin Road, west of Bradshaw Road, Sacramento County, California

Sale Data

Grantor	Lennar Communities, Inc.
Grantee	Standard Pacific, Corp.
Sale Date	August 12, 2005 (Contract), August 26, 2005 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$37,720,000 (allocated price)
Annual Special Assessments per Lot	$1,600

Land Data

Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	272
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	6,600 square feet

Indicators (Per Lot)

Sale Price	$ 135,000
Site Development Costs	$ 35,000
Profit Allocation at 10%	$ 3,500
Finished Lot Indicator	$ 173,500
PV of Bonds	$ 22,024
Permits and Fees	$ 55,000
Loaded Lot Indicator	$ 250,524

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 7.10 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 (7.10 acres total).

COMPARABLE BULK LOT SALE NO. 3

Property Identification

Project	Laguna Ridge, Village 2
Location	East of Bruceville Road, south of Elk Grove Boulevard, Elk Grove, Sacramento County, California

Sale Data

Grantor	Reynen and Bardis
Grantee	Corinthian Homes
Sale Date	February 2005 (Contract)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$17,562,000
Annual Special Assessments per Lot	$1,525

Land Data

Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	141
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	7,000 square feet

Indicators (Per Lot)

Sale Price	$ 124,553
Site Development Costs	$ 61,414
Profit Allocation at 10%	$ 6,141
Finished Lot Indicator	$ 192,108
PV of Bonds	$ 20,991
Permits and Fees	$ 45,000
Loaded Lot Indicator	$ 258,099

Remarks

This comparable is the February 2005 contract between Reynen and Bardis and Corinthian Homes. The transaction is still pending and represents a transfer of 141 lots. Site development costs were reported to be $67,555 per lot.

COMPARABLE BULK LOT SALE NO. 4 (SUBJECT SALE)

Property Identification	
Project	Anatolia III– Portion of Villages 22 and 23
Location	North of Kiefer Boulevard, west of Jaeger Road, Rancho Cordova, Sacramento County, California
Sale Data	
Grantor	U.S. Homes
Grantee	Centex Homes
Sale Date	December 2004 (Contract); February 2005 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$14,300,000
Annual Special Assessments per Lot	$1,155
Land Data	
Zoning	Single-family residential
Topography	Level
Utilities	Available
Number of Lots	110
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	5,775 square feet
Indicators (Per Lot)	
Sale Price	$ 130,000
Site Development Costs	$ 30,000
Finished Lot Indicator	$ 160,000
PV of Bonds	$ 15,898
Permits and Fees	$ 50,000
Loaded Lot Indicator	$ 225,898

Remarks

This comparable is a subject sale within 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.

COMPARABLE BULK LOT SALE NO. 5 (SUBJECT SALE)

Property Identification	
Project	Anatolia I, Lot 2
Location	North line of Herodian Drive, east of Anatolia Drive, Rancho Cordova, Sacramento County, California
Sale Data	
Grantor	Angelo Tsakopoulos (26.6% interest), Eleni Tsakapoulos-Kounalakis and Markos Kounalakis (30.0% interest), Tsakapolous Family Partnership (40.0% interest), Mark Enes (2.4% interest) and AKT Development (1.0% interest)
Grantee	Cambridge Homes
Sale Date	December 2004 (Contract); June 2005 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$11,000,000
Annual Special Assessments per Lot	$1,140
Land Data	
Zoning	RD-10
Topography	Generally level
Utilities	Available
Number of Lots	121
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	3,182 square feet
Indicators (Per Lot)	
Sale Price	$ 90,909
Site Development Costs	$ 28,039
Finished Lot Indicator	$ 118,948
PV of Bonds	$ 15,692
Permits and Fees	$ 47,183
Loaded Lot Indicator	$ 181,823

Remarks

This comparable is a subject sale within the Anatolia master planned community. Close of escrow was contingent upon the seller obtaining tentative map approval for the development. The buyer is responsible for all site development work. It should be noted the purchase price was negotiated based on the assumption 121 lots would be approved; however, tentative map was ultimately approved for 118 lots. The purchase price of $11,000,000 remained unchanged.

COMPARABLE BULK LOT SALE NO. 6

Property Identification

Project	Laguna Ridge, Villages 5, 6 and 8
Location	East of Bruceville Road, south of Elk Grove Boulevard, Elk Grove, Sacramento County, California

Sale Data

Grantor	Reynen and Bardis
Grantee	Morrison Homes
Sale Date	December 2004 (Contract), February 2005 (COE)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$25,000,000
Annual Special Assessments per Lot	$1,525

Land Data

Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	234
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	6,500 square feet

Indicators (Per Lot)

Sale Price	$ 106,838
Site Development Costs	$ 59,364
Profit Allocation at 10%	$ 5,936
Finished Lot Indicator	$ 172,138
PV of Bonds	$ 20,991
Permits and Fees	$ 45,000
Loaded Lot Indicator	$ 238,129

Remarks

Morrison Homes acquired the property for $25,000,000, or $106,838 per unimproved lot. The typical lot within the villages is 6,500 square feet in size. The buyer projected permits and fees to be approximately $45,000 per lot.

COMPARABLE BULK LOT SALE NO. 7

Property Identification

Project	Blackstone – Village 5B
Location	North of U.S. Highway 50, east of Bass Lake Road, El Dorado Hills, El Dorado County, California

Sale Data

Grantor	Lennar Renaissance, Inc.
Grantee	Cambridge Homes
Sale Date	September 2004 (Contract)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$19,023,620
Annual Special Assessments per Lot	None

Land Data

Zoning	Single-family residential
Topography	Rolling
Utilities	Available
Number of Lots	110
Development Status at Sale	Partially improved lots
Typical Lot Size (SF)	12,150 square feet

Indicators (Per Lot)

Sale Price	$ 172,942
Site Development Costs	$ 38,558
Finished Lot Indicator	$ 211,500
PV of Bonds	$ 0
Permits and Fees	$ 38,412
Loaded Lot Indicator	$ 249,912

Remarks

This sale is a bulk lot transaction within the Blackstone residential community. The purchase price was $19,023,620, or $172,942 per lot, with the buyer responsible for in-tract development. The typical lot size is 12,150 square feet.

COMPARABLE BULK LOT SALE NO. 8

Property Identification	
Project	Vineyard Springs
Location	East of Bradshaw Road and south of Gerber Road, Sacramento County, California
Sale Data	
Grantor	Sid Dunmore
Grantee	Centex Homes
Sale Date	September 2004 (Contract)
Property Rights Conveyed	Fee simple
Conditions of Sale	Market
Financing Terms	All cash to the seller
Sale Price	$8,970,000
Annual Special Assessments per Lot	None
Land Data	
Zoning	Single-family residential
Topography	Generally level
Utilities	Available
Number of Lots	78
Development Status at Sale	Unimproved lots
Typical Lot Size (SF)	7,500 square feet
Indicators (Per Lot)	
Sale Price	$ 115,000
Site Development Costs	$ 35,200
Finished Lot Indicator	$ 150,200
PV of Bonds	$ 0
Permits and Fees	$ 45,000
Loaded Lot Indicator	$ 195,200

Remarks

This comparable is the September 2004 contract for 78 lots in south Sacramento County. This property is situated within the Vineyard Springs Comprehensive Plan Area. The typical lot size within this development is 7,500 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, the sales comparables are analyzed 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

The majority of the comparables represents unimproved lot transactions and, as such, site development costs are added to equate these comparables to finished lots for comparison purposes.

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), the amount of the subjects' permits and fees are subtracted to arrive at an estimate of value.

Bonds and Assessments

Mello-Roos districts encumber the comparables utilized for this analysis, as well as the subject properties. The comparables are adjusted based on the impact of bond indebtedness on value (included in the loaded lot indicators).

Additional Adjustments

The comparable transactions are adjusted based on the profile of the subject properties with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject properties, 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 properties.

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)
- Market conditions (time)
- Physical features

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 on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and, therefore, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment.

Market Conditions (Time)

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.

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 time adjustment is required. While the real estate market went into a period of moderation during the 3rd and 4th quarters of 2001, the residential sector began to rebound after this period, with market conditions steadily improving since. Based on recent bulk lot transactions throughout the Sacramento region and the Central Valley, which continue to show a trend in increased prices for developable residential lots, Comparables #4 through #8, which represent mid to late-2004 sales, require upward adjustments to account for the improvement in market conditions since the sale dates.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

<u>Location and Community Appeal</u>

The subject properties are located within the city of Rancho Cordova and are considered to have an average overall location. Comparable #7 is located in El Dorado Hills, which is considered superior to the subjects' location due to surrounding land uses, desirability and property values. A downward adjustment is warranted to this comparables for location. With respect to community appeal, Comparable #8 is located in south Sacramento County and has inferior community appeal in comparison to the subject properties. Thus, an upward adjustment is required to account for this factor.

<u>Number of Lots</u>

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.

None of the comparables has a lot count that differs enough from the subjects' 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 subjects' 5,775 square foot lot size category. The degree of adjustment is dependent on the size disparity between the comparable and the subjects' 5,775 square foot lot size.

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 properties; no adjustments are necessary.

Lot Premiums and Discounts

This analysis is concerned with the bulk value of the subject properties. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the properties in bulk. All of the comparables are considered to offer similar achievable lot premiums as the subject properties; thus, no adjustments are necessary.

Zoning

All of the sales have similar zoning compared to the subject properties; no adjustments are necessary.

Loaded Lot Indicator – Sales Comparison Approach

In comparison to the subjects' 5,775 square foot lot category, which forms the basis of this analysis, the data set required adjustments for discrepancy in typical lot size, both larger and smaller than 5,775 square feet. Significant interest in developable residential land throughout the Sacramento region has occurred during the past year; consequently, upward adjustments to account for improvements in market conditions were applied to several of the comparable sales. Utilizing the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject properties previously discussed; namely, improvements in market conditions and discrepancies in typical lot size, an indicator of $250,000 per loaded lot for the standard 5,775 square foot lots offered by the subject properties 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 market 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 properties could be developed with a range of new homes that would target the middle to upper-income buyer segments of the new home market.

Average Home Price

Using the subjects' standard lot size (5,775 square feet), we will estimate a typical new production home for the subject properties that is based on a survey of active subdivisions within the Rancho Cordova market. For the purposes of our extraction technique, we will utilize a 2,400 square foot floor plan, which is considered representative of the average product being offered in similar developments. The following table details several competitive projects in the Rancho Cordova market. The data is taken from The Gregory Group 3rd Quarter 2005 Housing Report.

Project	Builder	Units Planned	Units Sold	Lot Size (sf)	Total Weekly Sales Rate	Average Base Price
Zinfandel Village	Elliott Homes	550	341	6,600	1.58	$407,950
The Tuscany Collection	Elliott Homes	468	266	8,625	1.73	$639,200
The Masters @ Anatolia	JTS Communities	117	65	7,000	1.33	$623,808
The Estate Series @ Anatolia	JTS Communities	104	44	7,350	0.90	$769,190
Laureate @ Anatolia	US Home/Lennar	124	38	8,470	1.09	$628,157
Marquis @ Anatolia	Winncrest Homes/Lennar	108	50	4,675	1.56	$412,700
The Classics @ Anatolia	US Home/Lennar	132	83	4,725	2.37	$412,657
Sorrento @ Anatolia	Winncrest Homes/Lennar	147	56	6,090	1.70	$520,283
Sedona @ Anatolia	Tim Lewis Communities	105	46	5,775	1.39	$493,491
Artistry @ Anatolia	Renaissance Homes/Lennar	117	40	7,000	1.25	$550,521
Traditions @ Anatolia	US Home/Lennar	151	64	5,775	1.83	$447,323
Estancia @ Anatolia	D.R. Horton	122	52	5,775	1.73	$414,990
Monaco @ Anatolia	Winncrest Homes/Lennar	114	60	5,775	1.71	$442,807
Mastery @ Anatolia	Cambridge Homes/Lennar	92	30	8,400	0.94	$644,900
Morrison Homes @ Anatolia	Morrison Homes	106	55	5,775	1.90	$437,990
Regalia @ Anatolia	Renaissance Homes/Lennar	111	62	4,725	2.00	$427,617
The Alexander Collection	Elliott Homes	196	90	4,800	2.90	$439,700
Ellenwood Estates	D.R. Horton	60	32	5,000	1.14	$392,990
Evania @ Anatolia	Pulte Homes	80	63	5,775	2.63	$518,323
Verona at Anatolia	William Lyon Homes	79	17	5,720	1.55	$474,990
The Cottages at Capital Village	Beazer Homes	163	11	2,450		$360,490
The Bungalows @ CV	Beazer Homes	151	10	4,140		$396,490
The Brownstones @ CV	Beazer Homes	248	18	1,904		$349,990

Upon examination of the active single-family residential developments in the Rancho Cordova market, an average base price of $500,000 is concluded for the subjects' 2,400 square foot hypothetical floor plan. These estimates are consistent with the average size and pricing within Rancho Cordova (please reference the *Rancho Cordova Housing Market Overview*).

Direct Costs, Indirect Costs and Profit

The direct costs of construction are estimated based on reported costs for residential projects in the Northern California region, with support from the Residential Cost Handbook, a nationally recognized cost-estimating guide published by the Marshall and Swift Corporation. Direct cost estimates reported from other projects are tabulated in the following table.

Project / Location	Effective Date	Floor Plan (SF)	Direct Costs per SF
Subdivision A	2005	2,462	$68.52 - $72.47
Roseville		2,780	$73.73 - $76.23
		3,059	$61.88 - $64.68
		3,576	$60.26 - $63.37
		4,651	$60.58 - $63.24
Subdivision B	2005	1,534	$65.50
Natomas		1,680	$65.00
		1,783	$63.00
Subdivision C	2005	2,001	$60.44
Rancho Cordova		2,416	$62.38
		2,544	$58.59
		2,759	$57.11
Subdivision D	2005	1,305	$89.90
Corning		1,509	$82.48
		1,780	$79.05
		1,843	$74.40
Subdivision E	2004	1,976	$81.12
Elk Grove		2,957	$67.71
		3,195	$67.00
		4,192	$63.79
Subdivision F	2004	1,976	$96.58
El Dorado Hills		2,957	$81.71
		3,195	$80.43
		4,192	$78.44
Subdivision G	2004	2,005	$75.06
Lathrop		2,289	$70.11
		2,542	$67.24
		2,836	$63.95
		3,015	$63.44
		3,253	$63.68

Based on the cost comparables presented, we estimate average direct costs in the amount of $75 per square foot. Indirect costs are estimated at 25% of the direct costs and a profit factor of 10% of the sale price will also be deducted. This factor is considered consistent with profit margins achieved within existing projects offering home product similar to the product expected within residential developments such as the subject properties.

Conclusion

The residual analysis, based upon the cited factors, is presented on the following page.

Living Area (SF)	**2,400**
Sale Price	**$500,000**
Special Tax	**$15,898**
Total Consideration	**$515,898**
Less:	
Direct costs of construction (2,400 sf x $75 psf)	($180,000)
Indirect costs @ 25% of direct costs	($45,000)
Developer's Incentive @ 10% of sales price	($50,000)
Loaded Lot Value	$240,898
Rounded	**$241,000**

As discussed under the *Highest and Best Use*, the subject properties are considered most profitable as new home production developments 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.

Reconciliation of Loaded Lot Value

The value estimates derived for the predominant, typical lot of the subject properties via the extraction technique and the sales comparison approach are presented below.

Sales Comparison Approach	**$250,000**
Extraction Technique	**$241,000**

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 properties is derived as a remainder amount based on the most likely end product. In the instance of the subject properties, the end product could be a variety of product at more than one range of values. As illustrated above, the value indicator derived via the extraction technique is reasonably similar to the value concluded via the sales comparison approach and is considered to substantiate the sales comparison approach value conclusion. Considering the information cited above, a loaded lot value of **$250,000** per lot for the subjects' standard 5,775 square foot lot is concluded.

Using the 5,775 square foot base lot size, which represents the largest single group of lots in terms of lot count, qualitative adjustments are made to the remaining categories of lots to derive final estimates of value for each lot grouping represented within the subject properties. As discussed in the *Highest and Best Use* section of this report, single-family residential development is the maximally productive use of the two sites zoned RD-10, as well as the 3.83-acre recreational center site. While the recreational center site does not have tentative map approval for residential development, it is concluded this property could be developed with 3,200 square foot lots, consistent with the RD-10 sites. Therefore, these areas are included in the single-family residential component valuation. The following table details the hypothetical loaded lot value conclusions for each lot size category.

LOADED LOT VALUES

Typical Lot Size (SF)	Description	Loaded Lot Value
2,500	Standard	$195,000
3,182 - 3,200	Standard	$207,000
4,675 - 4,725	Standard	$239,000
5,250	Standard	$245,000
5,775	**Standard**	**$250,000**
6,500 - 6,600	Standard	$258,000
7,150	Standard	$264,000
7,475	Standard	$267,000
8,540	Standard	$278,000

Conclusion of Revenue – Single-Family Residential Component

Loaded lot values were previously estimated for each of the separate lot size configurations and/or villages. In order to estimate the total revenue for the subjects' single-family residential component, deductions are required for site development costs (Zones 3 and 4) and permits and fees. With the exception of the RD-10 sites and recreational center site, all in-tract improvements are in place for the villages within Zones 1 and 2. As such, deductions for site costs are not required to the villages representative of finished lots.

The site development costs are based on the developers' budgets and appear reasonable relative to comparable projects located throughout the greater Sacramento Region. We requested site development cost estimates for each of the individual villages; however, budgets were not available for the RD-10 site within Zone 2, the recreational center site, and Village 1 within Zone 4. Therefore, in calculating revenues for these villages, we analyzed the development budget for the balance of the villages within Anatolia and applied average site development costs based on typical lot sizes. For example, site development costs for the RD-10 site within Zone 1 (3,182 square foot typical lot size) average approximately $28,000 per lot. As such, this amount will be deducted from the loaded lot indicators of the villages with a similar typical lot size. A portion of the site development costs has been incurred for each of the Villages within Zone 3. Thus, with respect to these villages, the site costs are representative of the remaining costs to complete.

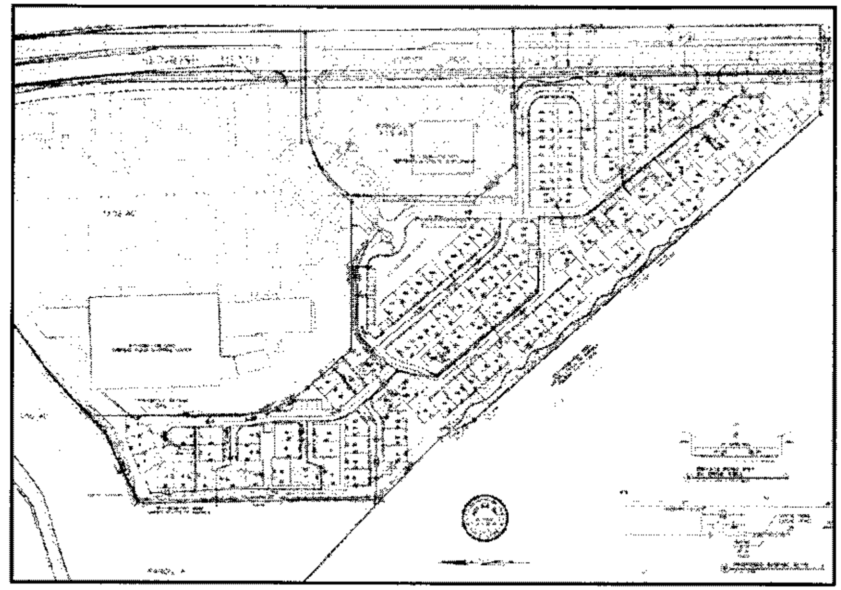
Revenues are generated by the sale of each of the villages and will be integrated into the discounted cash flow analysis (subdivision development method) in order to reflect the bulk, or wholesale, hypothetical market values of the subject properties. The revenue for the single-family residential component is estimated in the table on the following page and is arranged by ownership and village.

REVENUE CONCLUSION – SINGLE-FAMILY RESIDENTIAL COMPONENT

Zone	Designation	No. of Lots	Typical Lot Size (SF)	Concluded Loaded Lot Value	Permits and Fees	Site Dev. Costs	Value Per Lot	Extension	Rounded
				GMAC (Lennar/U.S. Homes)					
Zone 1	Village 1	111	4,725	$239,000	($53,000)	$0	$186,000	$20,646,000	$20,650,000
Zone 1	Village 3	149	6,600	$258,000	($53,000)	$0	$205,000	$30,545,000	$30,550,000
Zone 1	Village 4	117	7,475	$267,000	($53,000)	$0	$214,000	$25,038,000	$25,040,000
Zone 1	Village 7	132	4,725	$239,000	($53,000)	$0	$186,000	$24,552,000	$24,550,000
Zone 1	Village 8	108	4,675	$250,000	($64,000)	$0	$186,000	$20,088,000	$20,090,000
Zone 2	Village 9	151	5,775	$250,000	($53,000)	$0	$197,000	$29,747,000	$29,750,000
Zone 2	Village 12	123	8,540	$278,000	($53,000)	$0	$225,000	$27,675,000	$27,680,000
Zone 2	Village 15	114	5,775	$250,000	($53,000)	$0	$197,000	$22,458,000	$22,460,000
Zone 2	Lot A (RD-10)	99	2,500	$195,000	($47,000)	$0	$148,000	$14,652,000	$14,650,000
Zone 3	Village 17	91	7,150	$264,000	($53,000)	($1,944)	$209,056	$19,024,094	$19,020,000
Zone 3	Village 18	90	8,540	$278,000	($53,000)	($1,944)	$223,056	$20,075,038	$20,080,000
Zone 3	Village 19	82	8,540	$278,000	($53,000)	($1,944)	$209,056	$18,290,591	$18,290,000
Zone 3	Village 20	107	7,150	$264,000	($53,000)	($1,944)	$209,056	$22,368,990	$22,370,000
Zone 3	Village 22 (portion)	71	5,775	$250,000	($53,000)	($1,944)	$195,056	$13,848,975	$13,850,000
Zone 3	Village 23 (portion)	21	5,775	$250,000	($53,000)	($1,944)	$195,056	$4,096,176	$4,100,000
Zone 3	Village 24 (portion)	33	6,500	$258,000	($53,000)	($1,944)	$203,056	$10,761,967	$10,760,000
Zone 3	Village 25 (Basin)	37	5,775	$250,000	($53,000)	($19,440)	$177,560	$6,569,713	$6,570,000
Zone 3	Village 26 (Basin)	44	5,775	$250,000	($53,000)	($19,440)	$177,560	$7,812,632	$7,810,000
				JTS Communities, Inc.					
Zone 2	Village 10	117	6,600	$258,000	($53,000)	$0	$205,000	$23,985,000	$23,990,000
Zone 2	Village 13	104	8,540	$278,000	($53,000)	$0	$225,000	$23,400,000	$23,400,000
Zone 3	Village 21	92	5,775	$250,000	($55,000)	($3,832)	$191,168	$17,587,451	$17,590,000
Zone 3	Village 24 (portion)	6	6,500	$258,000	($53,000)	($1,944)	$203,056	$1,218,336	$1,220,000
				William Lyon Homes					
Zone 1	Village 6 (portion)	23	5,775	$250,000	($53,000)	$0	$197,000	$4,531,000	$4,530,000
Zone 2	Village 11	56	5,775	$250,000	($53,000)	$0	$197,000	$11,032,000	$11,030,000
				Corinthian Homes					
Zone 3	Village 22 (portion)	69	5,775	$250,000	($53,000)	($1,944)	$195,056	$13,458,863	$13,460,000
Zone 3	Village 24 (portion)	6	5,775	$250,000	($53,000)	($1,944)	$195,056	$1,170,336	$1,170,000
				Centex Homes					
Zone 3	Village 22 (portion)	15	5,775	$250,000	($53,000)	($1,944)	$195,056	$2,925,840	$2,930,000
Zone 3	Village 23 (portion)	95	5,775	$250,000	($53,000)	($1,944)	$195,056	$18,530,318	$18,530,000
				Pulte Homes					
Zone 1	Village 6 (portion)	80	5,775	$250,000	($53,000)	$0	$197,000	$15,760,000	$15,760,000
				Morrison Homes					
Zone 1	Village 2	106	5,250	$245,000	($53,000)	$0	$192,000	$20,352,000	$20,350,000
				Tim Lewis Communities					
Zone 1	Village 5	105	5,775	$250,000	($53,000)	$0	$197,000	$20,685,000	$20,690,000
				CH (Anatolia I) (Cambridge Homes)					
Zone 1	Lot A (RD-10)	118	3,182	$207,000	($47,183)	($28,039)	$131,778	$15,549,804	$15,550,000
Zone 2	Village 14	92	8,540	$278,000	($53,000)	$0	$225,000	$20,700,000	$20,700,000
				D.R. Horton, Inc.					
Zone 2	Village 16	122	4,725	$239,000	($53,000)	$0	$186,000	$22,692,000	$22,690,000
				Sunridge Anatolia, LLC (Master Developer)					
Zone 2	Lot G (Rec. Center)	31	3,200	$207,000	($47,000)	($28,000)	$132,000	$4,092,000	$4,090,000
Zone 4	Village 1	203	2,500	$195,000	($47,000)	($25,000)	$123,000	$24,969,000	$24,970,000

Sales Comparison Approach – Multifamily Residential Component

Utilizing the sales comparison approach, the hypothetical market value of the subjects' multifamily revenue component will be estimated, identified as Zone 5, Lot A-4, which will contain 129 cluster residential lots with a typical lot size of approximately 2,000 square feet. The unit mix will include 28 half-plexes and 101 detached single-family residences.

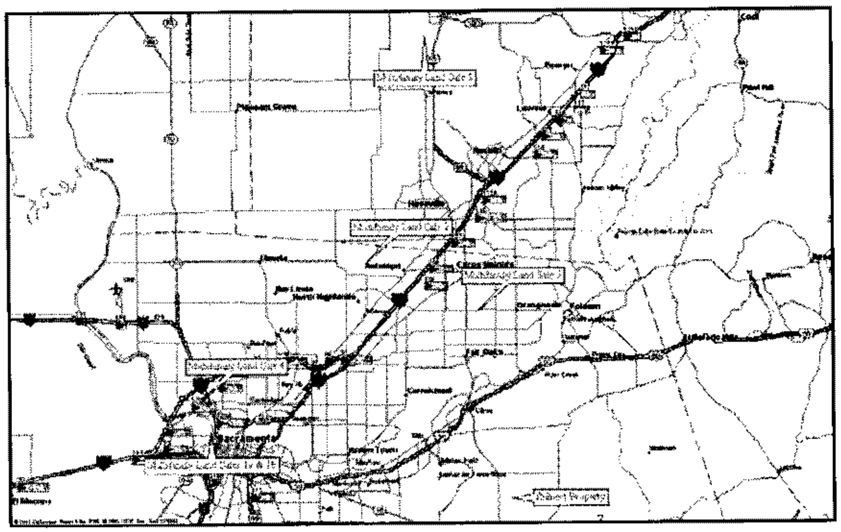


The basis of comparison is price per developable unit. Under the sales comparison approach, consideration is given to factors such as property rights conveyed, financing, conditions of sale and changes in market conditions since the sale dates. Differences in physical characteristics, including location, parcel area, shape, topography, onsite and offsite improvements, utilities and zoning are also considered in the analysis.

The market data includes land sales within several submarkets throughout the Sacramento region. In the analysis that follows, five comparable sales will be presented and analyzed, beginning with a summary tabulation on the next page, along with a location map, followed by detailed sales sheets and a discussion that leads to the conclusion of hypothetical market value for the multifamily residential component.

MULTIFAMILY LAND SALES

Sale No.	Property Identification	Sale Date	Sale Price + PV Bonds Total Consid.	Land Area (Acres)	No. of Units	Density (Units/Acre)	PV of Bonds/Unit	Price/Unit (Incl. Bonds)
1a	NEC of Fountain Drive and Lighthouse Drive West Sacramento APN: 014-760-051, 014-760-221 and 014-620-071	Jul-05	$ 13,451,724	9.40	132	14.04	$2,478	$104,385
1b	NEC of Fountain Drive and Lighthouse Drive West Sacramento APN: 014-620-081	Jul-05	$ 7,298,276	5.10	63	12.35	$2,478	$118,323
2	SWQ of Elverta Road and Walerga Road Antelope APN: 203-0110-144	Oct-04	$ 1,207,048	2.77	50	18.05	$0	$24,141
3	SEQ of Fair Oaks Boulevard and Greenback Lane Fair Oaks APN: 261-0020-006	Jul-04	$ 2,600,000	2.90	47	16.21	$0	$55,319
4	South of West El Camino Ave., west of Gateway Oaks Dr., Sacramento, Sacramento County APNs: 225-1010-006, -007 and -019	Mar-04	$ 2,895,000	4.92	83	16.87	$0	$34,880
5	West of State Highway 65, south of Moore Road Lincoln APN: 25-17-02	Mar-04	$ 10,974,966	12.11	183	15.11	$29,994	$89,966



MULTIFAMILY LAND SALE NO. 1A

Property Identification

Property Type	Multifamily land
Location	Northeast corner of Fountain Drive and Lighthouse Drive, West Sacramento, Yolo County, California
Assessor's Parcel Number(s)	014-760-051, -221 and 014-620-071

Sale Data

Grantor	West Riverview, LLC
Grantee	JTS Communities
Sale Date	July 2005
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$13,451,724
PV of Bonds per Unit	$2,478

Land Data

Zoning	Multifamily Residential and Commercial
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	9.40 acres
Planned Units	132
Density	14.04 units per acre

Indicators

Total Consideration per Unit	$104,385

Remarks

JTS Communities is under contract to Unit I and Unit II (195 total units) of a proposed condominium project from West Riverview, LLC (Grupe Development) for a total sale price of $20,750,000, or $1,431,034 per acre, with the sale price contingent on a number of factors. Unit I (9.4 acres, described above) has a sale price of $13,451,724 and is contingent on approval of the submitted tentative map (anticipated for late 2005) for 132 units and a Planned Development land use modification allowing deviations from typical parking and building setback requirements. The seller is required to pay off the outstanding bond balance relating to the Lighthouse Marina Assessment District prior to close of escrow.

MULTIFAMILY LAND SALE NO. 1b

Property Identification

Property Type	Multifamily land
Location	Northeast corner of Fountain Drive and Lighthouse Drive, West Sacramento, Yolo County, California
Assessor's Parcel Number(s)	014-620-081

Sale Data

Grantor	West Riverview, LLC
Grantee	JTS Communities
Sale Date	July 2005
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$7,298,276
PV of Bonds per Unit	$2,478

Land Data

Zoning	Multifamily Residential and Commercial
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	5.10 acres
Planned Units	63
Density	12.35 units per acre

Indicators

Total Consideration per Unit	$118,323

Remarks

Unit II (5.10 acres, described above) has a sale price of $7,298,276 and is contingent on approval of a similar PD land use modification as well as the expiration of the California Environmental Quality Act (CEQA) appeal period on the Environmental Impact Report (EIR) impacting Unit II. Upon approval of the EIR, Unit II is to be rezoned via a General Plan amendment from commercial to residential development (in process). The seller is required to pay off the outstanding bond balance relating to the Lighthouse Marina Assessment District prior to close of escrow. The buyer is responsible for obtaining a tentative subdivision map for Unit II, which was planned for approximately 63 units as of the date of sale.

MULTIFAMILY LAND SALE NO. 2

Property Identification

Property Type	Multifamily land
Location	Southeast quadrant of Elverta Road and Walerga Road, Antelope, Sacramento County, California
Assessor's Parcel Number(s)	203-0110-144

Sale Data

Grantor	John Wallace and Craig T. Ehnisz
Grantee	Sixells, LLC
Sale Date	October 2004
Property Rights	Fee simple
Conditions of Sale	Seller motivation
Financing	All cash to the seller
Sale Price	$1,207,048
PV of Bonds per Unit	$0

Land Data

Zoning	SC, Shopping Center
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	2.77 acres
Planned Units	50
Density	18.05 units per acre

Indicators

Total Consideration per Unit	$24,141

Remarks

Located near extensive commercial and residential development, this parcel sold for $24,141 per unit. The property contains 2.77 acres of land and has no direct street frontage. The property is designated for medium-density residential use under the Sacramento County General Plan and the buyer is planning to construct a condominium project. It is noted the seller agreed to a discounted purchase price to facilitate a shorter escrow period.

MULTIFAMILY LAND SALE NO. 3

Property Identification

Property Type	Multifamily land
Location	Southeast quadrant of Fair Oaks Boulevard and Greenback Lane, Fair Oaks, Sacramento County, California
Assessor's Parcel Number(s)	261-0020-006

Sale Data

Grantor	Sixells, LLC
Grantee	D.R. Horton
Sale Date	July 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$2,600,000
PV of Bonds per Unit	$0

Land Data

Zoning	LC, Limited Commercial
Topography	Level
Utilities & Off-sites	All available
Shape	Rectangular
Land Area	2.90 acres
Planned Units	47
Density	16.21 units per acre

Indicators

Total Consideration per Unit	$55,319

Remarks

Located at the southeast quadrant of Fair Oaks Boulevard and Greenback Lane, this comparable sold for $55,319 per unit. The buyer intends to construct 47 condominium units at this site, which is identified as Crest at Creekside. This purchase was contingent upon approval of the tentative map.

MULTIFAMILY LAND SALE NO. 4

Property Identification

Property Type	Multifamily land
Location	South of West El Camino Avenue, west of Gateway Oaks Drive, Sacramento, Sacramento County, California
Assessor's Parcel Number(s)	225-1010-006, -007 and –019

Sale Data

Grantor	Quon Family Trust
Grantee	Sixells, LLC
Sale Date	December 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$2,895,000
PV of Bonds per Unit	$0

Land Data

Zoning	R-2B (PUD) – Multifamily (Planned Unit Dev.)
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	4.92 acres
Planned Units	83
Density	16.87 units per acre

Indicators

Total Consideration per Unit	$34,880

Remarks

The buyer purchased this property with intentions of developing an 83-unit attached housing (half-plex) project. The property was originally zoned for retail use but was rezoned prior to the close of escrow.

MULTIFAMILY LAND SALE NO. 5

Property Identification

Property Type	Multifamily land
Location	West of State Highway 65, south of Moore Road, Lincoln, Placer County, California
Assessor's Parcel Number(s)	25-17-02

Sale Data

Grantor	SunCal Lincoln Crossing
Grantee	D.R. Horton
Sale Date	March 2004 (letter of intent), October 2004 (close of escrow)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to the seller
Sale Price	$10,974,966
PV of Bonds per Unit	$29,994

Land Data

Zoning	High-density Residential
Topography	Level
Utilities & Off-sites	All available
Shape	Irregular
Land Area	12.11 acres
Planned Units	183
Density	14.37 units per acre

Indicators

Total Consideration per Unit	$89,966

Remarks

This comparable represents the acquisition of 174 tentatively mapped multifamily units within the Lincoln Crossing master planned community in Lincoln. D.R. Horton offered $10,974,966 for this comparable property, plus the assumption of bonds.

Adjustment Discussion

In order to value the multifamily component of the subject properties, the comparable transactions are adjusted based on the profile of the subject with regard to categories affecting 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.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace.

A detailed analysis involving each of aforementioned factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances whereby 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. Each of the comparable sales represents a cash to the seller transaction and, as such, no adjustments are required.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment for this factor.

Market Condition (Time)

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.

In evaluating market conditions, changes between the transaction dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no adjustment is required. Because Sales #2 through #5 transferred in 2004, upward adjustments are warranted to these comparables to account for the improvement in market conditions since the sale dates.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed below.

<u>Location</u>

Multifamily land sale comparables were analyzed from throughout the Sacramento region. It is noted Sale #2 is located within an inferior area compared to the subject property, and is situated adjacent to a retail strip center and an auto repair shop. Additionally, the property is determined to have an inferior overall community appeal compared to the subject; therefore, an upward adjustment is

required. In terms of community appeal, downward adjustments are required for Sales #1A and #1B, because they are located proximate to the Sacramento Central Business District and the Sacramento River. No other adjustments are deemed necessary.

<u>Parcel Area</u>

In general, due to economies of scale, the market exhibits an inverse relationship between size and price per unit (acre/sf/unit), such that larger parcels tend to sell for a lower price per unit than smaller parcels, all else being equal. However, with multifamily land, developers are typically willing to pay a higher price per unit for larger parcels in order to ensure synergy with their product, versus a small, in-fill project, which does not enjoy project identity. As such, smaller projects generally incur greater costs per unit for marketing efforts. Therefore, in comparison to the subject property, Sales #2 and #3 require upward adjustments for the discrepancy in land area. No other adjustments are applied.

<u>Density</u>

The subjects' multifamily residential site is approved for the development of 129 cluster residential housing units on 11.82 acres, which equates to an overall density of 10.91 units per acre. In general, projects with lower densities offer superior appeal due to additional open space associated with them. With the exception of Sales #2, #3 and #4, all of the comparables have a relatively similar project density in comparison to the subject property and do not require adjustment. Sales #2, #3 and #4 have a noticeably higher density than the subject, and receive upward adjustments, accordingly.

<u>Utility/Topography</u>

Differences in contour, drainage, or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing the sales with the subject.

<u>Offsite Improvements</u>

Under the hypothetical condition for which the subject properties are being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue – Multifamily Residential Component

Due to the gradually increasing median new home price in the Sacramento region, housing in the area is increasingly more unaffordable to entry-level homebuyers, who are being forced to either purchase homes in outlying areas, such as Sutter and Yuba Counties, or search for an alternative housing product. As result, demand for multifamily housing in the area has increased significantly over the past several years.

Several multifamily land sales located throughout the greater Sacramento area were identified. In total, five comparables have been presented that proved helpful in estimating the hypothetical component value for the subjects' multifamily residential land. Based on the indication from the data set, and in consideration of the adjustments detailed on the previous pages, a hypothetical market value of $75,000 per developable unit is considered reasonable for Zone 5, Lot A-4. Applying this unit indicator yields a revenue conclusion of **$9,675,000** ($75,000 per unit x 129 units).

Sales Comparison Approach – Commercial Revenue Component

The sales comparison approach will be utilized once again to estimate the commercial revenue component of the subject properties. To do so, the subject sites are compared with sales of similar properties on the basis of price per square foot of land area.

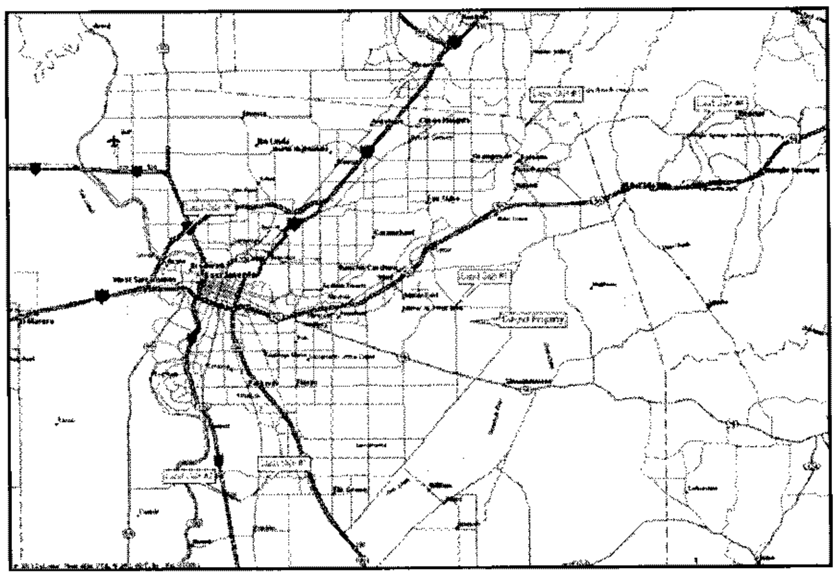
The subjects' commercial component consists of five separate sites ranging from 2.40 to 14.50 acres. In general, the market exhibits an inverse relationship between land area and price per square foot such that larger parcels tend to sell at a lower price per square foot than smaller parcels, all else being equal. This trend is evident in examining the comparable land sales. Thus, it is expected the subjects' smaller parcels will have a higher value per square foot relative to the larger parcels.

In the valuation of the subject properties, we will give consideration to factors such as property rights conveyed, financing, conditions of sale and changes in market conditions since the sale dates. Additionally, differences in physical characteristics, including location, parcel area, visibility/accessibility, orientation and topography/shape will be considered in the analysis. At the end of this section, the data set and other market indicators will be utilized to establish the price per square foot value attributable to each site.

The market data investigation considers land sales within several submarkets of Sacramento. In the analysis that follows, six comparable sales will be presented and analyzed, beginning with a summary tabulation on the following page, along with a location map. Detailed sales sheets and an adjustment discussion are presented after the summary table.

COMMERCIAL LAND SALES

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Parcel Size Acre / Sq. Ft.	$ / Sq. Ft.	Zoning / Land Use
1	South line of Douglas Rd., west of Sunrise Blvd. Rancho Cordova, Sacramento County APN: 067-0030-052	Oct-04	$1,927,659	4.63 201,683	$9.56	LC
2	South of Elk Grove Blvd., east of Interstate 5 Elk Grove, Sacramento County APN: 132-0460-083 through -085	Oct-04	$2,687,500	8.40 251,254	$10.70	TC
3	West of Auburn-Folsom Rd., south of Folsom Dam Rd. Folsom, Sacramento County APN: 227-0190-031	Jun-04	$886,500	1.39 60,548	$14.64	C1-D
4	SEC Cambridge Rd. and Green Valley Rd. Cameron Park, El Dorado County APN: 116-301-01	Mar-04	$3,545,000	12.94 563,666	$6.29	CP-DC-PD-AA
5	SWC of Elk Grove Blvd and West Taron Rd. Elk Grove, Sacramento County APN: 132-0460-082 through -084	Jan-04	$1,466,384	3.32 144,750	$10.13	TC
6	NWC Orchard Ln. and West El Camino Ave. Sacramento, Sacramento County APN: 225-0220-046, -064 and -065	Jan-04	$5,900,000	20.41 889,199	$6.64	C2/PUD



COMMERCIAL LAND SALE NO. 1 (SUBJECT SALE)

Property Identification

Property Type	Commercial land
Address	South line of Douglas Road, west of Sunrise Boulevard, Rancho Cordova, Sacramento County, California
Assessor's Parcel Number	037-0030-052

Sales Data

Grantor	BD Properties, LLC (et al)
Grantee	Cemo Commercial, Inc.
Sale Date	October 2004 (December 2004 COE)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 1,609,000
Bond Indebtedness	$ 318,659
Total Consideration	$ 1,927,659

Land Data

Size in Acres	4.63 acres
Size in Square Feet	201,683 square feet
Front Feet	593' along Douglas Road (approx.)
Zoning	LC – Limited Commercial

Price Indicators

Total Consideration/Acre	$416,341
Total Consideration /SF	$9.56

Remarks

This comparable land sale is located in the Mather East (Zone 5) component of the Sunridge-Anatolia CFD 2003-1. The buyer is responsible for all special assessments associated with the property.

COMMERCIAL LAND SALE NO. 2

Property Identification	
Property Type	Commercial land
Address	South of Elk Grove Boulevard, east of Interstate 5, Elk Grove, Sacramento County, California
Assessor's Parcel Number	132-0460-083 through -085
Sales Data	
Grantor	Equilon Enterprises, LLC
Grantee	Elk Grove and I-5, LLC
Sale Date	October 15, 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 2,687,500
Bond Indebtedness	$ 0
Total Consideration	$ 2,687,500
Land Data	
Size in Acres	8.40 acres
Size in Square Feet	251,254 square feet
Front Feet	218' along Elk Grove Blvd. (approx.)
Zoning	TC – Commercial
Price Indicators	
Total Consideration/Acre	$465,933
Total Consideration /SF	$10.70

Remarks

This comparable is located in the southern portion of the city of Elk Grove, along Elk Grove Boulevard, east of Interstate 5. The purchase price was $2,687,500, or $10.70 per square foot.

COMMERCIAL LAND SALE NO. 3

Property Identification	
Property Type	Commercial land
Address	West of Auburn-Folsom Road, south of Folsom Dam Road, Folsom, Sacramento County, California
Assessor's Parcel Number	227-0190-031
Sales Data	
Grantor	Folsom Gold Rush Plaza, LLC (et al)
Grantee	Affordable Home Funding, Inc.
Sale Date	June 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 886,500
Bond Indebtedness	$ 0
Total Consideration	$ 886,500
Land Data	
Size in Acres	1.39 acres
Size in Square Feet	60,548 square feet
Front Feet	Along Auburn-Folsom Road
Zoning	C1-D
Price Indicators	
Total Consideration/Acre	$637,770
Total Consideration /SF	$14.64

Remarks

This comparable represents the June 2004 sale of a 1.39-acre parcel located in the city of Folsom, Sacramento County. At the time of sale, the reported intended use was to construct a 13,000 square foot strip center.

COMMERCIAL LAND SALE NO. 4

Property Identification	
Property Type	Commercial land
Address	Southeast corner of Cambridge Road and Green Valley Road, Cameron Park, El Dorado County, California
Assessor's Parcel Number	116-301-01
Sales Data	
Grantor	Smith and Gabbert, Inc.
Grantee	Green Valley Station, LLC
Sale Date	March 2004 (January 2005 COE)
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 3,545,000
Bond Indebtedness	$ 0
Total Consideration	$ 3,545,000
Land Data	
Size in Acres	12.94 acres
Size in Square Feet	563,666 square feet
Front Feet	Along Cambridge Road and Green Valley Road
Zoning	CP-DC-PD-AA
Price Indicators	
Total Consideration/Acre	$273,957
Total Consideration /SF	$6.29

Remarks

This comparable is located at the southeast corner of Cambridge Road and Green Valley Road, north of U.S. Highway 50. The buyer intended to construct a neighborhood shopping center on 7.5 acres of the site, with additional retail development or a multi-tenant office building possible for the balance.

COMMERCIAL LAND SALE NO. 5

Property Identification	
Property Type	Commercial land
Address	Southwest corner of Elk Grove Boulevard and West Taron Road, Elk Grove, Sacramento County, California
Assessor's Parcel Number	132-0460-082 through –084
Sales Data	
Grantor	AKT Laguna Stonelake Investors
Grantee	Equilon Enterprises, LLC
Sale Date	January 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 1,447,499
Bond Indebtedness	$ 18,885
Total Consideration	$ 1,466,384
Land Data	
Size in Acres	3.32 acres
Size in Square Feet	144,750 square feet
Front Feet	Along Elk Grove Blvd. and West Taron Rd.
Zoning	TC – Commercial
Price Indicators	
Total Consideration/Acre	$441,283
Total Consideration /SF	$10.13

Remarks

This parcel transferred in January 2004 for $1,447,499, plus bonds in the amount of $18,855, for a total consideration of $1,466,384. The total consideration purchase price equates to $10.13 per square foot.

COMMERCIAL LAND SALE NO. 6

Property Identification	
Property Type	Commercial land
Address	Northwest corner of Orchard Lane and West El Camino Avenue, Sacramento, Sacramento County, California
Assessor's Parcel Number	225-0220-046, -064 and –065
Sales Data	
Grantor	Lee Sammis
Grantee	Park El Camino-Natomas, LLC
Sale Date	January 2004
Property Rights	Fee simple
Conditions of Sale	Market
Financing	All cash to seller
Sale Price	$ 5,900,000
Bond Indebtedness	$ 0
Total Consideration	$ 5,900,000
Land Data	
Size in Acres	20.41 acres
Size in Square Feet	889,199 square feet
Front Feet	1,300' along Orchard Lane (approx.)
Zoning	C2/PUD – Commercial/Planned Unit Development
Price Indicators	
Total Consideration/Acre	$289,029
Total Consideration /SF	$6.64

Remarks

The buyer purchased this property to hold for future commercial development. The site has visibility from Interstate 80.

Adjustment Discussion

In order to value the commercial component of the subject properties, the comparable transactions are adjusted based on the profile of the subject sites with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject properties, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subjects.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace.

A detailed analysis involving each of aforementioned factors is presented on the following pages.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where by the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales represented cash to the seller transactions and, as such, do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require a condition of sale adjustment for this factor.

Market Condition (Time)

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.

In evaluating market conditions, changes between the sale dates for the comparable sales and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. Comparables #4 through #6 transferred in eary-2004, and upward adjustments are necessary to account for the improvement in market conditions since the sale dates. Comparables #1 through #3 transferred within the past year and do not require a market conditions adjustment.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

The subject properties are located in the city of Rancho Cordova and are considered to have an average overall location. With the exception of Comparable #1, all of the sales are situated within more urbanized areas featuring increased community services and overall development. As a result, downward adjustments are applied to each of these comparables.

Parcel Area

The subjects' commercial sites range from 2.40 to 14.50 acres. The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. This trend is substantiated in examining the array of comparable sales utilized for our analysis. The comparables that have more acreage relative to the subjects' sites are adjusted upward, while the comparables that are smaller than the subjects' sites receive downward adjustments.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has good visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility. Lot A-2 within Zone 5 and Lot B within Zone 1 are positioned at the corner of Sunrise Boulevard and Douglas Road. These properties have superior visibility/accessibility relative to the comparable sales. Thus, upward adjustments are applied to the sales when compared to these parcels. The balance of the subject properties has similar visibility/accessibility in comparison to the sales. No further adjustments are required.

Utility/Topography

Differences in contour, drainage or soil conditions can affect the utility and, therefore, the market value of the property. All of the comparable properties offer terrain with similar utility. As such, no adjustments are necessary when comparing these sales with the subject properties.

Offsite Improvements

Under the hypothetical condition for which the subject properties are being valued, all offsite improvements are assumed to be in place. Similarly, each of the comparable sales possesses offsite improvements and, therefore, no adjustments are necessary.

Conclusion of Revenue - Commercial Component

During our investigation, we identified several commercial land sales located throughout the Sacramento region. In total, we have presented six comparables that proved helpful in estimating the hypothetical market values of the subject properties. The comparable sales indicate an unadjusted range in values from $6.29 to $14.64 per square foot. Comparable #1 represents a recent sale of one of the subject sites and is considered to give the best indication of hypothetical market value. Therefore, greater emphasis is given to this comparable when deriving a revenue conclusion for the subject properties. As discussed, the market generally exhibits an inverse relationship between land area and price per square foot such that larger sites tend to sell for a lower price per square foot than smaller sites, all else being equal. Using the indications of the data set, and considering the similarities and dissimilarities between the data set and the subject properties, as well as the required adjustments previously discussed, our conclusion of revenue for the commercial component of the subject properties is presented in the following table.

Zone	Designation	Ownership	Size (Acres)	Size (SF)	Concluded Value/SF	Commercial Revenue (Rd.)
Zone 1	Lot B	Anatolia, LLC	14.50	631,620	$9.00	$5,680,000
Zone 2	Lot C	Anatolia, LLC	11.13	484,823	$8.00	$3,880,000
Zone 5	Lot A-1	Cemo Commercial, Inc.	4.63	201,683	$9.50	$1,920,000
Zone 5	Lot A-2	Donahue Schriber	13.44	585,446	$9.00	$5,270,000
Zone 5	Lot A-3	BD Properties, LLC (et al)	2.40	104,544	$11.00	$1,150,000
					Total	$17,900,000

ABSORPTION ANALYSIS

In this section of the report, we will discuss the absorption period (time) and summarize the annual disposition of the revenue components. Absorption statistics for each of the individual components are also located in the *Market Overview* sections of this report. The following discussions provide supplemental information utilized to project sell-off of the components.

Single-Family Residential Component

In attempting to estimate the marketing time that would be required for the disposition of the single-family residential lots, we have looked at both the historical marketing times of a number of sales, as well as current and projected economic conditions. For the most part, the sales, which have been used in this report, sold within a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject properties, 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 impossible to accurately forecast and project specific demand over a projected absorption period.

Estimating absorption is based on several factors. One consideration is the past experience of local residential developers that are marketing similar projects. This analysis is best measured by historic absorption rates for lots in the Northern California Region. The recent level of demand for single-family homes in the Sacramento region, as well as the limited supply of entitled land that is near ready for development, should bode well for the subject properties.

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, which 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 multi-family 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, will include 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 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, has 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.

The Westpark master planned community is located in a recently annexed area of the city of Roseville and will include the development of 3,523 single-family residential lots (including 704 age-restricted units), a multi-family residential component encompassing 697 developable units (including 341 affordable housing units), a commercial component comprising three sites totaling 18.4 acres, a business professional (office) site containing 10.5 acres, three industrial sites totaling 108.5 acres and three school sites, as well as parks, open space and other public/quasi-public uses. In an April 15, 2005 article published in the Sacramento Business Journal, it was reported that the entire Westpark development (in bulk) transferred from Westpark Associates to PL Roseville, LLC for approximately $410 million. The project was marketed for less than one year. This transaction details the ample demand for developable land in the region.

As further evidence for the demand for developable residential land, within the proposed North Vineyard Station Specific Plan in Sacramento County, the Vineyard Creek residential community was sold in bulk in August 2005 by 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 map.

One of the more convincing observations suggesting strong demand for residential land in the subjects' market area is the sale of the 16 villages within Anatolia I and II (portion of the subject properties). These villages were met by overwhelming demand from merchant builders, even at a time when litigations were ongoing and the future of the development was uncertain. The litigations have since been resolved and each of the villages has closed escrow.

The preceding discussion suggests there is strong 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 subjects' immediate area outweighs current and projected supply. Considering the development timeline and scope of the project, it is estimated the residential villages could transfer within one year of exposure to the market. Thus, the discounted cash flow analysis will reflect sales of residential lots over a one-year period.

For an absorption discussion relating to new home sales in the Sacramento region, please reference the *Sacramento Metropolitan Area Housing Market Overview* and the *Rancho Cordova Housing Market Overview*. In general, demand for new residences over the past several years has been stable to increasing and, given the limited supply of entitled residential land, new home sales are not expected to diminish over the near-term. Further, the median new home price continues to escalate at a steady pace. Several projects are currently marketing homes within the Anatolia master planned community and are selling units at a rapid pace (four to seven homes/month or more), even prior to completion of the model complexes. Demand for new housing in the Sacramento region has been very strong over the past several years, a trend that has sustained in the current market environment.

Multifamily Residential Component

In recent years, demand for multifamily residential product in the Sacramento region has been stable to increasing, particularly in light of the escalating median home price, which forces entry-level homebuyers to seek housing in outlying areas or find alternate forms of housing. Generally, as single-family residential prices continue to increase, the affordability of the entry-level housing market decreases, creating a demand for multifamily housing. Considering the vast single-family residential development proposed for the subject properties, and taking into account the lack of multifamily product in the immediate area, it is anticipated the multifamily component of the subject properties will sell within one year.

Commercial Component

The proposed residential development in the immediate area will generate the need for supporting uses. There are currently no neighborhood shopping centers or complimentary commercial uses in close proximity to the subject properties. In fact, the nearest shopping centers and retail uses are located north of U.S. Highway 50, approximately five miles from the subject properties. The site work for the residential villages within Anatolia I and II has been complete and the homes are under construction. As residential development expands, so does the demand for commercial-oriented uses. Considering the limited supply and anticipated demand for commercial uses in the immediate area, it is projected the commercial (retail) land areas could sell in one year. This is substantiated by the fact that two of the commercial sites within Mather East (Zone 5) have transferred relatively recently. For additional support, the following table reflects the actual exposure time involved in the sale of similar properties located throughout the Sacramento Metropolitan Area.

EXPOSURE TIME – COMMERCIAL LAND SALES

Property Identification	Sale Date	Sale Price	Exposure Time
602 Sutter Street, Folsom	5/04	$500,000	1 week
SWC Sunrise Boulevard and Sun Center Drive, Rancho Cordova	12/03	$440,000	6 months
SEC East Bidwell Street and Nesmith Court, Folsom	8/03	$1,287,000	2 months
Greenhaven Drive, West of Interstate 5, Sacramento	5/03	$275,000	5 months
320 South Lexington Drive, Folsom	1/03	$682,500	1 year
East side of Gold Center Drive, Rancho Cordova	9/02	$1,515,000	2 months

Expenses

Off-Site Development Costs

A detailed list of the public facility improvements that are both authorized for funding and required for the development of the properties within Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) is located in the Hearing Report, prepared by Goodwin Consulting Group, Inc., dated July 2003. These improvements include—but are not limited to—drainage, water, sanitary sewer, joint trench utilities, concrete curbs, gutters and sidewalks, maintenance holes, street lighting, landscaping, masonry walls, traffic signals and other miscellaneous improvements. According to a representative of the master developer, total off-site improvement costs are projected at $147,326,271. While the estimated costs are significantly higher than the budgeted costs in July 2003, several costs have been updated, while costs that were previously unaccounted for were incorporated.

It is noted that there are several costs included in the budget that are not the responsibility of the master developer. For purposes of our analysis, we are only concerned with the costs that the master developer is responsible for to deliver the subject components with all public facilities in place. Considering the preceding factors, the total off-site development costs required by the master

developer are reduced to $131,116,037, of which the costs associated with the initial phase of development (Zones 1, 2 and 5) are estimated at $114,701,283. The master developer's requirement for total off-site development costs is detailed in the following table.

Description	Amount ($)
Off-Site Development Costs (Zones 1, 2 and 5)	$114,701,283
Off-Site Development Costs (Zones 3 and 4)	$16,414,754
Total	$131,116,037

Although several villages within the Anatolia master planned community have transferred and are currently under the ownership of various merchant builders, it is the master developer's (Sunridge-Anatolia, LLC) responsibility to deliver these villages with all off-site improvements in place. Similarly, the off-site improvements for Zone 5 are to be completed by BD Properties, LLC (et al), the master developer for this portion of the subject properties. As previously indicated, the total off-site development costs for Zones 1, 2 and 5 are estimated at $114,701,283. Of this amount, approximately $67,885,170 has been incurred by Sunridge-Anatolia, LLC and through the financing associated with Sunridge-Anatolia CFD 2003-1. Additionally, of the $16,414,754 in off-site development costs for Zones 3 and 4, $1,456,651 has been incurred to date, for a total of $69,341,821 ($67,885,170 + $1,456,651) in costs. The following table details the allocation of off-site development costs by master developer.

Description	Sunridge-Anatolia, LLC (Zones 1, 2, 3 & 4)	BD Properties, LLC (Zone 5)	Total
Off-Site Development Costs	$113,916,283	$785,000	$114,701,283
Less: Costs Incurred	($69,341,821)	$0	($69,341,821)
Remaining Off-Site Obligation	$44,574,462	$785,000	$45,359,462

In the hypothetical market valuation of the subject properties, we assume the public facilities to be financed by the issuance of Sunridge-Anatolia Community Facilities District No. 2003-1 (Series 2003 and Series 2005 bonds) are in place. Due to the fact the master developers are responsible for additional costs that will not be financed by the District, the remaining off-site obligation detailed above will be deducted from the projected revenues in the discounted cash flow analyses (subdivision development method) for the subject properties.

We have been requested to provide estimates of hypothetical market value by ownership and land use (e.g. village and/or lot). Therefore, in order to derive the most accurate estimate of market value by village, we will deduct the pro-rata share of remaining off-site development costs based on an acreage allocation. For example, Lot A-1 represents approximately 14.255% of Zone 5 (4.63 acres ÷ 32.48 total acres). Considering the preceding discussion, we estimate the pro-rata share of remaining off-site development costs at $111,901 ($785,000 x 14.255%), which will be deducted in the discounted cash flow analysis for Lot A-1.

To date, no off-site development costs have been incurred for Zones 3 and 4. Consequently, in estimating the hypothetical market values for the land areas within these zones, the *total* off-site development costs associated with these zones ($16,414,754) will be deducted based on an acreage allocation. Please reference the discounted cash flow analysis table at the end of the valuation section for further details of off-site development deductions.

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the transfer of the properties are estimated at 4% of total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends. Further, this estimate includes closing costs.

The administrative expense category covers the various administrative costs associated with managing the overall development, including management, legal and accounting fees and other professional services common to a large-scale development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds.

In total, we have included an allowance of 6% for marketing costs, commissions, closing costs and administrative expenses.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on and assumes a sale of the appraised properties. Interim ad valorem real estate taxes are based on the subjects' current tax rate (1.0127%). As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory.

Mello-Roos Community Facilities District (CFD)

With respect to special taxes, the appraised properties are located within the boundaries of Sunridge-Anatolia Community Facilities District (CFD) No. 2003-1 (Series 2003 and 2005). We have relied upon the Hearing Report, prepared by Goodwin Consulting Group, Inc., for determining the annual special tax levy on the appraised properties. The schedule of projected annual debt service for the subject properties is detailed in the following table. It is noted there is no capitalized interest.

Designation	Proposed Land Use	Maximum Special Tax Per Lot/Acre*
Anatolia I (Zone 1)		
Villages 1, 2 and 7	Single-Family	$1,055 per lot
Villages 3, 5, 6 and 8	Single-Family	$1,155 per lot
Village 4	Single-Family	$1,255 per lot
Lot A	Single-Family	$7,000 per acre
Lot B	Commercial	$5,000 per acre
Anatolia II (Zone 2)		
Villages 9, 10, 11 and 15	Single-Family	$1,155 per lot
Villages 12, 13 and 14	Single-Family	$1,255 per lot
Village 16	Single-Family	$1,055 per lot
Lot A	Single-Family	$7,000 per acre
Lot C	Commercial	$5,000 per acre
Lot G	Rec. Center	$7,000 per acre
Anatolia III (Zone 3)		
Villages 17, 18, 19 and 20	Single-Family	$1,255 per lot
Villages 21 through 27	Single-Family	$1,155 per lot
Anatolia IV (Zone 4)		
Village 1	Single-Family	$1,140 per lot
Mather East (Zone 5)		
Lots A-1, A-2 and A-3	Commercial	$5,000 per acre
Lot A-4	Multifamily	$5,000 per acre

* Taxes are increased 2% per year

DISCOUNT RATE

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*[14], discount rates for land development range from 11.00% to 25.00%, with an average of 18.05%, during the Second Quarter 2005. This represents no change from the Fourth Quarter 2004, and a decrease of 40 basis points from the Second Quarter 2004. According to the data presented in the Korpacz survey, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

[14] The Real Estate Investor Survey, Peter F. Korpacz and Associates, 2nd Quarter 2005, Volume 18, Number 2.

Relatively recent developer surveys have elicited the following responses:

John Johnson of Pulte Homes indicated that they used a 7% static profit for starter homes in affordable markets but quickly moved into higher ranges for areas with entitlement risk.

Michael Courtney of Standard Pacific indicated that 8% static profits were tolerable for starter homes and that a 10% figure would be required for high-end homes, even for fast moving markets and product types.

Chris Downey of Hon Development - Minimum IRR requirements are 20-25%. For an 8 to 10 year cash flow, the return would be higher - say in the mid to upper 20's. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.

Lyle McCullogh of California Pacific Homes - No less than 20% IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development arm for the Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.

Terry Ruckle of Grubb and Ellis - Mr. Ruckle is a broker involved in the sale of Northlakes, a 1,300-acre proposed master planned community in Castaic, Los Angeles County. Mr. Ruckle stated that the undisclosed buyer's IRR requirement was approximately 30%. He stated that this is fairly typical of the market for partially entitled master planned community land of this size and development range.

Gary Gorian of Dale Poe Development - Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian said 25% IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separately from the unentitled land.

David Pitts of Newhall Land and Farming - IRR's for land development deals should be in the low 20% range to 30% on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia. Additionally, Newhall Land has gained approvals for a new community that will be a larger master planned community in California.

Mark Palkowitsh of MSP California, LLC - This company is based in Denver, Colorado. They purchase unentitled and partially entitled land and take it to entitlements and sell it. They are currently involved in several Southern California large land deals, most in Riverside County and a few in Santa Clarita. They consider themselves risk takers and expect the higher returns for entitling properties. For large land deals from raw unentitled to tentative map stage, he would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

Rick Nieman of GFC - Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlements is 18% to 22%, unleveraged. This return

would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30% for raw unentitled land with some entitlement "clean-up" involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec - Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for The Irvine Co. and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20% to 30%. The lower end of the range would reflect those properties close to tentative maps.

Lin Stinson of Providence Realty Group - Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates that a yield rate in the low 20% range is required to attract capital to longer-term land holdings.

Gordon MacKenzie, formerly of Brookfield Development - Mr. MacKenzie has been directly involved with La Costa land holdings in San Diego County through two ownership's since the 1970's, up to the foreclosure with the Fieldstone Venture. When typical entitlement risk exists, he feels the IRR should be no less than 30%.

Dan Boyd of ESE Land Company and formerly of James Warmington Development indicated that merchant builder yield requirements were in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30% depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35% IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Higher profits are generally required for longer construction and sellout periods, as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements
- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, not the current owner. The profit must be sufficient to attract investment based on the relative risks of the project.

While the subject properties are still considered to exhibit a certain degree of risk, the positive attributes of the subjects include: 1) the completion of site work within Anatolia I and II, 2) the strong market acceptance exhibited by other projects in the area and 3) the population and employment trends for the area. All of these factors tend to lessen the perceived risk of the subject developments.

Based on the specifics of the subject properties, we have concluded an appropriate discount rate of 15% for the single-family and multifamily residential components within Zones 1, 2, 3 and 5, which have a tentative map in place. A discount rate towards the middle of the range reflected by the survey respondents, or 20%, is considered reasonable for the commercial components, as well as the portions of the single-family residential component that do not have tentative map approval.

CONCLUSION

After deriving the four components of the subdivision development method, the discounted cash flow and hypothetical market value conclusions of the subject properties are offered on the following pages.

Year	Zone	Designation	Land Use	No. of Lots/ Acres/Units	Concluded Revenue	Off-Site Development	Marketing and Admin.	Property Taxes	CFD Assessment	Net Cash Flow	Discount Rate	Present Value Factor	Present Value Cash Flow	Rounded
							GMAC (Lennar/U.S. Homes)							
1	Zone 1	Village 1	Single-Family	111	$20,650,000	[illegible]	[illegible]	[illegible]	[illegible]	$17,253,853	15%	0.86957	$15,003,351	$15,000,000
1	Zone 1	Village 3	Single-Family	149	$30,550,000	[illegible]	[illegible]	[illegible]	[illegible]	$24,937,346	15%	0.86957	$21,684,648	$21,680,000
1	Zone 1	Village 4	Single-Family	117	$25,040,000	[illegible]	[illegible]	[illegible]	[illegible]	$20,132,793	15%	0.86957	$17,506,776	$17,510,000
1	Zone 1	Village 7	Single-Family	132	$24,550,000	[illegible]	[illegible]	[illegible]	[illegible]	$20,505,078	15%	0.86957	$17,830,502	$17,830,000
1	Zone 1	Village 8	Single-Family	108	$20,090,000	[illegible]	[illegible]	[illegible]	[illegible]	$16,566,643	15%	0.86957	$14,405,777	$14,410,000
1	Zone 2	Village 9	Single-Family	151	$29,750,000	[illegible]	[illegible]	[illegible]	[illegible]	$24,279,481	15%	0.86957	$21,112,592	$21,110,000
1	Zone 2	Village 12	Single-Family	123	$27,680,000	[illegible]	[illegible]	[illegible]	[illegible]	$21,786,524	15%	0.86957	$18,944,803	$18,940,000
1	Zone 2	Village 15	Single-Family	114	$22,460,000	[illegible]	[illegible]	[illegible]	[illegible]	$18,531,755	15%	0.86957	$16,114,570	$16,110,000
1	Zone 2	Lot A (RD-10)	Single-Family	99	$14,650,000	[illegible]	[illegible]	[illegible]	[illegible]	$12,527,847	15%	0.86957	$10,893,780	$10,890,000
1	Zone 3	Village 17	Single-Family	91	$19,020,000	[illegible]	[illegible]	[illegible]	[illegible]	$16,081,672	15%	0.86957	$13,984,063	$13,980,000
1	Zone 3	Village 18	Single-Family	90	$20,080,000	[illegible]	[illegible]	[illegible]	[illegible]	$16,987,415	15%	0.86957	$14,771,665	$14,770,000
1	Zone 3	Village 19	Single-Family	82	$18,290,000	[illegible]	[illegible]	[illegible]	[illegible]	$15,469,742	15%	0.86957	$13,451,950	$13,450,000
1	Zone 3	Village 20	Single-Family	107	$22,370,000	[illegible]	[illegible]	[illegible]	[illegible]	$18,928,544	15%	0.86957	$16,459,603	$16,460,000
1	Zone 3	Village 22 (portion)	Single-Family	71	$13,850,000	[illegible]	[illegible]	[illegible]	[illegible]	$11,780,671	15%	0.86957	$10,244,061	$10,240,000
1	Zone 3	Village 23 (portion)	Single-Family	21	$4,100,000	[illegible]	[illegible]	[illegible]	[illegible]	$3,528,810	15%	0.86957	$3,068,531	$3,070,000
1	Zone 3	Village 24 (portion)	Single-Family	53	$10,760,000	[illegible]	[illegible]	[illegible]	[illegible]	$9,173,310	15%	0.86957	$7,976,704	$7,980,000
1	Zone 3	Village 25 (Basin)	Single-Family	37	$6,570,000	[illegible]	[illegible]	[illegible]	[illegible]	$5,544,289	15%	0.86957	$4,821,131	$4,820,000
1	Zone 3	Village 26 (Basin)	Single-Family	44	$7,810,000	[illegible]	[illegible]	[illegible]	[illegible]	$6,484,028	15%	0.86957	$5,638,285	$5,640,000
													Hypothetical Market Value Conclusion:	$243,890,000
							JTS Communities, Inc.							
1	Zone 2	Village 10	Single-Family	117	$23,990,000	[illegible]	[illegible]	[illegible]	[illegible]	$19,470,176	15%	0.86957	$16,930,588	$16,930,000
1	Zone 2	Village 13	Single-Family	104	$23,400,000	[illegible]	[illegible]	[illegible]	[illegible]	$18,767,714	15%	0.86957	$16,319,751	$16,320,000
1	Zone 3	Village 21	Single-Family	97	$17,590,000	[illegible]	[illegible]	[illegible]	[illegible]	$15,063,690	15%	0.86957	$13,098,861	$13,100,000
1	Zone 3	Village 24 (portion)	Single-Family	6	$1,220,000	[illegible]	[illegible]	[illegible]	[illegible]	$1,043,933	15%	0.86957	$906,898	$910,000
													Hypothetical Market Value Conclusion:	$47,260,000
							William Lyon Homes							
1	Zone 1	Village 6 (portion)	Single-Family	23	$4,530,000	[illegible]	[illegible]	[illegible]	[illegible]	$3,711,116	15%	0.86957	$3,227,057	$3,230,000
1	Zone 2	Village 11	Single-Family	56	$11,030,000	[illegible]	[illegible]	[illegible]	[illegible]	$9,075,077	15%	0.86957	$7,891,372	$7,890,000
													Hypothetical Market Value Conclusion:	$11,120,000
							Corinthian Homes							
1	Zone 3	Village 22 (portion)	Single-Family	69	$13,460,000	[illegible]	[illegible]	[illegible]	[illegible]	$11,442,222	15%	0.86957	$9,949,758	$9,950,000
1	Zone 3	Village 24 (portion)	Single-Family	6	$1,170,000	[illegible]	[illegible]	[illegible]	[illegible]	$949,752	15%	0.86957	$825,871	$830,000
													Hypothetical Market Value Conclusion:	$10,780,000
							Centex Homes							
1	Zone 3	Village 23 (portion)	Single-Family	15	$2,930,000	[illegible]	[illegible]	[illegible]	[illegible]	$2,486,190	15%	0.86957	$2,161,904	$2,160,000
1	Zone 3	Village 23 (portion)	Single-Family	95	$18,530,000	[illegible]	[illegible]	[illegible]	[illegible]	$15,938,853	15%	0.86957	$13,859,872	$13,860,000
													Hypothetical Market Value Conclusion:	$16,020,000
							Pulte Homes							
1	Zone 1	Village 6 (portion)	Single-Family	80	$15,760,000	[illegible]	[illegible]	[illegible]	[illegible]	$12,879,146	15%	0.86957	$11,199,257	$11,200,000
													Hypothetical Market Value Conclusion:	$11,200,000

Year	Zone	Designation	Land Use	No. of Lots/ Acres/Units	Concluded Revenue	Off-Site Development	Marketing and Admin.	Property Taxes	CFD Assessment	Net Cash Flow	Discount Rate	Present Value Factor	Present Value Cash Flow	Rounded
							Morrison Homes							
1	Zone 1	Village 2	Single-Family	106	$20,350,000	[illegible]	[illegible]	[illegible]	[illegible]	$16,833,492	15%	0.86957	$14,637,819	$14,640,000
													Hypothetical Market Value Conclusion:	$14,640,000
							Tim Lewis Communities							
1	Zone 1	Village 5	Single-Family	105	$20,690,000	($2,201,858)	[illegible]	[illegible]	[illegible]	$16,971,863	15%	0.86957	$14,758,141	$14,760,000
													Hypothetical Market Value Conclusion:	$14,760,000
							Cambridge Homes							
1	Zone 1	Lot A (RD-10)	Single-Family	121	$15,350,000	[illegible]	[illegible]	[illegible]	[illegible]	$12,918,842	15%	0.86957	$11,233,776	$11,230,000
1	Zone 2	Village 14	Single-Family	92	$20,700,000	($2,683,959)	[illegible]	[illegible]	[illegible]	$16,503,594	15%	0.86957	$14,350,952	$14,350,000
													Hypothetical Market Value Conclusion:	$25,580,000
							D.R. Horton, Inc.							
1	Zone 2	Village 16	Single-Family	122	$22,690,000	($3,178,397)	[illegible]	[illegible]	[illegible]	$18,850,312	15%	0.86957	$16,391,375	$16,390,000
													Hypothetical Market Value Conclusion:	$16,390,000
							RHNC							
1	Zone 5	Lot A-4	Multifamily	12.01	$9,675,000	[illegible]	[illegible]	[illegible]	[illegible]	$8,665,400	15%	0.86957	$7,535,131	$7,540,000
													Hypothetical Market Value Conclusion:	$7,540,000
							BD Properties, LLC (et al)							
1	Zone 5	Lot A-3	Commercial	2.40	$1,150,000	[illegible]	[illegible]	[illegible]	[illegible]	$1,002,004	20%	0.83333	$835,003	$840,000
													Hypothetical Market Value Conclusion:	$840,000
							Cemo Commercial, Inc.							
1	Zone 5	Lot A-1	Commercial	4.63	$1,920,000	($111,501)	[illegible]	($15,975)	($24,085)	$1,654,838	20%	0.83333	$1,379,032	$1,380,000
													Hypothetical Market Value Conclusion:	$1,380,000
							Donahue Schriber							
1	Zone 5	Lot A-2	Commercial	13.44	$5,270,000	($324,828)	[illegible]	($38,129)	[illegible]	$4,520,879	20%	0.83333	$3,767,399	$3,770,000
													Hypothetical Market Value Conclusion:	$3,770,000
							Sunridge-Anatolia, LLC							
1	Zone 1	Lot B	Commercial	14.50	$5,680,000	[illegible]	[illegible]	[illegible]	[illegible]	$3,588,348	20%	0.83333	$2,990,290	$2,990,000
1	Zone 2	Lot C	Commercial	11.13	$3,880,000	[illegible]	[illegible]	[illegible]	[illegible]	$2,307,068	20%	0.83333	$1,922,557	$1,920,000
1	Zone 2	Lot G	Rec. Center	31	$4,090,000	[illegible]	[illegible]	[illegible]	[illegible]	$3,345,033	20%	0.83333	$2,787,528	$2,790,000
1	Zone 4	Village 1	Single-Family	203	$24,970,000	[illegible]	[illegible]	[illegible]	[illegible]	$21,672,274	20%	0.83333	$18,060,228	$18,060,000
													Hypothetical Market Value Conclusion:	$25,760,000

FINAL CONCLUSION 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 cumulative value of the properties in the District, assuming all improvements to be financed by the Series 2003 and Series 2005 bonds are in place and available for use. Further, the estimate of hypothetical cumulative, or aggregate, value for the components of Sunridge-Anatolia CFD No. 2003-1 (Series 2003 and 2005) comprising the subject of this appraisal represents a not-less-than estimate of value, since no contributory value is given to partially completed, or completed, single-family homes; rather, those parcels are valued based on an improved lot condition. Specifically, as of November 21, 2005, 300 homes have closed escrow from merchant builders to individual homebuyers. Further, no contributory value is given to permits and fees paid for those homes in various stages of construction.

After analyzing current market information and trends, and in accordance with the definitions, certifications, assumptions and significant factors set forth in the attached document (please refer to pages 9 through 11), our opinions of hypothetical market value for the subject properties are detailed in the table below. The following estimates reflect the sum value of the individual components – single-family residential, multifamily residential and commercial – by ownership and land use. 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.

Ownership	Completed SFRs*	Hypothetical Market Value
GMAC (Lennar/U.S. Homes)	209	$243,890,000
JTS Communities		$47,260,000
William Lyon Homes		$11,120,000
Corinthian Homes		$10,780,000
Centex Homes		$16,020,000
Pulte Homes		$11,200,000
Morrison Homes	27	$14,640,000
Tim Lewis Communities	18	$14,760,000
Cambridge Homes	5	$25,580,000
D.R. Horton, Inc.	41	$16,390,000
RHNC Sundance-Sacramento		$7,540,000
BD Properties, LLC (et al)		$840,000
Cemo Commercial, Inc.		$1,380,000
Donahue Schriber		$3,770,000
Sunridge-Anatolia, LLC**		$25,760,000
Cumulative Value	**300**	**$450,930,000**

* Includes homes transferred to individual homeowners
** Includes all AKT related entities

EXPOSURE TIME

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Addenda.

In attempting to estimate a reasonable exposure time for the subject properties, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The real estate market in the Sacramento region has been very strong for the past several years. A transfer of residential and commercial properties in the region typically occurs within six to 12 months of exposure. Please reference the absorption section of the discounted cash flow analysis for information relating to specific projects. It is estimated the exposure time for the subject properties would be within **12 months** for each of the components and/or ownership group.

SALES HISTORY

In October 2000, the 1,214± gross acres representing the proposed Anatolia master planned community transferred between Kiefer-Sunrise Associates, grantor, and AKT Development, grantee, for $16,000,000. It was reported this property was negotiated in December of 1998 to another party, and circumstances leading to this transaction failed to consummate a sale. After purchasing the land, AKT Development partnered with Lennar Communities, Inc. to form Sun Ridge, LLC in July 2001. Sun Ridge, LLC continued to further the entitlement status of the development and resolved lawsuits relating to water source, proximity to the Sacramento Rendering Company and affordable housing issues.

Following the initial sale, each of the 16 single-family residential villages within Zones 1 and 2 sold to various merchant builders. The details of these transactions are summarized in the following table. The reported sale prices are exclusive of bonds.

Buyer	Zone	Designation	Sale Date	Close of Escrow	No. of Lots	Sale Price
GMAC (Lennar/U.S. Homes)	Zone 1	Village 1	10/24/02	6/26/03	111	$6,178,482
	Zone 1	Village 3	10/24/02	6/26/03	149	$10,157,944
	Zone 1	Village 4	10/24/02	6/26/03	117	$8,339,460
	Zone 1	Village 7	10/24/02	6/26/03	132	$7,519,140
	Zone 1	Village 8	10/24/02	6/26/03	108	$5,546,988
	Zone 2	Village 9	10/24/02	6/26/03	151	$9,482,456
	Zone 2	Village 12	10/24/02	6/26/03	123	$11,684,570
	Zone 2	Village 15	10/24/02	6/26/03	114	$7,266,888
JTS Communities, Inc.	Zone 2	Village 10	11/14/02	6/26/03	117	$8,531,500
	Zone 2	Village 13	11/14/02	6/26/03	104	$9,560,630
Pulte Homes	Zone 1	Village 6	1/1/03	6/27/03	103	$6,103,958
	Zone 2	Village 11	1/6/03	6/27/03	56	$3,640,182
Morrison Homes	Zone 1	Village 2	11/12/03	6/24/03	106	$5,994,088
Tim Lewis Communities	Zone 1	Village 5	2/26/03	6/24/03	105	$6,560,220
Cambridge Homes	Zone 2	Village 14	6/9/03	7/17/03	92	$8,371,890
D.R. Horton, Inc.	Zone 2	Village 16	6/23/03	7/3/03	122	$6,476,736

Prior to the close of escrow for each of the sales detailed above, the properties, as well as additional land, underwent a title transfer from Sun Ridge, LLC to Sunridge-Anatolia, LLC, in a transaction dated June 18, 2003. Sun Ridge, LLC and Sunridge-Anatolia, LLC are related entities and the transaction was non-arm's length. Specifically, the properties that transferred are identified as Lots A, C, D, F, G, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 21 and 22 as shown on the "Large Lot Map of Anatolia", recorded in Book 316 of Maps, Map No. 8, County records.

With respect to Zone 3, all of the properties within this zone transferred from Sun Ridge, LLC to Lennar Communities; however, the details relating to this transaction were not disclosed to the appraiser. Subsequent to this sale, Lennar Communities transferred 110 lots comprising portions of Villages 22 and 23 to Centex Homes in February 2005. The purchase price was $14,300,000, or

$130,000 per unimproved lot, with the buyer required to pay an additional $30,000 for site development costs. In August 2004, JTS Communities purchased all 92 lots representing Village 21 and six lots within Village 24 for a finished lot price of $135,000 per lot, or $13,230,000. In September 2005, Lennar Communities sold 75 lots comprising portions of Villages 22 and 24 to Corinthian Homes for $13,725,000, or $183,000 per improved lot.

There have been other various sales within Anatolia between merchant builders. Pulte Homes transferred 23 lots within Village 6 and all of Village 11 to William Lyon Homes. Cambridge Homes purchased the RD-10 site within Zone 1 (Lot A) in December 2004 for $11,000,000. This transaction was contingent on the seller obtaining entitlements (tentative map approval) for the development of 118 lots. Additionally, the RD-10 site within Zone 2 transferred from Sun Ridge, LLC to Lennar Communities in November 2004 for $4,995,000.

Within Mather East (Zone 5), BD Properties, LLC (et al) - formerly identified as Mather East, LP - sold Lot A-1 to Cemo Commercial, Inc. for $1,609,000, plus the assumption of bonds, in October 2004. Donahue Schriber purchased Lot A-2 (13.44 acres) in February 2003 for $7.85 per square foot, or $4,595,754, plus bonds. January 20, 2004, Mather East, LP entered into contract to sell the 12.1 acres of multifamily land to Regis Homes of Northern California, Inc. for $225,000 per net acre, or approximately $2,659,500, plus the assumption of bonds. The property closed escrow August 29, 2005.

To the best of our knowledge, all of the transactions detailed on the previous pages were arm's length with no unusual contingencies. Considering the improvement in market conditions over the past several years, the dated sales are not deemed representative of current market value.

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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 November 1, 2003 and entered into by and between the City and Sunridge-Anatolia LLC, and any amendments thereto, including a supplement dated as of December 1, 2005.

"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 the City of Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax Bonds Series 2003 and Special Tax Bonds, Series 2005, 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 Anatolia Community Facilities District No. 2003-1 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 an 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 Anatolia Community Facilities District No. 2003-1 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 th 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 Anatolia Community Facilities District No. 2003-1 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 Anatolia Community Facilities District No. 2003-1 Special Tax Bonds Reserve Fund. 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 Anatolia Community Facilities District No. 2003-1 Special Tax Bonds Improvement Fund and within such Fund there is established a 2005 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 Anatolia Community Facilities District No. 2003-1 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 all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in 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 be 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; its reported population as of January 1, 2005 was 55,145.

COUNTY OF SACRAMENTO
Population Estimates

Calendar Year	City of Rancho Cordova	County of Sacramento	State of California
2001	n/a	1,252,652	34,441,561
2002	n/a	1,287,426	35,088,671
2003	n/a	1,317,973	35,691,442
2004	54,676	1,346,205	36,271,091
2005	55,145	1,369,855	36,810,358

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The table below provides information about employment rates and employment by industry type for the Sacramento Metropolitan Statistical Area (which includes Sacramento, Placer and El Dorado Counties) for calendar years 2000 through 2004.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2000 through 2004
Annual Averages

	2000	2001	2002	2003	2004
Civilian Labor Force [(1)]	906,100	932,300	964,400	990,500	1,000,800
Employment	867,200	890,700	911,500	934,400	950,600
Unemployment	38,900	41,600	52,900	56,100	50,200
Unemployment Rate	4.3%	4.5%	5.5%`	5.7%	5.0%
Wage and Salary Employment [(2)]					
Agriculture	4,000	4,000	3,400	7,500	7,400
Natural Resources and Mining	900	900	800	700	700
Construction	52,900	59,500	61,300	66,500	70,400
Manufacturing	51,600	49,800	47,000	46,300	47,100
Wholesale Trade	25,000	25,800	25,600	26,300	26,400
Retail Trade	89,600	91,600	92,700	94,900	96,900
Transportation, Warehousing and Utilities	23,500	23,300	22,400	21,900	23,000
Information	18,500	22,300	23,100	21,900	20,900
Finance and Insurance	38,400	38,700	41,300	44,800	45,200
Real Estate and Rental and Leasing	13,600	13,700	13,900	14,600	14,900
Professional and Business Services	105,400	99,300	96,100	95,800	97,500
Educational and Health Services	70,300	75,900	78,000	81,000	84,500
Leisure and Hospitality	70,100	72,200	75,200	77,300	79,400
Other Services	26,700	27,700	28,200	28,000	28,400
Federal Government	15,500	12,800	12,700	12,900	12,400
State Government	101,200	106,200	108,200	106,700	102,300
Local Government	94,000	99,100	105,900	106,600	106,400
Total, All Industries	801,100	822,900	835,600	853,500	863,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of 2004 in the City are shown below.

CITY OF RANCHO CORDOVA
MAJOR EMPLOYERS
2004

Employer Name	No. of Employees
Electronic Data Systems	1,500
Aerojet- General Corp.	1,387
Ceder Valley Concrete	926
EdFund	675
Catholic Health Care	534
Motion Control Eng.	360
Wal-Mart	329
Volcano Therapeutics	309
Sunworld Landscape	300
Automotive Importing	191

Source: City of Rancho Cordova Comprehensive Annual Financial Report.

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 1999 through 2003.

COUNTY OF SACRAMENTO
Effective Buying Income (1)
1999 through 2003

		Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
1999	Sacramento County	$ 20,192,052	$37,152
	California	590,376,663	39,492
	United States	4,877,786,658	37,233
2000	Sacramento County	22,895,128	40,970
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	Sacramento County	22,127,827	40,690
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
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

Source: Sales & Marketing Management Survey of Buying Power.

Commercial Activity

During the first three quarters of calendar year 2004, total taxable transactions in the County were reported to be $14,755,676,000 a 7.8% increase over the total taxable sales of $13,686,036,000 that were reported in the County during the first three quarters of calendar year 2003. A summary of historic taxable sales within the County during the years indicated in which data is available is shown in the following table. Itemized figures are not yet available for 2004.

COUNTY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

Business	1999	2000	2001	2002	2003
Apparel Stores Group	$ 369,927	$ 410,328	$ 435,758	$ 483,204	$ 515,374
General Merchandise Group	1,851,634	1,960,570	1,731,325	2,024,491	2,105,678
Specialty Stores Group	1,624,485	1,800,343	1,780,073	1,841,954	1,928,593
Food Stores Group	696,416	758,169	792,603	785,010	823,780
Eating & Drinking Group	1,080,021	1,163,483	1,242,312	1,310,209	1,375,098
Household Group	523,294	579,375	598,487	640,658	668,311
Building Material Group	811,938	921,748	1,102,951	1,186,185	1,348,880
Automotive Group	2,624,027	3,091,972	3,355,903	3,400,423	3,562,066
All Other Retail Stores Group	357,135	386,543	296,775	416,843	456,038
Retail Stores Total	9,938,877	11,072,531	11,336,187	12,088,977	12,783,818
Business and Personnel Svcs	705,364	729,836	861,189	873,113	906,662
All Other Outlets	4,335,152	4,791,358	4,659,145	4,615,469	4,815,986
TOTAL ALL OUTLETS	$14,979,393	$16,593,725	$17,221,801	$17,577,559	$18,506,466

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the County for calendar years 2000 through 2004.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2000	2001	2002	2003	2004
Permit Valuation					
New Single-family	$290,919.0	$399,498.1	$479,627.8	$483,080.6	$429,519.8
New Multi-family	54,747.6	61,143.3	96,733.3	198,917.8	112,839.4
Res. Alterations/Additions	52,250.4	67,105.1	75,538.1	82,911.9	120,170.6
Total Residential	397,916.9	527,746.5	651,899.2	764,910.3	662,529.8
New Commercial	119,309.8	66,545.8	97,108.8	99,722.5	92,793.6
New Industrial	10,734.4	32,124.7	30,088.1	18,772.1	35,754.2
New Other	17,929.4	18,461.3	24,527.3	45,164.0	23,234.6
Com. Alterations/Additions	92,584.4	71,294.9	80,310.5	93,859.8	121,622.5
Total Nonresidential	240,557.9	188,426.7	232,034.8	257,518.5	273,404.9
New Dwelling Units					
Single Family	2,059	2,745	3,227	3,605	3,108
Multiple Family	803	881	1,328	2,368	1,214
TOTAL	2,862	3,626	4,555	5,973	4,322

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

December 28, 2005

City Council
City of Rancho Cordova
3121 Gold Canal Drive
Rancho Cordova, California 95670

OPINION: $14,660,000 City of Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax Bonds, Series 2005

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 $14,660,000 City of Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax Bonds, Series 2005 (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 November 1, 2003 and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of December 1, 2005 (together, the "Fiscal Agent Agreement") by and between the City on behalf of the City of Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1 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 public body, corporate and politic, 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,

Jones Hall,

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 December 1, 2005, is by and among the City of Rancho Cordova, a general law city and municipal corporation, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and NBS Government Finance Group, in its capacity as Dissemination Agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of November 1, 2003 as supplemented by Supplemental Agreement No. 1 to Fiscal Agent Agreement (together, the "Agreement"), by and between the City and the U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), the City has issued its Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax 2005 Bonds Series 2005 (the "2005 Bonds"), in the aggregate principal amount of $14,660,000; 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 2005 Bonds and in order to assist the Participating Underwriter of the 2005 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 2005 Bonds (including persons holding 2005 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2005 Bonds for federal income tax purposes.

"*Central Post Office*" means DisclosureUSA (information regarding which is currently located at www.DisclosureUSA.org), the Internet-based filing system approved by the Securities and Exchange Commission to receive and submit filings to the National Repositories, or any similar filing system approved by the Securities and Exchange Commission.

"Disclosure Representative" shall mean the designees of the City to act as the disclosure representative.

"Dissemination Agent" shall mean NBS Government Finance Group, 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, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated December 15, 2005, relating to the 2005 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the 2005 Bonds required to comply with the Rule in connection with offering of the 2005 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. <u>Provision of Annual Reports</u>.

(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, 2005 (for the report due April 1, 2006), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement; provided however, that the first Annual Report due April 1, 2006, shall consist solely of a copy of the Official Statement. In lieu of filing the Annual Report with each Repository, the City or the Dissemination Agent may file the Annual Report with the Central Post Office, with a copy to the Participating Underwriter. 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. In lieu of filing the notice with each Repository, the City or the Dissemination Agent may file the notice with the Central Post Office, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter.

(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. <u>Content of Annual Reports</u>. 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 2005 BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2005 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 2005 BONDS.

(b) The following additional items with respect to the 2005 Bonds:

(1) Principal amount of 2005 Bonds outstanding under the Fiscal Agent Agreement.

(2) Balance in Improvement Fund.

(3) Balance in Reserve Fund.

(4) Table indicating Special Tax 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) For so long as there is any owner of property in the District whose properties in the District collectively represent 10% or more of the Special Taxes, the following information regarding the status of development in the District:

(1) Significant amendments to land use entitlements.

(2) Status of any legislative, administrative and judicial challenges to the construction of the development known to the Issuer.

(3) Assessed valuation of property shown on County Assessor's tax rolls with no "improvements" value in the District for the current (as of the date of the report) fiscal year.

(4) List of landowners (as shown County Assessor's tax roll) and assessor's parcel number(s) of parcels held by owners whose properties collectively represent 10% or more of the Special Taxes for the current (as of the date of the report) fiscal year.

(5) Number of building permits issued by the City for property in the District for the reported fiscal year.

(d) For so long as any owner of property in the District whose properties in the District collectively represent 10% or more of the total Special Tax for the entire District, the information contained in Section 4 of the Continuing Disclosure Certificate executed by such property owner at the time of issuance of the 2005 Bonds.

(e) 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 2005 Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of 2005 Bondholders.
4. Optional, contingent or unscheduled 2005 Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the 2005 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 2005 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 2005 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:

(f) In lieu of filing the notice of the occurrence of a Listed Event with each Repository, the City or the Dissemination Agent may file the notice of the occurrence of a Listed Event with the Central Post Office, with a copy to the Fiscal Agent (if different than the Dissemination Agent) and the Participating Underwriter.

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 2005 Bonds. If such termination occurs prior to the final maturity of the 2005 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 2005 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 2005 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 3121 Gold Canal Drive Rancho Cordova, CA 95670 Attn: Chief Financial Officer
To the Dissemination Agent:	NBS Government Finance Group 41661 Enterprise Circle North Suite 225 Temecula, CA 92590

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 2005 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 Anatolia Community Facilities District No. 2003-1

By: ______________________________
Authorized Officer

NBS GOVERNMENT FINANCE GROUP,
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:	$14,660,000 Sunridge Anatolia District No. 2003-1 Special Tax Bonds Series 2005
Date of Issuance:	December 28, 2003

NOTICE IS HEREBY GIVEN that the City or Rancho Cordova (the "City") on behalf of Sunridge Anatolia Community Facilities No. 2003-1 has not provided an Annual Report with respect to the above-named 2005 Bonds as required by the Fiscal Agent Agreement, dated as of November 1, 2003 as supplemented by Supplement No. 1 to Fiscal Agent Agreement, dated as of December 1, 2005, by and between the City and U.S. Bank National Association. The City anticipates that the Annual Report will be filed by ____________.

Dated: _____________

_________________________________,
as Dissemination Agent, on behalf of the City of Rancho Cordova Sunridge Anatolia Community Facilities District No. 2003-1

By: _______________________________
Authorized Officer

cc: City

CONTINUING DISCLOSURE CERTIFICATE
(Developer)

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") dated as of December 28, 2005, is by and between the ________________ (the "Developer") and the City of Rancho Cordova (the "Issuer" or "City"), as Dissemination Agent, in connection with the issuance by the Issuer of its $14,660,000 Sunridge Anatolia Community Facilities District No. 2003-1 Special Tax 2005 Bonds (the "2005 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 2005 Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement (as described in the Official Statement for the 2005 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.

"*Central Post Office*" means DisclosureUSA (information regarding which is currently located at www.DisclosureUSA.org), the Internet-based filing system approved by the Securities and Exchange Commission to receive and submit filings to the National Repositories, or any similar filing system approved by the Securities and Exchange Commission.

"*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.

"*Participating Underwriter*" shall mean any of the original underwriters of the 2005 Bonds required to comply with the Rule in connection with offering of the 2005 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, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the City; provided however, that the first Annual Report due April 1, 2006, shall consist solely of a copy of the Official Statement. 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. In lieu of filing the Annual Report with each Repository, the Developer or the Dissemination Agent may file the Annual Report with the Central Post Office, with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City.

SECTION 4. Content of Annual Reports. The Developer Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information concerning property owned by Woodside or an affiliate as of the date of the Official Statement and contained in the Official Statement under the headings: "THE DISTRICT – Current and Anticipated Development in the District" and "OWNERSHIP AND PROPERTY WITHIN THE DISTRICT."

(b) With respect to property within the District owned by the Developer or in which the Developer or its affiliates has an interest and on which a final subdivision map has been approved, 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 2005 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 (iv) the number of lots or parcels owned by Developer on which construction of dwelling improvements has not yet begun.

(c) 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.

(d) 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.

(e) 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.

(h) A description of any material changes in legal structure of, or in the organization of, the Developer or the affiliates holding title to property in the District.

(i) A statement of the status of the case *Vineyard Area Citizens for Responsible Growth, Inc., et al. V. City of Rancho Cordova* (Supreme Court Case no. S132972).

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 2005 Bonds, if material:

(i) the discovery of toxic material or hazardous waste not previously disclosed at the 2005 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.

(d) In lieu of filing the notice of the occurrence of a Listed Event with each Repository, the Developer or the Dissemination Agent may file the notice of the occurrence of a Listed Event with the Central Post Office.

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 2005 Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax 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 Special Tax 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 2005 Bond continuing disclosure;

(b) The amendment or waiver either (i) is approved by the 2005 Bondholders of the 2005 Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of 2005 Bondholders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the 2005 Bondholders or Beneficial Owners of the 2005 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 2005 Bondholder or Beneficial Owner of the 2005 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, is responsible for twenty percent (20%) or more of the total Special Tax, 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 2005 Bonds, and shall create no rights in any other person or entity.

Date: December 28, 2005

____

By: ____________________________

Its: ____________________________

AGREED AND ACCEPTED:
CITY OF RANCHO CORDOVA, 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:	$14,660,000 Sunridge Anatolia District No. 2003-1 Special Tax Bonds Series 2005
Date of Issuance:	December 28, 2003

NOTICE IS HEREBY GIVEN that the City or Rancho Cordova (the "City") on behalf of Sunridge Anatolia Community Facilities No. 2003-1 has not provided an Annual Report with respect to the above-named 2005 Bonds as required by the Fiscal Agent Agreement, dated as of November 1, 2003 as supplemented by Supplement No. 1 to Fiscal Agent Agreement, dated as of December 1, 2005, by and between the City and U.S. Bank National Association. The City anticipates that the Annual Report will be filed by ____________.

Dated: ______________

CITY OF RANCHO CORDOVA, as
Dissemination Agent, on behalf of

____

By: ________________________________
Authorized Officer

APPENDIX G

THE BOOK ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2005 Bonds, payment of principal, interest and other payments on the 2005 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2005 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 2005 Bonds (the "Issuer") nor the trustee or fiscal agent appointed with respect to the 2005 Bonds (the "Trustee") 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 2005 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2005 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2005 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.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2005 Bonds. The 2005 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 security certificate will be issued for each maturity of the 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", 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.

Book-Entry Only System. Purchases of the 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2005 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 the 2005 Bonds, except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 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 the 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2005 Bonds may wish to ascertain that the nominee holding the 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2005 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2005 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2005 Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the 2005 Bonds, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the 2005 Bonds. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered 2005 Bond for each maturity of the 2005 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the indenture or fiscal agent agreement executed in connection with the 2005 Bonds. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the 2005 Bonds, then the 2005 Bonds will no longer be restricted to being registered in the 2005 Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2005 Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the 2005 Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the 2005 Bonds will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the 2005 Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of $1,000,000 or more in aggregate principal amount of 2005 Bonds received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the 2005 Bonds will be transferable and exchangeable as provided in the indenture or fiscal agent agreement executed in connection with the 2005 Bonds.