PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 5, 2019

NEW ISSUE **NOT RATED**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Exemption."

$16,205,000*
IMPROVEMENT AREA NO. 1 OF THE LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES) SPECIAL TAX BONDS, SERIES 2019

Dated: Date of Delivery **Due: September 1, as shown on inside cover.**

Authority for Issuance. The bonds captioned above (the "2019 Bonds") are being issued by the Lammersville Joint Unified School District (the "School District") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the Resolution of Issuance (as defined herein), and a First Supplement to Fiscal Agent Agreement dated as of February 1, 2019, which supplements a Fiscal Agent Agreement dated as of June 1, 2017 (the "Fiscal Agent Agreement"), by and between the School District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). Under the Resolution of Issuance, the Governing Board (the "Board") of the School District, acting as legislative body of the Lammersville School District Community Facilities District No. 2014-1 (Mountain House School Facilities) (the "Community Facilities District"), has authorized the issuance of the 2019 Bonds in an aggregate principal amount not to exceed $25,000,000. See "THE 2019 BONDS – Authority for Issuance."

Security and Sources of Payment. The 2019 Bonds are payable from the net proceeds of Special Taxes (as defined herein) levied on certain property within Improvement Area No. 1 of the Community Facilities District according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in Improvement Area No. 1 of the Community Facilities District. The 2019 Bonds are secured by a first pledge of the revenues derived from the Special Taxes and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement, on a parity with the 2017 Bonds (as defined herein) and any parity bonds that may be issued in the future upon compliance with the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE 2019 BONDS." The 2019 Bonds, the 2017 Bonds and any Parity Bonds (as defined herein) are referred to herein as the "Bonds."

Use of Proceeds. The 2019 Bonds are being issued to (i) finance the acquisition and construction of certain public school facilities and improvements to be owned and operated by the School District, (ii) fund a debt service reserve fund for the 2019 Bonds (the "2019 Reserve Fund"), and (iii) pay the costs of issuing the 2019 Bonds. The 2017 Bonds are not secured by the 2019 Reserve Fund. See "FINANCING PLAN."

Bond Terms. Interest on the 2019 Bonds is payable on each March 1 and September 1, commencing September 1, 2019. The 2019 Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. The 2019 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2019 Bonds. See "THE 2019 BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

Redemption. The 2019 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2019 BONDS - Redemption."

The 2019 Bonds, the interest thereon, and any premiums payable on the redemption of any of the 2019 Bonds, are not an indebtedness of the School District (except to the limited extent described in this Official Statement), the State of California (the "State") or any of its political subdivisions, and neither the School District (except to the limited extent described in this Official Statement), the State nor any of its political subdivisions is liable on the 2019 Bonds. Neither the faith and credit nor the taxing power of the School District (except to the limited extent described in this Official Statement) or the State or any political subdivision thereof is pledged to the payment of the 2019 Bonds or interest thereon. Other than the Special Tax Revenues, no taxes are pledged to the payment of the 2019 Bonds. The 2019 Bonds are not a general obligation of the School District, but are limited obligations of the School District payable solely from the Special Tax Revenues as more fully described in this Official Statement.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2019 Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2019 Bonds.

The 2019 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, has served as disclosure counsel to the School District. Certain matters will be passed upon for the School District by Lozano Smith, Sacramento, California, its general counsel. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter. It is anticipated that the 2019 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about February 26, 2019.

STIFEL

The date of this Official Statement is: ____________, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULE

$________ Serial Bonds
(Base CUSIP†: 513533)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$________ _____% Term Bond due September 1, 20__, Yield: _____%, Price: _____%
CUSIP† No. _____

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

GOVERNING BOARD

Matthew Balzarini, *President*
Sharon Lampel, *Clerk*
Colin Clements, *Member*
Anne Goodrich, *Member*
David Pombo, *Member*

DISTRICT ADMINISTRATION

Dr. Kirk Nicholas, *Superintendent*
Alvina A. Keyser, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

SPECIAL TAX CONSULTANT

Goodwin Consulting Group, Inc.
Sacramento, California

APPRAISER

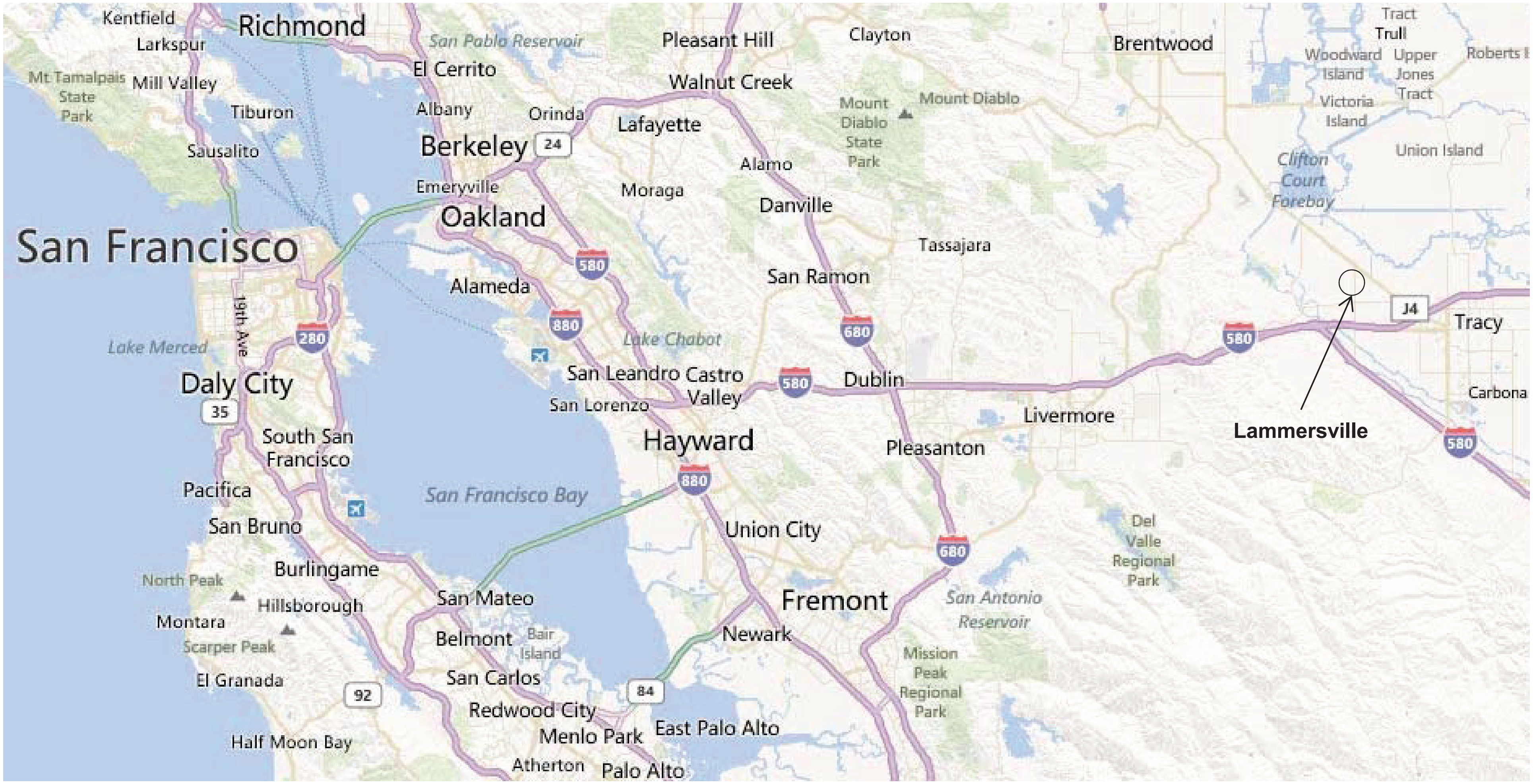
Krauss Appraisal, LLC
Walnut Creek, California

MARKET ABSORPTION CONSULTANT

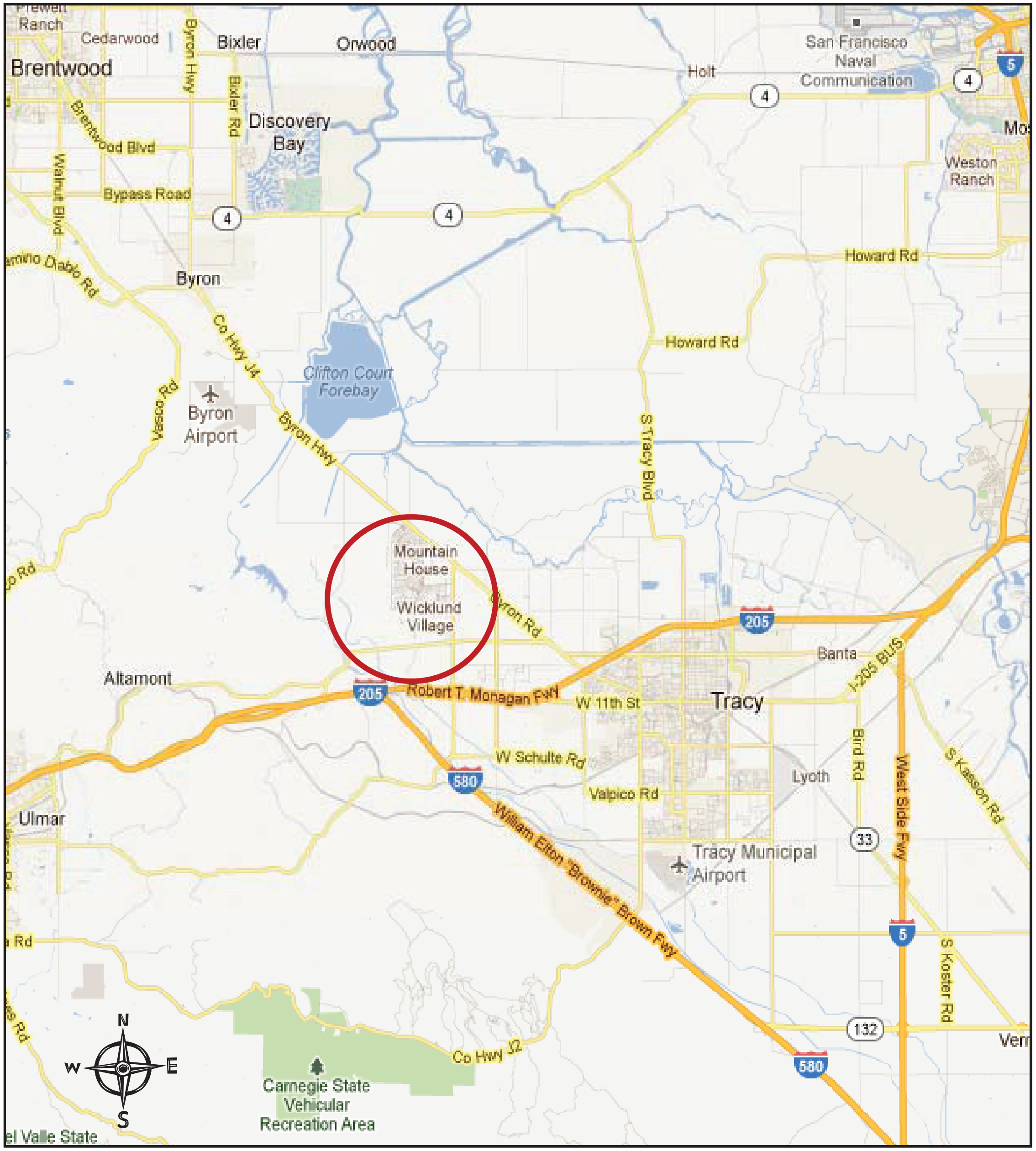
Empire Economics, Inc.
Capistrano Beach, California

FISCAL AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California



Regional Map



Local Area Map

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2019 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2019 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the School District, the Community Facilities District, any other parties described in this Official Statement, or in the condition of property within Improvement Area No. 1 of the Community Facilities District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2019 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 a contract with the purchasers of the 2019 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the 2019 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2019 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2019 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The School District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The School District maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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OFFICIAL STATEMENT

$16,205,000*
IMPROVEMENT AREA NO. 1 OF THE
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(MOUNTAIN HOUSE SCHOOL FACILITIES)
SPECIAL TAX BONDS, SERIES 2019

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**2019 Bonds**") to be issued by the Lammersville Joint Unified School District (the "**School District**") on behalf of the Lammersville School District Community Facilities District No. 2014-1 (Mountain House School Facilities) (the "**Community Facilities District**") with respect to its Improvement Area No. 1 ("**Improvement Area No. 1**").

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, the inside cover 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 2019 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).

The School District. The School District is located in the western part of San Joaquin County (the "**County**") and a portion of eastern Alameda County, near the City of Tracy. The School District provides public education within a 21.7-square-mile area. For economic and demographic information regarding the area in and around the School District, see "APPENDIX A."

The administration headquarters of the School District is located at 111 South De Anza Boulevard, Mountain House, California.

The Community Facilities District and Improvement Area No. 1. The Community Facilities District and Improvement Area No. 1 were formed and established on June 18, 2014, by the Governing Board of the School District (the "**Board**"), as legislative body of the Community Facilities District, under the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), pursuant to a resolution adopted by the Board following a public hearing, and a landowner election at which the qualified electors of Improvement Area No. 1 authorized the School District to incur bonded indebtedness for the Community Facilities District with respect to Improvement Area No. 1, and approved the levy of special taxes. Improvement Area No. 1 consists of Neighborhood C and Neighborhood D. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background."

Authority for Issuance of the 2019 Bonds. The 2019 Bonds are issued under the Act, the Resolution of Issuance adopted on November 27, 2018 (the "**Resolution of Issuance**"), and a First

*Preliminary; subject to change.

Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, which supplements a Fiscal Agent Agreement dated as of June 1, 2017 (the "**Fiscal Agent Agreement**"), by and between the School District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "**Fiscal Agent**"). See "THE 2019 BONDS – Authority for Issuance." The Board, as legislative body of Improvement Area No. 1 of the Community Facilities District, has authorized the issuance of the 2019 Bonds in an aggregate principal amount not to exceed $25,000,000, pursuant to the Resolution of Issuance.

Purpose of the 2019 Bonds. Proceeds of the 2019 Bonds will be used primarily to finance the acquisition and construction of certain school facilities to be owned and operated by the School District, including a new elementary school. Proceeds of the 2019 Bonds will also fund a debt service reserve for the 2019 Bonds and pay the costs of issuing the 2019 Bonds. See "FINANCING PLAN."

Redemption of Bonds Before Maturity. The 2019 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2019 BONDS – Redemption."

Security and Sources of Payment for the 2019 Bonds. The County annually levies special taxes on certain property in Improvement Area No. 1 of the Community Facilities District (the "**Special Taxes**") in accordance with the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 of the Community Facilities District (the "**Rate and Method**"). The 2019 Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the "**Special Tax Revenues**"), on a parity with the 2017 Bonds (defined below) and any bonds that may be issued on a parity basis in the future upon compliance with the conditions set forth in the Fiscal Agent Agreement. The 2019 Bonds will be additionally secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See "SECURITY FOR THE 2019 BONDS."

Existing and Future Parity Bonds. The 2019 Bonds will be issued on a parity with the following outstanding bonds of the School District:

- Improvement Area No. 1 of the Lammersville Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) Special Tax Bonds, Series 2017 (the "**2017 Bonds**"), which were issued in June 2017 in the original principal amount of $34,150,000, and are currently outstanding in the aggregate principal amount of $34,015,000. The 2017 Bonds were issued to finance the acquisition and construction of certain public school facilities and improvements to be owned and operated by the School District.

See "THE COMMUNITY FACILITIES DISTRICT – Formation and Background."

The School District may issue additional bonds secured by Special Tax Revenues on a parity with the 2019 Bonds and the 2017 Bonds, upon compliance with certain conditions set forth in the Fiscal Agent Agreement. See "THE 2019 BONDS – Issuance of Future Parity Bonds."

Debt Service Reserve Fund. In order to further secure the payment of principal of and interest on the 2019 Bonds, and any future series of Parity Bonds, the principal and interest of which is payable from amounts in the 2019 Reserve Fund ("**2019 Related Parity Bonds**"), certain proceeds of the 2019 Bonds, will be deposited into the 2019 Reserve Fund in an amount equal to the Reserve Requirement (as defined herein) for the 2019 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE 2019 BONDS – 2019 Reserve Fund."

The 2017 Bonds are not secured by the 2019 Reserve Fund; the 2017 Bonds are secured by a separate debt service reserve fund that does not secure the 2019 Bonds.

Covenant to Foreclose. The School District has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see "SECURITY FOR THE 2019 BONDS - Covenant to Foreclose."

Property Ownership and Development Status. As of January 17, 2019, the owners of the taxable property within Improvement Area No. 1 were as follows (collectively, the "**Property Owners**," and each a "**Property Owner**"):

Table 1
Property Ownership by Neighborhood
as of January 17, 2019 [1]

Neighborhood	Property Ownership [2]	Number of Parcels [3]	Projected Number of SFD Units	Projected Fiscal Year 2019-20 Special Tax*	Percent of Projected Fiscal Year 2019-20 Special Tax [2]*
Neighborhood C	Individual Homeowners	672	672	$985,517	34.7%
	Taylor Morrison California LLC	98	98	181,080	6.4
	Shea Homes LTD PTP	90	90	136,759	4.8
	Richmond American Homes Maryland Inc.	59	59	108,509	3.8
	MH Motors Courts 71 Lots, LLC	71	71	98,596	3.5
	Mountain House Developers LLC [4]	19	17	23,772	0.8
	TRI Pointe Homes Inc.	5	5	9,239	0.3
	Rain Flower LLC	2	2	2,677	0.1
Subtotal:		1,016	1,014	$1,546,149	54.4%
Neighborhood D					
	Individual Homeowners	349	349	$511,432	18.0%
	Richmond American Homes Maryland Inc.	140	140	191,459	6.7
	TRI Pointe Homes Inc.	91	91	129,949	4.6
	Meritage Homes of CA, Inc.	33	88	121,350	4.3
	MH Village D 94 Lots LLC	83	83	114,657	4.0
	K Hovnanian Meadow View at Mountain House, LLC	1	69	92,863	3.3
	Woodside 05N, LP	64	64	86,171	3.0
	Shea Homes LTD PTP [6]	14	186	24,021	0.8
	CalAtlantic Group, Inc.	12	12	16,571	0.6
	Mountain House Developers LLC [5]	5	4	7,391	0.3
Subtotal:		792	1,086	$1,295,862	45.6%
Total		1,808	2,100	$2,842,011	100.0%

* Preliminary; subject to change.

[1] Assumes that Villages D2 and D4 will not be subdivided by a recorded final map prior to fiscal year 2019-20. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - *Improvement Areas; Annexation Proceedings"* for additional information. Assumes the maximum special tax will be levied on Developed Property and Final Map Property in 2019-20.

[2] Based on ownership information provided by the San Joaquin County Assessor's Office as of December 1, 2018. May not reflect recent sales.

[3] Reflects the parcels that were included on the San Joaquin County Assessor's roll for Fiscal Year 2018-19. May not reflect recently recorded final maps.

[4] Includes Undeveloped Property within Neighborhood C. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20.

[5] Includes Undeveloped Property within Neighborhood D, except for Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20.

[6] Includes Undeveloped Property within Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20.

Source: Goodwin Consulting Group, Inc.

The property within Improvement Area No. 1 is currently designated for development of 2,512 detached and attached single-family homes and multi-family apartment units. The table below shows the percentage of the Special Taxes projected to be paid by each developer in Improvement Area No. 1 in Fiscal Year 2019-20.

Table 2
Property Ownership in Improvement Area No. 1
by Share of Projected Special Taxes
Fiscal Year 2019-20 (Projected) [1]

Property Owner [2]	Number of Parcels [3]	Projected Number of SFD Units	Projected Number of Single Family Attached and Multi-Family Units	Total Projected Units	Total Projected Fiscal 2019-20 Special Tax*	Percent of Total Projected Fiscal Year 2019-20 Special Tax*
Individual Homeowners	1,021	1,021	0	1,021	$1,496,948	52.7%
Richmond American Homes Maryland Inc.	199	199	0	199	299,967	10.6
Taylor Morrison California, LLC	98	98	0	98	181,080	6.4
Shea Homes LTD PTP [4]	104	276	0	276	160,780	5.7
TRI Pointe Homes, Inc.	96	96	0	96	139,187	4.9
Meritage Homes of CA, Inc.	33	88	0	88	121,350	4.3
MH Village D 94 Lots LLC	83	83	0	83	114,657	4.0
MH Motor Courts 71 Lots, LLC	71	71	0	71	98,596	3.5
K Hovnanian Meadow View at Mountain House, LLC	1	69	0	69	92,863	3.3
Woodside 05N, LP	64	64	0	64	86,171	3.0
Mountain House Developers [5]	24	21	416	437	31,163	1.1
CalAtlantic Group, Inc.	12	12	0	12	16,571	0.6
Rain Flower LLC	2	2	0	2	2,677	0.1
	1,808	**2,100**	**416**	**2,516**	**$2,842,011**	**100.0%**

* Preliminary; subject to change.

[1] Assumes that Villages D2 and D4 will not be subdivided by a recorded final map prior to fiscal year 2019-20. Assumes the maximum special tax will be levied on Developed Property and Final Map Property in 2019-20.

[2] Based on ownership information provided by the San Joaquin County Assessor's Office as of December 1, 2018. Also includes recent sales to merchant builders reported by Mountain House Developers on January 31, 2019. May not reflect recent sales to homebuyers.

[3] Reflects the parcels that were included on the San Joaquin County Assessor's roll for Fiscal Year 2018-19. May not reflect recently recorded final maps.

[4] Includes Undeveloped Property within Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - Improvement Areas; Annexation Proceedings" for additional information.

[5] Includes Undeveloped Property within Neighborhoods C and D except for Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - Improvement Areas; Annexation Proceedings" for additional information.

Source: San Joaquin County Assessor's Office; Goodwin Consulting Group, Inc.

For detailed information about the current development status and proposed development plans for the property in Improvement Area No. 1, see "PROPERTY OWNERSHIP AND DEVELOPMENT STATUS."

Assessed Valuation. The Fiscal Year 2018-19 assessed valuation of the taxable property within Improvement Area No. 1 of the Community Facilities District is $559,142,986. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1."

Appraisal. An appraisal of the property within Improvement Area No. 1 of the Community Facilities District dated January 22, 2019 (the "**Appraisal**"), was prepared by Krauss Appraisal, LLC, Walnut Creek, California (the "**Appraiser**") in connection with issuance of the 2019 Bonds. The purpose of the appraisal was to estimate the market value of the fee simple estate, subject to special tax and special assessment liens, for all the taxable property within Improvement Area No. 1 as of a November 1, 2018, date of value. Subject to the assumptions contained in the Appraisal, the Appraiser estimated that the taxable property within Improvement Area No. 1, subject to the lien of the Special Taxes and overlapping liens, had the following estimated values:

Neighborhood C	$531,100,000
Neighborhood D	382,200,000
Total:	$913,300,000

See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Appraised Property Value" and APPENDIX G for further information on the Appraisal.

Market Absorption Study. A market absorption study with respect to the remaining development of the property within Improvement Area No. 1 dated October 19, 2018, as revised on January 21, 2019 (the "**Market Absorption Study**"), was prepared by Empire Economics, Inc., Capistrano Beach, California (the "**Market Absorption Consultant**") in connection with issuance of the 2019 Bonds. The purpose of the Market Absorption Study was to provide an estimate of the probable absorption schedules for the remaining residential units proposed to be developed in Improvement Area No. 1. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Market Absorption Study" and APPENDIX H.

Risk Factors Associated with Purchasing the 2019 Bonds. Investment in the 2019 Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2019 Bonds.

FINANCING PLAN

School Facilities Financing Plan

General. Under the Resolution of Formation adopted by the School District on May 7, 2014, the Community Facilities District (and each improvement area therein) is authorized to finance the costs of the following school facilities (collectively, the "**Facilities**"):

> The school facilities identified in the School District's Facilities/Economic Master Plan that are required to meet the demands caused by development of the portion of the development described in the Mountain House Master Specific Plan approved by the County Board of Supervisors on November 10, 1994 (as amended), that is located in the Community Facilities District. Such school facilities shall include the design, engineering, construction and/or expansion and start-up costs of K-8 schools and a high school, as well as portable facilities, support facilities, school buses, maintenance and delivery vehicles, a School District administration office, a support service center, and temporary contributions to School District facility planning costs.
>
> The Facilities to be financed shall also include the costs of the acquisition of right-of-way, the costs of design, engineering and planning, the costs of any environmental or traffic studies, (including right-of-way that is intended to be dedicated by the recording of a final map), surveys or other reports, costs related to landscaping and irrigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

The School District currently intends to use a portion of the proceeds of the 2019 Bonds to pay a portion of the costs of acquiring and constructing a K-8 school.

Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the 2019 Bonds will be deposited into the following funds established under the Fiscal Agent Agreement:

SOURCES	
Principal Amount of 2019 Bonds	$
Plus/Less: [Net] Original Issue [Premium/Discount]	
Total Sources	$
USES	
Deposit into Improvement Fund [1]	$
Deposit into 2019 Reserve Fund [2]	
Deposit into Costs of Issuance Fund [3]	
Underwriter's Discount	
Total Uses	$

[1] Currently intended to be used to finance a portion of the costs of acquiring and constructing a K-8 school. See "–School Facilities" above.

[2] Equal to the Reserve Requirement with respect to the 2019 Bonds as of their date of delivery. The 2017 Bonds are not secured by the 2019 Reserve Fund.

[3] Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, printing the Preliminary and final Official Statements, the Fiscal Agent and the Special Tax Consultant.

THE 2019 BONDS

This section generally describes the terms of the 2019 Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

The 2019 Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the 2019 Bonds may be issued in a maximum principal amount of $25,000,000.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The 2019 Bonds will be dated their date of delivery (the "**Closing Date**") and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2019 Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple of $5,000.

Calculation of Interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2019 Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2019 (each, an "**Interest Payment Date**").

Each 2019 Bond will bear interest from the Interest Payment Date next preceding its date of authentication unless

(i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date;

provided, however, that if at the time of authentication of a 2019 Bond, interest is in default thereon, such 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

"**Record Date**" means the 15th day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). See APPENDIX D – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments of Interest and Principal. *For so long as DTC is used as depository for the 2019 Bonds, principal of, premium, if any, and interest payments on the 2019 Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the 2019 Bonds, for distribution to the beneficial owners of the 2019 Bonds in accordance with the procedures adopted by DTC.*

Interest on the 2019 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed 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 Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of 2019 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which will continue in effect until revoked in writing, or until such 2019 Bonds are transferred to a new Owner.

The principal of the 2019 Bonds and any premium on the 2019 Bonds are payable in lawful money of the United States of America upon surrender of the 2019 Bonds at the Principal Office of the Fiscal Agent.

Redemption*

Optional Redemption from any Source other than Prepayments. The 2019 Bonds maturing on or after September 1, 20__, are subject to optional redemption as directed by the School District, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at a redemption price equal to the principal amount of the 2019 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2019 Bonds maturing on September 1, 20__ and September 1, 20__ (collectively, the "**Term Bonds**"), are subject to mandatory redemption in part by lot, from sinking fund payments made by the School District from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

Sinking Fund Redemption Date (September 1)	Sinking Payments

However, if some but not all of the Term Bonds of a given maturity have been redeemed through optional redemption or mandatory prepayment redemption, the total amount of all future Sinking Fund Payments relating to such maturity will be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of $5,000 as determined by the School District, notice of which will be given by the School District to the Fiscal Agent.

* Preliminary; subject to change.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2019 Reserve Fund under the Fiscal Agent Agreement will be used to redeem 2019 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same debt service profile for the 2019 Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2019 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Dates	Redemption Price
Any Interest Payment Date prior to March 1, 2026	103%
September 1, 2026, and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028, and any Interest Payment Date thereafter	100

2019 Bonds shall be selected for redemption from special tax prepayments in such manner as shall be directed by the School District, or otherwise as nearly as practicable on a pro rata basis among maturities, in increments of $5,000.

Special Tax prepayments could be made by any of the owners of any of the property within the Community Facilities District including any of the Developers, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See "BOND OWNERS" RISKS –Redemption from Special Tax Prepayments."

Purchase in Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2019 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 2019 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2019 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Original Purchaser, the Securities Depositories, and to the respective registered Owners of any 2019 Bonds designated for redemption, at their addresses appearing on the 2019 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2019 Bonds. In addition, the Fiscal Agent will file each notice of redemption with the MSRB through its EMMA system.

However, while the 2019 Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the School District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the 2019 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2019 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.

Conditional Redemption Notice and Rescission of Redemption. Any redemption notice may specify that redemption on the specified date will be subject to receipt by the District of moneys sufficient to cause such redemption (and shall specify the proposed source of such moneys), and neither the District nor the Fiscal Agent shall have any liability to the Owners or any other party as a result of its failure to redeem the 2019 Bonds as a result of insufficient moneys.

The School District has the right to rescind any notice of the optional redemption of 2019 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2019 Bonds then called for redemption, and such cancellation will not constitute a default under the Fiscal Agent Agreement.

The School District and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Selection of 2019 Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all the 2019 Bonds of any maturity or any given portion thereof, the Fiscal Agent will select the 2019 Bonds to be redeemed from all 2019 Bonds or such given portion thereof not previously called for redemption as directed by the School District or, in the absence of direction by the School District, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

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 2019 Bonds called for redemption have been deposited in the Bond Fund, those 2019 Bonds will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice of redemption.

Issuance of Future Parity Bonds

Parity Bonds. In addition to the 2019 Bonds and the 2017 Bonds, but subject to the $130 million maximum bonded indebtedness limit for Improvement Area No. 1, the School District may issue one or more additional series of bonds or other indebtedness (collectively, "**Parity Bonds**") payable from the Special Tax Revenues on a parity with the 2019 Bonds and the 2017 Bonds, in such principal amount as may be determined by the School District, under a Supplemental Agreement entered into by the School District and the Fiscal Agent. Any such Parity Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the 2019 Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder.

The School District may issue such Parity Bonds subject to the specific conditions precedent set forth in the Fiscal Agent Agreement, including without limitation the following:

> ***Debt Service Reserve Fund***. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2019 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2019 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds or the 2017 Bonds (and such other series of Parity Bonds identified by the School District) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly

declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund and that the Owners of the 2019 Bonds covered by the 2019 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2019 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2019 Reserve Fund or any other reserve account.

Value. The value of Taxable Property in Improvement Area No. 1, as measured by appraised value or assessed value, must be at least three times the sum of:

(i) the aggregate principal amount of all Bonds then Outstanding, plus

(ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus

(iii) the aggregate principal amount of any fixed assessment liens on the parcels in Improvement Area No. 1 subject to the levy of Special Taxes, plus

(iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within Improvement Area No. 1 (the "**Other District Bonds**") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within Improvement Area No. 1, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

Coverage. The amount of the maximum Special Taxes that may be levied in each Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement must be at least (i) 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds, and (ii) 100% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds and the amount of the levy for Administrative Expenses in the current fiscal year. In addition, the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds will be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

Refunding Bonds. Notwithstanding the foregoing, the School District may issue Refunding Bonds as Parity Bonds without the need to satisfy the value and coverage tests set forth above. Under the Fiscal Agent Agreement, the term "**Refunding Bonds**" is defined as bonds issued by the School District for the Community Facilities District with respect to Improvement Area No. 1, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

Subordinate Bonds. Nothing in the Fiscal Agent Agreement prohibits the School District from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

See APPENDIX C for additional details regarding the conditions for issuing Parity Bonds.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the 2019 Bonds apply only during any period in which the 2019 Bonds are not subject to DTC's book-entry system. While the 2019 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC and the Book-Entry Only System."

Registration. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the 2019 Bonds, which will show the series number, date, amount, rate of interest and last known owner of each 2019 Bond and will at all times be open to inspection by the School District during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the 2019 Bonds as provided in the Fiscal Agent Agreement.

The School District and the Fiscal Agent will treat the Owner of any 2019 Bond whose name appears on the Bond register as the absolute Owner of such 2019 Bond for any and all purposes, and the School District and the Fiscal Agent will not be affected by any notice to the contrary. The School District and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

Registration of Exchange or Transfer. Any 2019 Bond may, in accordance with its terms, be transferred, upon the Bond register by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2019 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

2019 Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of 2019 Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the School District. The Fiscal Agent will collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any 2019 Bond or 2019 Bonds are surrendered for transfer or exchange, the School District will execute and the Fiscal Agent will authenticate and deliver a new 2019 Bond or 2019 Bonds, for a like aggregate principal amount.

No transfers or exchanges of 2019 Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of 2019 Bonds for redemption or (ii) with respect to a 2019 Bond after such 2019 Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

DEBT SERVICE SCHEDULES

The 2019 Bonds. The following table presents the annual debt service on the 2019 Bonds (including sinking fund redemptions), assuming there are no optional redemptions or special redemptions from Special Tax prepayments.

Year Ending September 1	2019 Bonds Principal	2019 Bonds Interest	2019 Bonds Total
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total:			

Combined Debt Service. The following table shows the combined annual debt service schedule with respect to the 2019 Bonds and 2017 Bonds, assuming no optional redemptions or special redemption from Special Tax prepayments.

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule

Year Ending September 1	2017 Bonds	2019 Bonds	Total
2019	$1,722,168.76		
2020	1,751,918.76		
2021	1,785,618.76		
2022	1,820,618.76		
2023	1,863,818.76		
2024	1,899,818.76		
2025	1,939,818.76		
2026	1,971,818.76		
2027	2,016,218.76		
2028	2,052,218.76		
2029	2,097,868.76		
2030	2,140,681.26		
2031	2,180,493.76		
2032	2,228,193.76		
2033	2,272,443.76		
2034	2,317,268.76		
2035	2,362,937.50		
2036	2,409,062.50		
2037	2,456,812.50		
2038	2,506,000.00		
2039	2,553,250.00		
2040	2,604,500.00		
2041	2,659,250.00		
2042	2,712,000.00		
2043	2,767,500.00		
2044	2,820,250.00		
2045	2,880,000.00		
2046	2,941,000.00		
2047	2,997,750.00		
2048	--		
TOTAL	$66,731,300.16		

SECURITY FOR THE 2019 BONDS

This section generally describes the security for the 2019 Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

General

The 2017 Bonds, the 2019 Bonds and any Parity Bonds (collectively, the "**Bonds**") are secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account), and, until disbursed as provided therein, in the Special Tax Fund.

The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, 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 Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2019 Bonds and all 2019 Related Parity Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2019 Reserve Fund. The moneys in the 2019 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2019 Bonds and all 2019 Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2019 Bonds and all 2019 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. The 2017 Bonds are not secured by the 2019 Reserve Fund; the 2017 Bonds are secured by a separate debt service reserve fund that does not secure the 2019 Bonds.

Amounts in the Improvement Fund, the Administrative Expense Fund and the 2019 Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the School District with respect to the Project.

"**Special Tax Revenues**" are defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the School District, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon 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 lien and interest thereon.

However, Special Tax Revenues do not include any interest in excess of the interest due on the Bonds, or any penalties collected in connection with any such foreclosure.

Limited Obligation

The 2019 Bonds are neither a general obligation of the School District nor are they payable from the general fund of the School District; and are instead limited obligations of the School District payable from Special Tax Revenues as described herein. Except with respect to the Special Tax Revenues, neither the faith and credit nor the taxing power of the School District or the State or any political subdivision thereof is pledged for the payment of the 2019 Bonds or

interest thereon, and no Owner of the 2019 Bonds may compel the exercise of the taxing power by the School District or the forfeiture of any of its property.

The principal of and interest on the 2019 Bonds, and premiums upon the redemption of any thereof, are not a debt of the School District (except to the limited extent described in this Official Statement), the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory limitation or restriction. The 2019 Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the School District, except the Special Tax Revenues that are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the 2019 Bonds and interest thereon. Neither the members of the Board nor any persons executing the 2019 Bonds are liable personally on the 2019 Bonds by reason of their issuance.

Special Taxes

Covenant to Levy Special Taxes. The Finance Director of the County will fix and levy the amount of Special Taxes within Improvement Area No. 1 required for the payment of principal of and interest on any outstanding Bonds of the Community Facilities District with respect to Improvement Area No. 1 becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the 2019 Reserve Fund and any other reserve account for Parity Bonds that are not 2019 Related Parity Bonds, and an amount estimated to be sufficient to pay the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement, including funds in the Special Tax Fund.

The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

Manner of Collection. Except as set forth in the Ordinance, the Fiscal Agent Agreement provides that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. Further, under no circumstances will the Special Tax levied against any parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other parcel within the Community Facilities District. In addition, in no event shall Special Taxes be levied after Fiscal Year 2065-66. See "BOND OWNERS' RISKS – Property Tax Delinquencies."

Rate and Method

General. The Special Taxes will be levied and collected according to the Rate and Method, which provides the means by which the Board may annually levy the Special Taxes within Improvement Area No. 1 of the Community Facilities District, up to the maximum Special Tax rates, and to determine the amount of the Special Taxes that will need to be collected each Fiscal Year from the "**Taxable Property**" within the Community Facilities District.

The following is a summary of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. Capitalized terms used but not defined in this section have the meanings as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

Special Tax Requirement*.* Annually, at the time of levying the Special Tax for the Community Facilities District, the Administrator will determine the minimum amount of money to be levied on Taxable Property in Improvement Area No. 1 of the Community Facilities District (the "**Special Tax Requirement**"), which will be the amount required in any Fiscal Year for the following purposes:

(i) to pay principal and interest on bonds issued by the School District for Improvement Area No. 1 of the Community Facilities District,

(ii) to create or replenish reserve funds established for bonds issued by the School District for Improvement Area No. 1 of the Community Facilities District,

(iii) to cure any delinquencies in the payment of principal or interest on bonds issued by the School District for Improvement Area No. 1 of the Community Facilities District which have occurred in the 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 those facilities that are authorized to be funded by the Community Facilities District.

Improvement Areas. Under the Rate and Method, the Community Facilities District currently consists of one Improvement Area, Improvement Area No. 1, which consists of Neighborhood C and Neighborhood D. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background."

Annual Determination of Property Categories for Administration of Special Tax. Each Fiscal Year, the Community Facilities District administrator (the "Administrator") will (i) categorize each Parcel of Taxable Property as Developed Property, Final Map Property, or Undeveloped Property, and (ii) assign each Parcel of Developed Property and Final Map Property to one of the Land Use Classes identified in Table 1 and Table 2 in the Rate and Method, as described below.

For Single Family Attached Property and Multi-Family Property, the number of Units will be determined by referencing the condominium plan, apartment plan, site plan or other development plan. The square footage of SFD Lots (generally defined in the Rate and Method to be an individual residential lot identified and numbered on a Final Map recorded at the San Joaquin County Recorder's Office on which a building permit could be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to the tentative map approved for the property) will be determined by reference to County Assessor's Parcel Maps or, to the extent those maps do not reflect square footage of the SFD Lots, by reference to the lot size summary provided by the engineering firm that produced the Final Map.

In addition, the Administrator will, on an ongoing basis, monitor whether changes in land use have been proposed that will affect the Expected Maximum Special Tax Revenues. If the Expected Maximum

Special Tax Revenues will be reduced pursuant to a proposed land use change, the Administrator will apply the steps in the Rate and Method regarding changes in land uses, as described further below.

In any Fiscal Year, if it is determined that:

(i) a parcel map for a portion of property in Improvement Area No. 1 of the Community Facilities District was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then-current tax roll),

(ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and

(iii) one or more of the newly-created Parcels is in a different Development Class than other parcels created by the subdivision,

the Administrator will calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

"**Developed Property**" for any Fiscal Year means all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

"**Undeveloped Property**" for any Fiscal Year means any Parcel of Taxable Property that is not Developed Property or Final Map Property.

"**Final Map Property**" for any Fiscal Year means all SFD Lots for which a Final Map was recorded on or before June 30 of the preceding Fiscal Year and which are not yet Developed Property.

Maximum Special Tax. The Maximum Special Tax is defined in the Rate and Method as follows:

Developed Property. The Maximum Special Tax for Fiscal Year 2018-19 for each land use class is set forth in the table below, which represent the rates for the current Fiscal Year, and include the annual 2% escalation from the initial year of the Special Tax levy (Fiscal Year 2013-14) under the Rate and Method.

Developed Property
Maximum Special Tax
Fiscal Year 2018-19

Land Use Class	Description	Maximum Special Tax (Fiscal Year 2018-19)
1	SFD Lots greater than or equal to 6,000 square feet	$1,811.54 Per Unit
2	SFD Lots less than 6,000 square feet	$1,312.22 Per Unit
3	Single Family Attached Property	$1,115.72 Per Unit
4	Multi-Family Property	$499.30 Per Unit
5	Taxable Non-Residential Property	**

** The maximum Special Tax on Taxable Non-Residential Property will be the amount needed to replace revenues that were lost when the residential property was converted to non-residential uses. The Board will determine, or cause to be determined, the Maximum Special Tax for each Parcel of Taxable Non-Residential Property at the time of conversion to non-residential use.

Each July 1, the Maximum Special Taxes for Developed Property are increased by 2.0% of the amount in effect for the prior Fiscal Year.

Once a Special Tax has been levied and collected on a Parcel of Developed Property, the Maximum Special Tax applicable to that Parcel will not be reduced in future Fiscal Years regardless of changes in land use on the Parcel. However, the actual Special Tax levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Tax if a lower Special Tax is calculated under the Rate and Method, as described below.

Final Map Property. The Maximum Special Tax for Fiscal Year 2018-19 for each land use class is set forth in the table below, which represent the rates for the current Fiscal Year, and include the annual 2% escalation from the initial year of the Special Tax levy (Fiscal Year 2013-14) under the Rate and Method.

Developed Property
Maximum Special Tax
Fiscal Year 2018-19

Land Use Class	Description	Maximum Special Tax (Fiscal Year 2018-19)
1	SFD Lots greater than or equal to 6,000 square feet	$1,811.54 Per Unit
2	SFD Lots less than 6,000 square feet	$1,312.22 Per Unit

Each July 1, the Maximum Special Taxes for Final Map Property are increased by 2.0% of the amount in effect for the prior Fiscal Year.

Undeveloped Property. The Maximum Special Tax for Undeveloped Property for Fiscal Year 2018-19 is $11,812.06 per acre. This rate represents the rate for the current Fiscal Year, and includes the annual 2.0% escalations from the initial year of the Special Tax levy (Fiscal Year 2013-14).

The maximum Special Taxes for Undeveloped Property are increased on each July 1 by 2.0% of the amount in effect for the prior Fiscal Year.

Changes to Land Uses in Improvement Area No. 1 of the Community Facilities District. If changes to the Expected Land Uses occur (including recordation of a condominium plan that reduces the number of expected Units on Single Family Attached Property), and such changes result in a reduction of the Expected Maximum Special Tax Revenues, the following steps will be applied:

Step 1: The Community Facilities District administrator will identify the Expected Maximum Special Tax Revenues for Improvement Area No. 1 of the Community Facilities District.

Step 2: The Community Facilities District administrator will calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 of the Community Facilities District if the land use change is approved.

Step 3: If (i) the revenues calculated in Step 2 are less than those calculated in Step 1, and (ii) such revenues are insufficient to maintain 110% coverage on the Bonds' debt service, the landowner of the property affected by the change in Expected Land Uses must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment will be calculated using the formula set forth in the Rate and Method. If the mandatory prepayment has not been received by the School District prior to the issuance of the first Building Permit within the Parcel or Final Map on which the land use change has occurred, the Community Facilities District administrator may, in the next Fiscal Year, levy the amount of the mandatory prepayment on the Parcel or Parcels affected by the land use change.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain 110% coverage on the Bonds' debt service, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

Method of Special Tax Levy. Under the Rate and Method, commencing with Fiscal Year 2013-14 and for each following Fiscal Year, the Community Facilities District administrator will determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax will then be levied according to the following steps:

Step 1: The Special Tax will be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 1 up to 100% of the Maximum Special Tax for Developed Property determined pursuant to the Rate and Method until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax will be levied Proportionately on each Parcel of Final Map Property up to 100% of the Maximum Special Tax for such Final Map Property determined pursuant to the Rate and Method.

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement, the Special Tax will be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for such Undeveloped Property determined pursuant to the Rate and Method.

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax will be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to the Rate and Method, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to the Rate and Method.

Exemptions. No Special Tax will be levied on the following:

(i) Public Property, except as otherwise provided in the Act and in Step 4 in above,

(ii) Non-Residential Property unless such property is determined to be Taxable Non-Residential Property,

(iii) Second Units,

(iv) Parcels designated as permanent open space or common space on which no structure is permitted to be constructed,

(v) Parcels owned by a public utility for an unmanned facility, or

(vi) Parcels that are subject to an easement that precludes any other use on the Parcels.

Prepayment of Special Tax. The Special Tax obligation applicable to an Assessor's Parcel may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied, provided that the terms set forth under the Rate and Method are satisfied, including the following conditions:

- 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 is required to provide the School District with written notice of intent to prepay. Within 30 days of receipt of such written notice, the School District or its designee will 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. Under no circumstance will a prepayment be allowed that would reduce the debt service coverage below the amount required pursuant to the Fiscal Agent Agreement.

The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium and other costs, all as specified in "APPENDIX B – Rate and Method of Apportionment of Special Tax – Section H."

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Community Facilities District administrator.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that the Special Taxes are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the 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* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the School District may order the institution of a Superior Court action 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.

While judicial foreclosure is not mandatory under the Act, the School District will agree in the Fiscal Agent Agreement that on or about March 30 and July 30 of each Fiscal Year, the Finance Officer will compare the amount of Special Taxes previously levied in Improvement Area No. 1 of the Community Facilities District to the amount of Special Tax Revenues received by the School District, and if delinquencies have occurred, proceed as follows:

> *Individual Delinquencies*. If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of Special Taxes in the aggregate amount of $2,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the School District within 90 days of such determination.

Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the "Teeter Plan" (as defined and described below), or an equivalent procedure, (2) the amount in the 2019 Reserve Fund is at least equal to the 2019 Reserve Requirement, (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount and (4) the subject parcel is not delinquent with respect to more than $5,000 of Special Taxes.

Aggregate Delinquencies. If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are 10 or fewer owners of real property within Improvement Area No. 1, determined by reference to the latest available secured property tax roll of the County, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

Individual Owner Delinquencies. As to any owner of more than one parcel within Improvement Area No. 1, if the Finance Director determines that the aggregate amount of delinquent Special Taxes for all preceding tax years on all parcels owned by such owner (whether such parcels are owned solely by such owner or jointly by such owner and one or more others) exceeds $5,000, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) shall commence foreclosure proceedings within 90 days of such determination, regardless of when such delinquencies occurred.

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

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the School District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the School District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the School District becomes the purchaser under a credit bid, the School District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the School District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "**FDIC**"). See "BOND OWNERS' RISKS - Bankruptcy and Foreclosure Delays."

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the "**Teeter Plan**," is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually the full amount of their shares of property taxes and other levies collected on the secured roll, including delinquent property taxes which have yet to be collected. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

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

Under the Teeter Plan, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

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

The Board of Supervisors of San Joaquin County adopted the Teeter Plan in Fiscal Year 1994-95. The County has elected to apply its Teeter Plan to the collection of the Special Taxes. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the School District or the Community Facilities District, the County's Teeter Plan may help protect owners of the 2019 Bonds from the risk of delinquencies in the payment of Special Tax.

On September 13, 2011, the County Auditor-Controller recommended to the Board of Supervisors that all direct assessments be removed from the Teeter Plan for fiscal year 2011-12 and thereafter. The County Auditor-Controller's recommendation did not apply to the collection of *ad valorem* taxes levied to pay general obligation bonds. The Board of Supervisors, at its September 13, 2011 meeting, postponed making a decision on the County Auditor-Controller's recommendation and directed the County Auditor-Controller to work with appropriate County officials and staff to recommend the appropriate method of removing direct assessments from the Teeter Plan. After discussions and surveys of the affected agencies and meetings with County officials and staff, the County Auditor-Controller recommended to the Board of Supervisors at its June 26, 2012, meeting to remove from the Teeter Plan certain direct assessments and special taxes levied by the City of Lathrop. The School District is not aware of any further changes to the Teeter Plan at this time.

There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove the Community Facilities District from its Teeter Plan, while the 2019 Bonds are outstanding.

Special Tax Fund

Deposits. Under the Fiscal Agent Agreement, the Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the School District consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The School District will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority, for transfer to the 2019 Reserve Fund to the extent needed to increase the amount then on deposit in the 2019 Reserve Fund up to the then 2019 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not 2019 Related Parity Bonds (such as the Reserve Fund for the 2017 Bonds), as described below in "2019 Reserve Fund", to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in "-Disbursements" below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Disbursements. At least 7 Business Days prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2019 Reserve Fund and any reserve account for Parity Bonds that are not 2019 Related Parity Bonds (such as the Reserve Fund for the 2017 Bonds), the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement, and

(ii) without preference or priority (a) to the 2019 Reserve Fund an amount, taking into account amounts then on deposit in the 2019 Reserve Fund, such that the amount in the 2019 Reserve Fund is equal to the 2019 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2019 Related Parity Bonds (such as the Reserve Fund for the 2017 Bonds), taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts will be applied to the 2019 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

Within 15 days after the end of each Bond Year, and after the foregoing transfers have been made, the Fiscal Agent will transfer all amounts remaining on deposit in the Special Tax Fund to the Administrative Expense Fund, to be used as set forth in the Fiscal Agent Agreement.

Bond Fund

Deposits. The Fiscal Agent will hold the moneys in the Bond Fund for the benefit of the School District and the Owners of the Bonds, and will disburse those funds for the payment of the principal of, and interest and any premium on, the Bonds as described below.

Under the Fiscal Agent Agreement, within the Bond Fund there is established a separate account designated as the “Capitalized Interest Account” to be held in trust by the Fiscal Agent for the benefit of the School District and the Owners of the Bonds into which will be deposited the amount specified in the Fiscal Agent Agreement. Amounts on deposit in the Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the Bonds. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account will be closed.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the “Special Tax Prepayments Account,” to the credit of which deposits will be made as provided in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent will notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the 2019 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2019 Bonds and any 2019 Related Parity Bonds. Amounts so withdrawn from the 2019 Reserve Fund will be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, related to Parity Bonds that are not 2019 Related Parity Bonds (such as the Reserve Fund for the 2017 Bonds), to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund will be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph under "Bond Fund – Disbursements" above, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments.

Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and will be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance the Fiscal Agent Agreement.

2019 Reserve Fund

General. In order to further secure the payment of principal of and interest on the 2019 Bonds and any series of 2019 Related Parity Bonds, certain proceeds of the 2019 Bonds will be deposited into the 2019 Reserve Fund in an amount equal to the "**2019 Reserve Requirement**" for the 2019 Bonds (as defined below). Amounts on deposit in the 2019 Reserve Fund do not secure the payment of principal of and interest on the 2017 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

2019 Reserve Requirement. The "**2019 Reserve Requirement**" is defined in the Fiscal Agent Agreement to mean the sum of the following:

(i) \$1,808,906.45*, which is the least of (a) Maximum Annual Debt Service on the 2019 Bonds as of the Closing Date, (b) 125% of average Annual Debt Service on the 2019 Bonds as of the Closing Date and (c) 10% of the original principal amount of the 2019 Bonds plus

(ii) with respect to any series of 2019 Related Parity Bonds the principal of and interest on which is payable from amounts in the 2019 Reserve Fund, an amount equal to the least of (a) Maximum Annual Debt Service on such 2019 Related Parity Bonds as of the date of their issuance, (b) 125% of average Annual Debt Service on such 2019 Related Parity Bonds as of the date of their issuance and (c) 10% of the original principal amount of such 2019 Related Parity Bonds

Disbursements. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2019 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose

* Preliminary; subject to change.

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 and any premium on, the 2019 Bonds and any 2019 Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2019 Bonds and any 2019 Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2019 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2019 Bonds and any 2019 Related Parity Bonds, the Fiscal Agent will provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Qualified Reserve Fund Credit Instruments. The School District has the right at any time to direct the Fiscal Agent to release funds from the 2019 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument (as defined in the Fiscal Agent Agreement), and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2019 Bonds or any Parity Bonds payable from the 2019 Reserve Fund the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

The School District will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2019 Reserve Fund with cash if, at any time that the 2019 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account Credit Instrument or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the District shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The School District and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

See APPENDIX C for a complete description of the timing, purpose and manner of disbursements from the 2019 Reserve Fund.

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 will be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. See APPENDIX C for a definition of “Permitted Investments.”

THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1

Formation and Background

Formation Proceedings. The Community Facilities District was established by the Board under the Act on May 7, 2014, following a noticed public hearing. On the same date, an election was held in which the qualified electors within Improvement Area No. 1 of the Community Facilities District approved a ballot proposition authorizing the School District to incur bonded indebtedness for Improvement Area No. 1 of the Community Facilities District of up to $130,000,000 to finance the acquisition and construction of the authorized School District facilities, to levy the Special Taxes, and to establish an appropriations limit for Improvement Area No. 1 of the Community Facilities District.

The Community Facilities District is authorized to finance the construction of authorized School District facilities. See "FINANCING PLAN – School Facilities Financing Plan."

The Rate and Method for Improvement Area No. 1 of the Community Facilities District is attached as APPENDIX B.

Improvement Areas; Annexation Proceedings. The Community Facilities District was originally formed to include one improvement area, Improvement Area No. 1, encompassing Neighborhood C, and a future annexation area (the "**Future Annexation Area**") encompassing Neighborhoods D, K and L.

On May 17, 2017, the School District completed proceedings to annex a portion of the Future Annexation Area encompassing a portion of Neighborhood D into Improvement Area No. 1, which is now included within Improvement Area No. 1 and is subject to the levy of the Special Taxes under the Rate and Method.

On December 6, 2017, the School District completed proceedings to annex an additional portion of Neighborhood D, consisting of Villages D1, D3, D5 and D6 in Improvement Area No. 1, which is now included in Improvement Area No. 1 and is subject to the levy of the Special Taxes under the Rate and Method.

On November 7, 2018, the School District completed proceedings to annex an additional portion of Neighborhood D, consisting of Villages D2 and D4 in Neighborhood D of Improvement Area No. 1. Villages D2 and D4 have not received final maps, and will be classified as Undeveloped Property until final maps are approved.

The remaining property in the Future Annexation Area may be annexed into the Community Facilities District in the future as an additional portion of Improvement Area No. 1, in which case it will become subject to the levy of the Special Taxes, or as one or more additional improvement areas, in which case it will be separately authorized to issue special tax bonds secured only by special taxes levied within those improvement areas. The 2019 Bonds are secured only by the Special Taxes levied within Improvement Area No. 1. If and to the extent the Future Annexation Area is annexed as additional improvement areas, there will be no cross-collateralization between or among improvement areas. The School District does not have any current plans to annex any additional portion of the Future Annexation Area into Improvement Area No. 1 or to annex the Future Annexation Area as one or more additional improvement areas.

Future Allocation of Bonded Indebtedness Limit. The bonded indebtedness limit for Improvement Area No. 1 was initially established as $130,000,000. If all or a portion of the remaining

Future Annexation Area is annexed as an additional improvement area, the maximum indebtedness of that additional improvement area will be identified by the Board at the time of the annexation and the amount of the maximum indebtedness for that additional improvement area will be subtracted from the indebtedness limit for Improvement Area No. 1, causing a reduction in the Improvement Area No. 1 indebtedness limit.

Description and Location

General. The Community Facilities District consists of a portion of the larger Mountain House community, a master-planned community being developed in the southwestern portion of the County adjacent to the Alameda County line, approximately 3 miles northwest of the City of Tracy. Improvement Area No. 1 of the Community Facilities District specifically includes the residential portions of Neighborhood C and Neighborhood D in the Mountain House community.

Improvement Area No. 1 of the Community Facilities District is bounded generally by Grant Line Road to the south, Green Valley Parkway to the west, Finck Road to the north, and Mountain House Parkway to the east. The land in the Community Facilities District has access to Mountain House Parkway (formerly Patterson Pass Road) on the east, which leads south to Interstate 205.

See APPENDIX A for demographic and other information regarding the area in and around the Community Facilities District. The boundary map showing the boundaries of Improvement Area No. 1 of the Community Facilities District is attached as APPENDIX I.

Property Ownership and Development Status. Substantially all of the property in Improvement Area No. 1 of the Community Facilities District is designated for development with a total of 2,512 housing units, consisting of detached and attached single-family homes and multi-family apartment units, as further described below.

Table 3
Property Summary [1]

Neighbor-hood	Acreage of Developed and Undeveloped Property [2]	Number of Single-Family Lots >= 6,000 Sq. Feet [3]	Number of Single-Family Lots < 6,000 Sq. Feet [3]	Projected Number of Additional Single-Family Lots < 6,000 Sq. Feet [4]	Projected Number of Single-Family Attached and Multi-Family Units [5]	Total Projected Number of Lots/Units	Share of Special Tax Liability [6]	Ultimate Projected Share of Special Tax Liability [7]
C	151.8	371	643	0	228	1,242	54.4%	50.0%
D	153.4	145	768	173	188	1,274	45.6	50.0
Total	305.2	516	1,411	173	416	2,516	100.0%	100.0%

[1] Reflects final maps recorded in the Community Facilities District prior to December 1, 2018.
[2] Based on the gross acreage of all taxable property in Improvement Area No. 1.
[3] Includes all SFD Lots within recorded final maps as of February 1, 2019. Assumes that Villages D2 and D4 will not be subdivided by a recorded final map prior to the FY 2019-20 special tax levy. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - *Improvement Areas; Annexation Proceedings"* for additional information. .
[4] Reflects the anticipated number of SFD Lots to be created in Villages D2 and D4 by future final maps.
[5] Based on the projected number of units entitled for the single family attached and multi-family projects within the CFD; Neighborhood C is projected to include 131 single family attached units and 97 multi-family units. Neighborhood D is projected to include 188 single family attached units.
[6] Based on the projected Fiscal Year 2019-20 tax levy. Assumes the Maximum Special Tax will be levied on Developed and Final Map Property in Fiscal Year 2019-20, and no special tax will be levied on Undeveloped Property in Fiscal Year 2019-20.
[7] As calculated by Goodwin Consulting Group, Inc., at buildout of the parcels in Improvement Area No. 1.
Source: Goodwin Consulting Group, Inc.

See “PROPERTY OWNERSHIP AND DEVELOPMENT STATUS” below. Special Tax Revenues and Projected Debt Service Coverage

The Rate and Method is structured to produce Special Tax revenues from the Maximum Special Tax which, when applied to the projected debt service on the 2019 Bonds, is anticipated to result in a debt service coverage ratio of at least 110% for the life of the 2019 Bonds and 2017 Bonds, as shown in the table below.

Villages D2 and D4 in Neighborhood D have not received final maps, and will be classified as Undeveloped Property until final maps are received. See ”THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - *Improvement Areas; Annexation Proceedings”* for additional information.

Table 4
Projected Special Tax Revenues and Debt Service Coverage Net of Administrative Expenses[1]

Year Ending Sept. 1	Maximum Special Tax from Developed and Final Map Property[2]	Less: Estimated Administrative Expense[3]	Net Total Maximum Special Tax from Developed and Final Map Property[2]	Maximum Special Tax Undeveloped Property[4]	Net Total Maximum Special Tax Developed, Final Map and Undeveloped Property[4]	Series 2017 Bonds Debt Service	Series 2019 Bonds Debt Service*	Coverage Based on Developed and Final Map Property*	Coverage Based on Developed, Final Map and Undeveloped Property[4]*
2019 [5]	$2,786,297	($31,212)	$2,755,085	$0	$2,755,085	$1,722,169	$776,548	110.26%	110.26%
2020	2,842,011	(31,836)	2,810,175	610,563	3,420,738	1,751,919	799,900	110.12	134.05
2021	2,898,869	(32,473)	2,866,396	622,774	3,489,171	1,785,619	814,500	110.24	134.19
2022	2,956,843	(33,122)	2,923,720	635,230	3,558,950	1,820,619	833,500	110.16	134.09
2023	3,015,988	(33,785)	2,982,203	647,934	3,630,138	1,863,819	841,700	110.23	134.18
2024	3,076,298	(34,461)	3,041,838	660,893	3,702,731	1,899,819	859,500	110.24	134.19
2025	3,137,829	(35,150)	3,102,679	674,111	3,776,790	1,939,819	876,500	110.17	134.10
2026	3,200,591	(35,853)	3,164,738	687,593	3,852,331	1,971,819	896,750	110.32	134.29
2027	3,264,594	(36,570)	3,228,024	701,345	3,929,369	2,016,219	915,750	110.10	134.02
2028	3,329,867	(37,301)	3,292,566	715,372	4,007,938	2,052,219	933,500	110.28	134.24
2029	3,396,487	(38,047)	3,358,440	729,679	4,088,120	2,097,869	950,000	110.19	134.13
2030	3,464,408	(38,808)	3,425,600	744,273	4,169,873	2,140,681	970,250	110.11	134.04
2031	3,533,704	(39,584)	3,494,119	759,158	4,253,278	2,180,494	989,000	110.24	134.19
2032	3,604,367	(40,376)	3,563,991	774,342	4,338,332	2,228,194	1,006,250	110.19	134.13
2033	3,676,446	(41,184)	3,635,263	789,828	4,425,091	2,272,444	1,027,000	110.18	134.12
2034	3,749,988	(42,007)	3,707,981	805,625	4,513,606	2,317,269	1,046,000	110.25	134.20
2035	3,824,985	(42,847)	3,782,137	821,737	4,603,875	2,362,938	1,073,250	110.07	133.98
2036	3,901,475	(43,704)	3,857,771	838,172	4,695,943	2,409,063	1,093,250	110.15	134.08
2037	3,979,525	(44,578)	3,934,947	854,936	4,789,882	2,456,813	1,111,250	110.28	134.24
2038	4,059,107	(45,470)	4,013,637	872,034	4,885,672	2,506,000	1,137,250	110.17	134.10
2039	4,140,298	(46,379)	4,093,919	889,475	4,983,394	2,553,250	1,165,750	110.08	134.00
2040	4,223,109	(47,307)	4,175,802	907,265	5,083,066	2,604,500	1,186,500	110.15	134.08
2041	4,307,549	(48,253)	4,259,296	925,410	5,184,706	2,659,250	1,209,750	110.09	134.01
2042	4,393,703	(49,218)	4,344,485	943,918	5,288,403	2,712,000	1,230,250	110.20	134.15
2043	4,481,575	(50,203)	4,431,372	962,796	5,394,169	2,767,500	1,258,000	110.08	134.00
2044	4,571,209	(51,207)	4,520,003	982,052	5,502,055	2,820,250	1,282,500	110.17	134.11
2045	4,662,638	(52,231)	4,610,407	1,001,693	5,612,101	2,880,000	1,308,750	110.07	133.98
2046	4,755,899	(53,275)	4,702,624	1,021,727	5,724,351	2,941,000	1,326,500	110.20	134.14
2047	4,851,022	(54,341)	4,796,681	1,042,162	5,838,843	2,997,750	1,356,000	110.17	134.11
2048	4,948,025	(55,428)	4,892,598	1,063,005	5,955,603	--	4,441,500	110.16	134.09

*Preliminary; subject to change.
[1] Based on the status of development in Improvement Area No. 1 as of February 1, 2019, and assumes no further development.
[2] Does not include any Special Tax Revenues from Undeveloped Property.
[3] Assumes annual administrative expenses of $30,600 in Fiscal Year 2018-19, escalating by 2% per year thereafter.
[4] Includes Special Tax revenues from Undeveloped Property. The overall amount of Special Tax that can be levied on these properties may be reduced in future years as property develops, depending on the number and type of units constructed, as specified in the Rate and Method. No special tax is projected to be levied on Undeveloped Property in Fiscal Year 2019-20.
[5] Actual Fiscal Year 2018-19 special tax levy.
Sources: Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.

It should be noted that the School District may in the future issue Parity Bonds on a parity with the 2019 Bonds and the 2017 Bonds upon the satisfaction of the conditions contained in the Fiscal Agent Agreement, up to a total combined bond authorization of $130,000,000, subject to adjustment as described above (see "–Formation and Background"). However, any Parity Bonds will be issued on the condition (among others) that the projected debt service coverage provided by Maximum Special Tax revenues on the 2019 Bonds, the 2017 Bonds and any Parity Bonds be at least 110%. See "THE 2019 BONDS – Issuance of Future Parity Bonds."

Market Absorption Study

General. The purpose of the Market Absorption Study was to conduct a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the homes in Improvement Area No. 1, in order to arrive at conclusions regarding the following:

- For each of the 15 currently active projects and 7 forthcoming projects, provide estimates of the annual absorption of housing units, from market-entry to build-out.

- Identify and also discuss potential economic and real estate risk factors that may adversely impact the marketability of the remaining homes to be absorbed, such as potential increases in mortgage rates.

Projected Absorption Rates. Based on the market assumptions contained therein, the Market Absorption Study projected the following absorption rates:

Neighborhood C

Recent Absorption:

- 2015: 3 active projects, for a total of 103 escrow closings.

- 2016: 6 projects for a total of 215 escrow closings.

- 2017: 7 projects for a total of 220 escrow closings.

- January-September 2018: 5 projects with 124 escrow closings.

Estimated Future Absorption:

- October-December 2018: 4 projects with 37 escrow closings.

- 2019: 5 active projects with 151 escrow closings.

- 2020: 6 active projects with 161 escrow closings.

- 2021: 2 active projects with 75 escrow closings.

- 2022: 3 active projects with 112 escrow closings (including 60 apartment rentals).

- 2023: 2 active projects with 40 escrow closings (including 37 rentals).

Neighborhood D

Recent Absorption:

- 2017: 5 projects for a total of 97 escrow closings.
- January- September 2018: 8 projects with 190 escrow closings.

Estimated Future Absorption:

- October-December 2018: 11 projects with 145 escrow closings.
- 2019: 10 active projects with 300 escrow closings.
- 2020: 7 active projects with 218 escrow closings.
- 2021: 5 active projects with 129 escrow closings.
- 2022: 2 active projects with 93 escrow closings.
- 2023: 2 active projects with 102 escrow closings, with all of the projects closing out.

The estimated absorption schedules set forth in the Market Absorption Study are subject to the assumptions and qualifications contained therein, and are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders.

Neither the School District nor Underwriter makes any representation as to the accuracy or completeness of the Market Absorption Study. The Market Absorption Study is attached as APPENDIX H and should be reviewed in its entirety.

Assessed Values

General. The valuation of real property in the County is established by the County Assessor. Assessed valuations are reported at 100% of the "full cash value" of the property, which is defined in Article XIIIA of the California Constitution as the assessed value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation. An assessment of "full cash value" is required upon change of ownership or new construction, after which the assessed value increases at a rate no greater than 2% per year. Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in Improvement Area No. 1.

Assessed Valuations. The table below provides a history of the overall assessed valuation of property within Improvement Area No. 1. For the period from Fiscal Year 2014-15 through Fiscal Year 2016-17, information for Neighborhood D is provided solely for comparative purposes. The annexation of the first portion of Neighborhood D to Improvement Area No. 1 was approved on May 17, 2017, and the assessed value of such property was included in the assessed value of Improvement Area No. 1 starting in Fiscal Year 2017-18. The annexation of the remaining portion of Neighborhood D was approved on November 7, 2018, and such portion is not included in the assessed value shown below.

Table 5A
Assessed Valuation History [1]

Fiscal Year	Neighborhood C Total Assessed Value	Neighborhood D Total Assessed Value	Combined Total Assessed Value	Percentage Change
2014-15	$139,542,866	$20,463,756 [1]	$160,006,622	N/A
2015-16	149,492,525	21,596,658 [1]	171,089,183	6.9%
2016-17	210,509,121	22,302,700 [1]	232,811,821	36.1
2017-18	325,396,961	23,693,732 [2]	349,090,693	49.9
2018-19	423,405,399	135,737,587 [3]	559,142,986	60.2

[1] Neighborhood D was not a part of the Improvement District for fiscal years 2014-15 through 2016-17.
[2] Annexations Nos. 1-3, covering the first portion of Neighborhood D (818 units), were approved by the Board on May 17, 2017.
[3] Annexation No. 4 (283 units) was approved by the Board on December 6, 2017. The total assessed value of these parcels is included in the total for Neighborhood D starting in fiscal year 2018-19. Annexation No. 5 (173 units) was approved by the Board on November 7, 2018. The assessed value of the property in Annexation No. 5 is excluded from the table because the property was not included in the fiscal year 2018-19 tax levy.
Source: Goodwin Consulting Group, Inc., based on data from the County Assessor.

The table below shows the Fiscal Year 2018-19 assessed values of the property in Improvement Area No. 1 differentiated by neighborhood, land and improvement values.

Table 5B
Assessed Valuation
Fiscal Year 2018-19

Neighborhood	Land Value	Improvement Value	Total Value
C	$173,740,724	$249,664,675	$423,405,399
D	96,242,778	39,494,809	135,737,587
Total	$269,983,502	$289,159,484	$559,142,986

Source: Goodwin Consulting Group, Inc., based on data from the County Assessor.

Appraised Values

General. The purpose of the Appraisal was to estimate the current market value of the fee simple interest of the residential properties within Improvement Area No. 1 of the Community Facilities District, subject to the Special Taxes levied with respect to Improvement Area No. 1. The estimated value recognizes the contributory value of public infrastructure in place, but is net of the liens created by the Special Taxes. The date of value of the Appraisal is November 1, 2018.

The Appraisal was prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics of the Appraisal Institute, and the Appraisal Standards for Land Secured Financing as promulgated by the California Debt and Investment Advisory Commission.

Value Estimates. The Appraiser estimated that, as of the November 1, 2018, date of value, the estimated market value of the taxable property in Improvement Area No. 1 was as follows:

Neighborhood C	$531,100,000
Neighborhood D	382,200,000
Total	$913,300,000

Valuation Methods. The Appraiser estimated the value of the property in Improvement Area No. 1 using the cost approach, the sales comparison approach, and the income approach. All three approaches rely on market data which is analyzed independently of the other approaches to arrive at an indication of the subject's value.

The subject property currently includes unimproved residential land, as well as developed and developing properties. To value the subject property, several approaches were relied on including a discounted cash flow model that forecasts the development and sales process of the subject property (developed building sites) over the next several years. In the subject area, parcels intended for residential development are typically marketed as developed subdivision parcels (finished lots) that are purchased by merchant builders, who build out the retail finished products, i.e., single family homes.

These parcels are generally purchased in increments of 25 to 200 lots and merchant builders pay an amount for the paper lots plus the cost to build-out the land to a semi-finished product. The product that is sold is a finished development pad to which is supplied backbone infrastructure including collector streets, sewer, water, electrical service, as well as improved public use parcels such as parks and open space. The merchant builders generally will finish-out the residential lots that have received final subdivision map approval. The cost to finish-out lots typically ranges from $10,000 to $25,000 with additional master development fees that generally range from $28,000 to $32,000 per lot that are paid by the developer.

To arrive at a current value estimate for the subject property, sales prices are estimated for the subject lots based on recent sales. The sale of the lots is projected over the next seven years based on the absorption analysis discussed in the Appraisal. Deducted from these projected annual revenues are holding costs such as taxes, cost of sales, and administration and entitlement costs.

The net annual revenue is then discounted at a rate which is appropriate to the risk and opportunity cost for this type of investment and which allows for a profit to the land developer. The resulting present value calculation yields an estimate of value for the subject property on an 'as is' basis net of any assessment district liens and future Special Tax levies.

In summary, the valuation methodology used in the Appraisal draws from the three basic approaches to market value: the income approach, which processes income generated from the sale of development parcels; direct sales comparison approach, which estimates product sales by comparing similar sale properties in the competing area; and the cost approach which relies on the estimated development costs to support a value.

Finally, the Appraiser considered each indication of value in reconciling to a final value conclusion.

Neither School District nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal. See APPENDIX G for the Appraisal Report.

Appraised Value-to-Debt Ratios

The tables below show the approximate value-to-debt ratio for the parcels in Improvement Area No. 1 of the Community Facilities District, based on the appraised values set forth in the Appraisal and the proposed principal amount of the 2019 Bonds, the outstanding amount of the 2017 Bonds, and the outstanding principal amount of overlapping general obligation bonds.

No assurance can be given that the amounts shown in these tables will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

Table 6
Appraised Values and Value-to-Debt Ratios
Allocated by Neighborhood

Neighborhood	Number of Parcels[1]	Fiscal Year 2019-20 Special Taxes[2]*	Percent of Projected Fiscal Year 2019-20 Special Taxes*	Appraised Values[3]*	Principal Amount of 2019 Bonds and 2017 Bonds[4][5]*	Total Overlapping Debt[6]*	Total 2019 Bonds and Overlapping Debt*	Average Value-to-Debt Ratios (2019 Bonds and 2017 Bonds)[7][8]*	Average Value-to-Debt Ratios (2019 Bonds and 2017 Bonds and Overlapping Debt) [7][9]*
C	1,016	$1,546,149	54.4%	$531,100,000	27,394,797	$7,019,152	$34,413,948	19.4	15.4
D	792	1,295,862	45.6	382,200,000	22,960,203	2,285,958	25,246,162	16.8	15.3
Total	1,808	$2,842,011	100.0%	$913,300,000	$50,355,000	$9,305,110	$59,660,110	18.2	15.4

**Preliminary; subject to change.*

[1] Based on the recorded final subdivision maps in Improvement Area No. 1 as of December 1, 2018. For Neighborhood C, includes 1,014 SFD Lots and two unsubdivided large lots planned for single family detached, single family attached and multi-family units. For Neighborhood D, includes 788 SFD Lots, 298 anticipated SFD Lots on 3 unsubdivided large lots and one additional large lot planned for single family attached units. The special tax is not expected to be levied on Undeveloped Property in fiscal year 2019-20, including Villages D2 and D4, which have not received final maps.

[2] Based on the status of development in Improvement Area No. 1 as of December 1, 2018. Assumes the Maximum Special Tax will be levied on Developed and Final Map Property in Fiscal Year 2019-20, and no special tax will be levied on Undeveloped Property in Fiscal Year 2019-20.

[3] As shown in the Appraisal Report prepared by Krauss Appraisal, LLC, dated January 22, 2019.

[4] Allocated based on the projected Fiscal Year 2019-20 special tax and not the maximum special tax.

[5] Includes the outstanding principal amount of the 2017 Bonds and the estimated par amount of the 2019 Bonds. Does not include any overlapping debt.

[6] Includes the outstanding overlapping general obligation bonds of the San Joaquin Delta Community College District, Lammersville Joint Unified School District, and the Tracy Joint Unified School District, as reported by California Municipal Statistics, Inc.

[7] Average value-to-debt ratio for each neighborhood; actual value-to-debt ratio may vary by lot.

[8] Calculated by dividing the appraised valuation by the total amount of Series 2017 Bonds and Series 2019 Bonds for each neighborhood.

[9] Calculated by dividing the appraised valuation by the total amount of Series 2017 Bonds and Series 2019 Bonds and overlapping debt for each neighborhood.

Sources: Krauss Appraisal, LLC; Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.

Table 7A
Appraised Values and Value-to-Debt Ratios Based on 2019 Bonds and 2017 Bonds Allocated by Value-to-Debt Category*

Value-to-Debt Category	Number of Parcels[1]	Principal Amount of 2019 Bonds and 2017 Bonds[2][3]	Appraised Valuation[4]	Average Value-to-Debt Ratios	Projected Fiscal Year 2019-20 Special Tax[5]	Percent of Projected Fiscal Year 2019-20 Special Tax
20:1 to 35:1	870	$21,823,151	$559,224,723	25.6	$1,231,688	43.3%
10:1 to 20:1	499	13,900,215	218,969,840	15.8	784,521	27.6
5:1 to 10:1	428	14,402,463	106,450,177	7.4	812,868	28.6
3:1 to 5:1	7	229,171	945,603	4.1	12,934	0.5
N/A [6]	4	0	30,709,656	N/A	0	0.0
Total	1,808	$50,355,000	$916,300,000	18.2	$2,842,011	100.0%

**Preliminary; subject to change.*

[1] Based on the recorded final subdivision maps in Improvement Area No. 1 as of December 1, 2018.

[2] Allocated based on the projected Fiscal Year 2019-20 Special Tax and not the maximum Special Tax.

[3] Includes the outstanding principal amount of the 2017 Bonds and the estimated par amount of the 2019 Bonds. Does not include any overlapping debt.

[4] Represents an allocation of the bulk market values reported in the Appraisal. The allocated values are not indicative of the market values of the groupings or the individual lots.

[5] Based on the status of development in Improvement Area No. 1 as of December 1, 2018. Assumes the maximum Special Tax will be levied on Developed and Final Map Property in Fiscal Year 2019-20, and no Special Tax will be levied on Undeveloped Property in Fiscal Year 2019-20.

[6] Includes parcels of Undeveloped Property within Neighborhoods C and D, including Villages D2 and D4, which have not received final maps. These parcels are anticipated to be developed with single family attached and multi-family units.

Sources: San Joaquin County Assessor's Office; Krauss Appraisal, LLC; Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.

Table 7B
Appraised Values and Value-to-Debt Ratios Based on 2019 Bonds and 2017 Bonds and Overlapping Debt Allocated by Value-to-Debt Category*

Value-to-Debt Category	Number of Parcels[1]	Principal Amount of 2019 Bonds and 2017Bonds [2][3]	Total Overlapping Debt[4]	Total IA1 and Overlapping Debt	Appraised Valuation[5]	Average Value-to-Debt Ratios (IA1 and Overlapping Debt)	Projected Fiscal 2019-20 Special Tax[6]	Percent of Projected Fiscal Year 2019-20 Special Taxes
20:1 to 30:1	321	$7,738,832	$1,483,333	$9,222,165	$212,784,816	23.1	$436,776	15.4%
10:1 to 20:1	980	25,785,368	6,619,093	32,404,461	542,761,044	16.7	1,455,313	51.2
5:1 to 10:1	496	16,601,628	1,027,028	17,628,656	129,098,881	7.3	936,988	33.0
3:1 to 5:1	7	229,171	10,770	239,942	945,603	3.9	12,934	0.5
N/A [7]	4	0	164,886	164,886	30,709,656	186.2	$0	0.0
Total	1,808	$50,355,000	$9,305,110	$59,660,110	$916,300,000	15.4	$2,842,011	100.0%

**Preliminary; subject to change.*

[1] Based on the recorded final subdivision maps in Improvement Area No. 1 as of February 1, 2019.

[2] Allocated based on the projected Fiscal Year 2019-20 special tax and not the maximum special tax.

[3] Includes the outstanding principal of the 2017 Bonds and the estimated par amount of the 2019 Bonds. Does not include any overlapping debt.

[4] Includes the outstanding overlapping general obligation bonds of the San Joaquin Delta Community College District, Lammersville Joint Unified School District, and the Tracy Joint Unified School District, as reported by California Municipal Statistics, Inc.

[5] Represents an allocation of the bulk market values reported in the Appraisal Report. The allocated values are not indicative of the market values of the groupings or the individual lots.

[6] Based on the status of development in Improvement Area No. 1 as of February 1, 2019. Assumes the Maximum Special Tax will be levied on Developed and Final Map Property in FY 2019-20, and no special tax will be levied on Undeveloped Property in FY 2019-20.

[7] Includes parcels of Undeveloped Property within Neighborhood C and Neighborhood D, including Villages D2 and D4, which have not received final maps. These parcels are anticipated to be developed with single family attached and multi-family units.

Sources: San Joaquin County Assessor's Office; Krauss Appraisal, LLC; Stifel, Nicolaus & Company, Inc.; Goodwin Consulting Group, Inc.

Direct and Overlapping Governmental Obligations

Overlapping Debt Statement. Contained within the boundaries of Improvement Area No. 1 are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting Improvement Area No. 1 as of December 1, 2018 (excluding the Mountain House Community Services District), is shown in the table below, a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the School District nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither makes any representation in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 1 in whole or in part. These long-term obligations are not payable from revenues of Improvement Area No. 1 (except as indicated) nor are they necessarily obligations secured by land within Improvement Area No. 1. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps Improvement Area No. 1; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within Improvement Area No. 1; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in Improvement Area No. 1, as determined by multiplying the total outstanding debt of each agency by the percentage of the public agency's assessed valuation represented in column 2.

Mountain House Community Services District

The table of direct and overlapping governmental obligations shown below does not include the lien of the Mountain House Community Services District (the “**Mountain House CSD**”). Pursuant to approval of its registered voters, the Mountain House CSD is authorized to levy four separate special assessments to pay for services provided by the Mountain House CSD. These special assessments will constitute additional liens on the property in Improvement Area No. 1 of the Community Facilities District.

Mountain House CSD is currently in a dispute with the developers in Improvement Area No. 1 regarding the reimbursement to such developers of certain fees. See “PROPERTY OWNERSHIP AND DEVELOPMENT STATUS - Mountain House CSD Developer Fees Dispute.”

Table 8
Direct and Overlapping Governmental Obligations

2018-19 Local Secured Assessed Valuation: $561,297,715

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/18	
San Joaquin Delta Community College District General Obligation Bonds	0.692%	$ 1,373,026	
Lammersville Joint USD General Obligation Bonds	12.115	6,784,145	
Tracy Joint Unified School District General Obligation Bonds	3.149	1,147,939	[1]
The Community Facilities District	**100.000**	**34,015,000**	**[2]**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$43,320,110	
OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	0.756%	$ 612,727	
Byron-Bethany Irrigation District General Fund Obligations	12.115	1,300,496	
TOTAL OVERLAPPING GENERAL FUND DEBT		$1,913,223	
COMBINED TOTAL DEBT		$45,233,333	[3]

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($34,015,000) 6.06%
Total Direct and Overlapping Tax and Assessment Debt…........... 7.72%
Combined Total Debt 8.06%

[1] Tracy Joint Unified School District Election of 2006 Bonds were issued prior to the unification of Lammersville Joint Unified School District. Property within the boundaries of Lammersville Joint Unified School District is levied an ad valorem tax for repayment of these bonds.
[2] Excludes the 2019 Bonds offered for sale hereunder.
[3] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Estimated Tax Burden on Single-Family Homes

Single-Family Detached. The following table sets forth the estimated total tax burden on a developed single-family detached unit in Improvement Area No. 1 of the Community Facilities District, based on special tax rates for Fiscal Year 2018-19.

Table 9
Fiscal Year 2018-19 Tax Rates
(Developed Single-Family Detached Units)

Assessed Valuations and Property Taxes		**Lots >= 6,000 sf**	**Lots < 6,000 sf**
Assessed Value [1]		$587,000	$546,000
Homeowner's Exemption		(7,000)	(7,000)
Net Assessed Value [2]		$580,000	$539,000
Ad Valorem Property Taxes	**Percent of Net Assessed Value**	**Amount**	**Amount**
General Purposes	1.0000%	$5,800	$5,390
Ad Valorem Tax Overrides	0.0937%	543	505
Total Ad Valorem Property Taxes	1.0937%	$6,343	$5,895
Assessments, Special Taxes and Parcel Charges [3]			
IA1 of Lammersville School District CFD No. 2014-1		$1,812	$1,312
Water Investigation District		2	2
SJC Mosquito Abatement		2	1
SJC Mosquito and Vector Control - Benefit Assessment		9	9
CSA No. 53 - Hazardous Waste		4	4
Mountain House Road & Admin		1,177	1,014
Mountain House Public Safety		603	516
Mountain House Public Works		111	94
Mountain House Parks & Recreation		105	89
Total Assessments, Special Taxes and Parcel Charges		$3,824	$3,041
Total Property Taxes		**$10,168**	**$8,936**
Total Effective Tax Rate		1.73%	1.64%

[1] Fiscal Year 2018-19 assessed valuation for sample parcels selected to represent the average effective tax rates for Developed Single-Family Detached units in each square footage category.
[2] Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
[3] Based on sample tax bills from the San Joaquin County Tax Collector's website.
Source: San Joaquin County Tax Collector's Office; Goodwin Consulting Group, Inc.

Special Tax Collection and Delinquency Rates

Overall Delinquencies. The table below shows the collections and delinquencies of the Special Taxes since they were first levied in Fiscal Year 2014-15, with updated delinquency amounts as of October 1, 2018. See "SECURITY FOR THE 2019 Bonds – Covenant to Foreclose – Teeter Plan."

Table 10
Special Tax Collections and Delinquencies
Fiscal Years 2014-15 through 2017-18

	Subject Fiscal Year[1]					As of October 1, 2018		
Fiscal Year Ending June 30	**Total Special Tax Levied**	**Total Annual Special Taxes Collected**	**Parcels Delinquent**	**Fiscal Year Amount Delinquent**	**Fiscal Year Delinquency Rate**	**Remaining Parcels Delinquent**	**Remaining Amount Delinquent**	**Remaining Delinquency Rate**
2015	$56,687	$56,687	0	$0	0.00%	$0	$0	0.00%
2016	135,306	134,688	1	618	0.46	0	0	0.00
2017	460,270	457,117	3	3,153	0.69	1	1,261	0.27
2018	1,890,428	1,878,422	14	12,005	0.64	2	1,776	0.09

[1] Delinquency information as provided by San Joaquin County as of August or September of the applicable Fiscal Year.
Source: San Joaquin County Auditor-Controller's Office; Goodwin Consulting Group, Inc.

No Prior or Pending Foreclosure Actions. The School District has not taken and is currently not taking any actions to enforce delinquent Special Taxes.

Potential Consequences of Special Tax Delinquencies

General. Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area No. 1 of the Community Facilities District could result in draws on the 2019 Reserve Fund established for the 2019 Bonds, and perhaps, ultimately, a default in the payment on the 2019 Bonds. See "BOND OWNERS' RISKS."

Special Tax Enforcement and Collection Procedures. The School District could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount foreclosure sale proceeds or when foreclosure sale proceeds would be received. The School District has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See "SECURITY FOR THE 2019 BONDS—Covenant to Foreclose" and "BOND OWNERS' RISKS – Limited Number of Taxable Parcels."

Foreclosure actions would include, among other steps, formal Board action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the School District may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property within Improvement Area No. 1 of the Community Facilities District. See "SECURITY FOR THE 2019 BONDS– Rate and Method." In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2019 Bonds. See "BOND OWNERS' RISKS."

PROPERTY OWNERSHIP AND DEVELOPMENT STATUS

Property Ownership

Neither the Bonds nor the Special Taxes are personal obligations of any owners of Taxable Property within Improvement Area No. 1 of the Community Facilities District. See "BOND OWNERS' RISKS – Payment of Special Tax is not a Personal Obligation of the Property Owners."

Background and History. The property currently in Improvement Area No. 1 of the Community Facilities District, together with the majority of the Mountain House community, was originally acquired by Trimark Communities, LLC, a California limited liability company ("**Trimark**"), in the early to mid-1990s. Trimark acted as master developer for the Mountain House community and subsequently sold the property to other developers and merchant builders.

Current Property Ownership. The following table shows the ownership of property within Improvement Area No. 1 of the Community Facilities District as of December 1 2018, and the projected share of the Fiscal Year 2019-20 special tax levy.

Table 11
Property Ownership by Share of Special Taxes
as of December 1, 2018 [1]

Neighbor hood	Property Owner [2]	Number of Parcels[3]	Projected Number of SFD Units	Projected Number of Single-Family Attached and Multi-Family Units	Total Projected Units	Total Fiscal Year 2018-19 Special Tax	Percent of Total Fiscal Year 2018-19 Special Tax	Total Projected Fiscal Year 2019-20 Special Tax[2]*	Percent of Total Projected Fiscal Year 2019-20 Special Tax[2]*
C	Individual Homeowners	672	672	0	672	$966,197	34.7%	$985,517	34.7%
	Taylor Morrison California, LLC	98	98	0	98	177,531	6.4	181,080	6.4
	Shea Homes LTD PTP	90	90	0	90	134,078	4.8	136,759	4.8
	Richmond American Homes Maryland Inc.	59	59	0	59	106,382	3.8	108,509	3.8
	MH Motor Courts 71 Lots, LLC	71	71	0	71	96,663	3.5	98,596	3.5
	Mountain House Developers LLC [4]	19	17	228	245	23,306	0.8	23,772	0.8
	TRI Pointe Homes Inc.	5	5	0	5	9,058	0.3	9,239	0.3
	Rain Flower LLC	2	2	0	2	2,624	0.1	2,677	0.1
Subtotal - Neighborhood C		1,016	1,014	228	1,242	$1,515,839	54.4%	$1,546,149	54.4%
D	Individual Homeowners	349	349	0	349	$501,406	18.0%	$511,432	18.0%
	Richmond American Homes Maryland Inc.	140	140	0	140	187,705	6.7	191,459	6.7
	TRI Pointe Homes Inc.	91	91	0	91	127,401	4.6	129,949	4.6
	Meritage Homes of CA Inc.	33	88	0	88	118,971	4.3	121,350	4.3
	MH Village D 94 Lots LLC	83	83	0	83	112,410	4.0	114,657	4.0
	K Hovnanian Meadow View at Mountain House, LLC	1	69	0	69	91,043	3.3	92,863	3.3
	Woodside 05N, LP	64	64	0	64	84,481	3.0	86,171	3.0
	Shea Homes LTD PTP [6]	14	186	0	186	23,550	0.8	24,021	0.8
	CalAtlantic Group, Inc.	12	12	0	12	16,246	0.6	16,571	0.6
	Mountain House Developers LLC [5]	5	4	188	192	7,246	0.3	7,391	0.3
Subtotal - Neighborhood D		792	1,086	188	1,274	$1,270,458	45.6%	$1,295,862	45.6%
Grand Total - Neighborhoods C and D		1,808	2,100	416	2,516	$2,786,297	100.0%	$2,842,011	100.0%

**Preliminary; subject to change.*

[1] Assumes that Villages D2 and D4 will not be subdivided by a recorded final map prior to fiscal year 2019-20. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - *Improvement Areas; Annexation Proceedings"* for additional information. Assumes the maximum special tax will be levied on Developed Property and Final Map Property in 2019-20.

[2] Based on ownership information provided by the San Joaquin County Assessor's Office as of December 1, 2018. May not reflect recent sales.

[3] Reflects the parcels that were included on the San Joaquin County Assessor's roll for Fiscal Year 2018-19. May not reflect recently recorded final maps.

[4] Includes Undeveloped Property within Neighborhood C. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20.

[5] Includes Undeveloped Property within Neighborhood D, except for Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20.

[6] Includes Undeveloped Property within Villages D2 and D4. No special tax is anticipated to be levied on Undeveloped Property in fiscal year 2019-20. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background - *Improvement Areas; Annexation Proceedings"* for additional information.

Source: San Joaquin County Assessor's Office; Goodwin Consulting Group, Inc.

Development Status – Neighborhood C

Entitlement and Infrastructure Status. All single-family residential subdivision maps for Neighborhood C have been approved and recorded. In addition, Shea Homes Limited Partnership ("Shea Homes") plans to prepare a final map for the medium high-density site within Neighborhood C in the next two years. All other discretionary entitlements are in place, and the developers are not aware of any additional entitlements required to proceed with development of the property in Neighborhood C, other than obtaining building permits.

All of the publicly owned streets and utilities serving the property in Neighborhood C have been completed. The new elementary school site has been completed. Miscellaneous improvements left to be completed include landscaping and a neighborhood park.

Toxic Substances. From 2004 to 2007, several environmental investigations were performed in Neighborhood C, which showed that the pesticide dieldrin was present in low to moderate concentrations in the surface soil in a portion of Neighborhood C from past agricultural practices. Dieldrin was widely used for agricultural pest control from the 1950s to 1970s, and is no longer in use, but was found at concentrations above safe screening levels in the top six inches of soil at various locations in Neighborhood C. Various cleanup alternatives were evaluated, and it was determined that removal of the contaminated soil and encapsulating it beneath a road where it will not be disturbed was the most appropriate alternative.

Shea Mountain House, LLC (now Mountain House Developers LLC), entered into a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control ("**DTSC**") to remove the dieldrin from the residential portions of the site and encapsulate it beneath a road. The cleanup was subsequently completed in 2016, and DTSC approved a report documenting the removal of the contaminated soil in Neighborhood C in compliance with the Voluntary Cleanup Agreement. A final site certification letter from DTSC authorizing the site for residential use was received in 2017, after which final maps were recorded and building permits were issued in the affected portion of Neighborhood C.

Development Plan. Neighborhood C is expected to have 12 residential projects by various builders that are anticipated to be developed as 1,238 single family detached and attached homes, as further described below.

Table 12
Development Status
Neighborhood C

Project/Tract	Number of Projected Units[1]	Merchant Builder	Number of Home Sale Closings/ Individual Homeowners[1]	Development Type
3648	129	Richmond American	129	Detached
3649	113	TriPointe	108	Detached
3650	102	Signature [2]	102	Detached
3651	77	Woodside	77	Detached
3652	139	Richmond/CalAtlantic	139	Detached
3653	117	Shea Homes	58	Detached
3654	67	Richmond American	3	Detached
3655	46	Woodside	46	Detached
3656	98	Taylor Morrison	0	Detached
3657	71	Signature	0	Detached
3814	55	Shea Homes	0	Detached
RMH/RH [3]	224	TBD	0	Attached / Apts.
Subtotal	1,238		662	

[1] As of September 30, 2018.
[2] Two homes are owned by Rain Flower LLC, which is not a merchant builder. The remaining homes are owned by individual owners.
[3 Medium high density and high density residential lots.
Source: Mountain House Developers LLC.

Development Status – Neighborhood D

Mountain House Developers LLC. Mountain House Developers LLC ("**Mountain House Developers**") is serving as master developer of a portion of Neighborhood D (as well as other neighborhoods in the Mountain House community).

Mountain House Developers, formerly known as Shea Mountain House, LLC, is a Delaware limited liability company and is wholly owned by Land Management Company LLC, which is 99.75% owned by the California Public Employees' Retirement System ("**CalPERS**") and 0.25% owned by IHP Land Management Investors LLC.

Mountain House Developers is a single-asset entity that was formed in May 2005 in order to invest in, own, entitle, develop, construct, operate, maintain, market, sell and otherwise benefit from development of property in the Mountain House community, including the property in Improvement Area No. 1 of the Community Facilities District.

The internet address for Mountain House Developers (for marketing purposes only) is www.MountainHouseLiving.com. The internet address for CalPERS is http://www.calpers.ca.gov. *These internet addresses are included for reference only, and the information on these internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

Shea Homes. Shea Homes, serving as developer of a portion of Neighborhood D, is headquartered in Walnut, California, near Los Angeles, and is a privately held company with multiple home building divisions. Shea Homes was formed pursuant to an agreement of partnership dated January 4, 1989. The partnership agreement was most recently amended March 23, 2016, by and between J.F. Shea, G.P., a Delaware general partnership, as general partner, and Shea's limited partners, which are comprised of various entities and trusts, with ultimate beneficial ownership held by various members of the Shea family. Today, Shea Homes operates in many states throughout the U.S., including California, Colorado, Nevada, Arizona, Washington, Virginia, North Carolina, Florida, and Texas,

Copies of Shea Homes' annual report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Shea's website at www.sheahomes.com. *This internet addresses are included for reference only, and the information on these internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

Merchant Builders. Several additional merchant builders are currently constructing and selling residential homes in Neighborhood D.

Entitlement and Infrastructure Status. The final subdivision maps for the residential lots being developed by Mountain House Developers were approved on March 8, 2017. All discretionary entitlements are in place, and Mountain House Developers is not aware of any additional entitlements required to proceed with development of its property in Neighborhood D, other than obtaining building permits.

Development of infrastructure such as roads and utilities serving such portion of Neighborhood D is substantially complete. Miscellaneous improvements left to be completed include landscaping and a neighborhood park.

Mountain House Developers' Development Plan. Mountain House Developers is a developer and not a homebuilder and, as such, Mountain House Developers obtained all required discretionary entitlements, subdivided the lots, installed backbone infrastructure, and sold the lots to merchant builders. Merchant builders are currently constructing and selling residential homes thereon.

Neighborhood D is expected to have 12 residential projects by various builders that are anticipated to have 1,086 single-family detached homes, and 188 attached units. The first projects broke ground in March 2017 and residences are currently selling. The last homes are expected to sell to individual homeowners in 2024.

Table 13
Development Status
Neighborhood D

Project/Tract	Number of Projected Units[1]	Merchant Builder	Number of Home Sale Closings/ Individual Homeowners[1]	Development Type
3615	69	K. Hovnanian	0	Detached
3616	77	Meritage Homes	51	Detached
3617	81	Meritage Homes	49	Detached
3670	173	Shea Homes	0	Detached
3671	56	Meritage Homes	0	Detached
3848	82	CalAtlantic Homes	63	Detached
3849	62	Shea Homes	42	Detached
3850	138	Tri Pointe Homes	43	Detached
3851	78	Woodside Homes	8	Detached
3852	88	Richmond American	30	Detached
3853	88	Richmond American	0	Detached
3854	94	Signature Homes	6	Detached
RMH [2]	188	TBD	0	Attached / Apts.
Subtotal	1,274		292	

[1] As of November 9, 2018.
[2] Medium high density and high density residential lots.
Source: Mountain House Developers LLC.

Lot Sales to Merchant Builders. Mountain House Developers has sold all of its single-family lots in Neighborhood D to merchant builders.

Financing Plan. Mountain House Developers expects its remaining infrastructure costs, specifically a neighborhood park and landscaping, for Neighborhood D to total approximately $12,000,000. To date, Mountain House Developers has financed its land acquisition and site development costs related to the Neighborhood D property through capital contributions and land sale revenues. Mountain House Developers expects to use this source of funds to complete the development of its property within Neighborhood D. Mountain House Developers believes that it will have sufficient funds available to complete the neighborhood park and landscaping.

Shea Homes expects its remaining infrastructure costs for Neighborhood D to total approximately $11,000,000, including the public infrastructure to be completed in Village D4, which is expected to be fully completed by Shea Homes in the Spring of 2019. To date, Shea Homes has financed its land acquisition and site development costs related to the Neighborhood D property with cash on hand. Shea Homes expects to use this source of funds to complete the development of its property within Neighborhood D. Shea Homes believes that it will have sufficient funds available to complete the proposed development of its property as described in this Official Statement commensurate with the development timing described in this Official Statement.

Mountain House CSD Developer Fees Dispute

In connection with development activities in Improvement Area No. 1, each developer is required to fund and carry out the design and construction of certain transportation infrastructure and community facilities, with certain of those facilities being sized to serve lands other than those owned by a specific developer. The Mountain House CSD has a Community Facilities Fee ("CFF") and a Transportation Impact Fee ("TIF") program (together, the "CFF-TIF Programs") pursuant to which the Mountain House CSD collects CFF and TIF fees (the "Fees") from home builders at the time of issuance of building permits. Consistent with Mountain House CSD code of ordinances, the Fees are or will be used to reimburse developers, including, but not limited to Mountain House Developers, for the cost of infrastructure and community facilities constructed or to be constructed by them to serve lands other than those of the developer that incurred the cost. However, the CFF-TIF Programs do not guarantee that developers will be fully reimbursed for the costs of designing and constructing infrastructure that benefits the lands of others.

In June 2018, the Mountain House CSD considered revisions to the CFF-TIF Programs which, if adopted, would increase the amount of Fees paid at building permit for all permits pulled after such fee increase took effect, and for all developers, including Mountain House Developers, it; (i) could modify the likelihood of such developers being reimbursed for their prior expenditures and (ii) modify the costs of development for all developers and builders that may develop in Improvement Area No. 1 in the future. Mountain House Developers provided notice to the Mountain House CSD that the proposed revisions to the CFF-TIF Programs would materially impair Mountain House Developer's economic benefits in contravention of agreements between the Mountain House CSD and Mountain House Developers and asserted that the proposed revisions to the CFF-TIF Programs did not conform to state-law requirements that fee programs impose proportionate costs on existing and future development. The Mountain House CSD did not adopt the proposed revisions in June 2018 but delayed the adoption of revisions to the CFF-TIF Programs for further consideration. The Mountain House CSD and the developers, including Mountain House Developers, are currently in discussions in an effort to develop mutually-agreeable revisions to the CFF-TIF Programs.

There can be no assurance as to whether, or when, revisions to the CFF-TIF Programs will be adopted by the Mountain House CSD or whether any such revisions will be agreeable to some or all of the developers and/or builders. In the event that one or more of the developers or merchant builders are not satisfied with either the CFF-TIF Programs or any revisions thereto, some or all of such developers and/or merchant builders may commence legal proceedings to challenge the CFF-TIF Programs. In the event that the CFF-TIF Programs are not revised in a manner satisfactory to each affected developer and/or merchant builder or are revised in such a way as to materially increase the costs of development there can be no assurance of the willingness or ability of any such developer and/or merchant builder to complete its planned development either on the schedule it currently anticipates or at all. Any legal proceedings concerning the CFF-TIF Programs may result in delays, cancellation or injunctions of development and building activities, which may in turn result in reduced Special Tax revenues received and available to make debt service payments on the Bonds.

BOND OWNERS' RISKS

The purchase of the 2019 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2019 Bonds.

Limited Obligation of the School District to Pay Debt Service

The School District has no obligation to pay principal of and interest on the 2019 Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the 2019 Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The School District is not obligated to advance funds to pay debt service on the 2019 Bonds.

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the 2019 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area No. 1 of the Community Facilities District.

Limitation on Maximum Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2019 Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the 2019 Bonds, and certainly not a direct relationship.

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

> *Transfers to Governmental Entities.* The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels. See "–Exempt Properties" below.
>
> *Property Tax Delinquencies.* Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See "–Property Tax Delinquencies" below. For a summary of recent Special Tax collection and delinquency rates in Improvement Area No. 1 of the Community Facilities District, see "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1– Special Tax Collection and Delinquency Rates."

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE 2019 BONDS – Covenant to Foreclose" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2019 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the School District of the proceeds of sale if the 2019 Reserve Fund is depleted. See "SECURITY FOR THE 2019 BONDS– Covenant to Foreclose."

The ability of the School District to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which a federal governmental agency has or obtains an interest. See " – FDIC/Federal Government Interests in Properties" below.

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

Property Tax Delinquencies

General. Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Special Tax Collection and Delinquency Rates."

Numerous future delinquencies by the owners of Taxable Property in Improvement Area No. 1 of the Community Facilities District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay debt service on the 2019 Bonds, which could in turn result in the depletion of the 2019 Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the 2019 Bonds. See "SECURITY FOR THE 2019 BONDS – 2019 Reserve Fund," and "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Potential Consequences of Special Tax Delinquencies."

Measures to Mitigate Consequences of Continuing Delinquencies. The School District intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see "SECURITY FOR THE 2019 BONDS – Covenant to Foreclose"); and increasing the levy of Special Taxes against non-delinquent property owners in Improvement Area No. 1 of the Community Facilities District, to the extent permitted under the Rate and Method and the Act and to the extent the Special Taxes are not already being levied at the maximum Special Tax rate. See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Potential Consequences of Special Tax Delinquencies."

Limitations on Increases in Special Tax Levy. If property owners are delinquent in the payment of the Special Tax, the School District may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the maximum annual Special Tax rates specified in the Rate and Method.

In addition, the School District's ability to increase Special Tax levies on residential property to make up for delinquencies for prior Fiscal Years is limited by Section 53321(d) of the Act, which provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2019 Bonds.

Risks Related to Homeowners With High Loan-to-Value Ratios

Any future decline in home values in Improvement Area No. 1 of the Community Facilities District could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the School District to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

Payment of Special Tax is not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the School District, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the School District has no recourse against the owner.

Appraised Values

The Appraisal summarized in APPENDIX G estimates the market value of the Taxable Property within Improvement Area No. 1. This market value is merely the opinion of the Appraiser as of the date of value set forth in the Appraisal, and is subject to the assumptions and limiting conditions stated in the Appraisal. The School District has not sought an updated opinion of value by the Appraiser subsequent to the date of value of the Appraisal, or an opinion of the value of the Taxable Property by any other appraiser. A different opinion of value might be rendered by a different appraiser.

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

In addition, the opinion of value is made as of the date of value set forth in the Appraisal, based upon facts and circumstances existing as of the date of value. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the facts and circumstances at the time the Appraisal was prepared.

No assurance can be given that any of the Taxable Property in Improvement Area No. 1 could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

Property Values

The value of Taxable Property within Improvement Area No. 1 of the Community Facilities District is a critical factor in determining the investment quality of the 2019 Bonds. If a property owner defaults in the payment of the Special Tax, the School District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the School District's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in Improvement Area No. 1 of the Community Facilities District.

Risks Related to Availability of Mortgage Loans. The state of the world-wide capital markets may adversely affect the availability of mortgage loans to homeowners, including potential buyers of homes within Improvement Area No. 1 of the Community Facilities District. Any such unavailability could hinder the ability of the current homeowners to resell their homes, or the sale of newly completed homes in the future.

Natural Disasters. The value of the Taxable Property 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 Taxable Property and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding the School District, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes and landslides.

According to the Mountain House Community Services District Master Plan, the majority of the Mountain House area is not subject to a 100-year flood classification. Only the northern portion of the Mountain House area (which is outside the boundaries of the Community Facilities District) is an area that could potentially be flooded.

Other natural disasters could include, without limitation, floods, landslides, wildfires, 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 Taxable Property may well depreciate or disappear.

With respect to droughts specifically, California has faced water shortfalls in recent years. On January 17, 2014, the Governor declared a state of drought emergency, calling on Californians to conserve water, and subsequent conservation orders and regulations were imposed by the Governor and the California State Water Resources Control Board (the "Water Board"). In 2015, the Water Board brought an enforcement action against the sole provider of water to the Mountain House community, based on evidence that the provider had diverted water when water was legally unavailable to them based on the priority of their rights. However, the final order of the Water Board found that there was not enough information to continue the enforcement order, and the water supply of the Mountain House community was not impacted. The School District expects the water supply to the Mountain House community to be sufficient to meet the needs of homeowners in the community, once developed.

With respect to wildfires specifically, several large fires have in recent years destroyed a large number of structures throughout the State, impacting the assessed valuation of multiple communities. Although none of the recent fires were near the School District or the County, the District cannot predict or make any representations regarding the effects that any other fires may have on the value of taxable property within the District, or to what extent fires may impact the District, or to what extent the effects said disasters might have had on economic activity in the School District or throughout the State.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property 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 Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the

School District is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the School District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that 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 Taxable Property that is realizable upon a delinquency.

See "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 - Development Status – Neighborhood C – Toxic Substances" for information about soil contaminated by the previous use of a toxic substance that has been removed from Neighborhood C of Improvement Area No. 1. There can be no assurance that the discovery, release or classification of additional hazardous substances will not affect the value of Taxable Property in Improvement Area No. 1.

Future Property Development

Continuing development of the parcels in Improvement Area No. 1 of the Community Facilities District may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals that have been listed as endangered species, and other similar factors. Development in Improvement Area No. 1 of the Community Facilities District may also be affected by development in surrounding areas, which may compete with the property in Improvement Area No. 1 of the Community Facilities District.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The tables in the sections entitled "THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA NO. 1 – Direct and Overlapping Governmental Obligations" and "- Estimated Tax Burden on Single Family Homes – Single Family Detached" show the presently outstanding amount of governmental obligations, the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2019 Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the 2019 Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" below.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within Improvement Area No. 1 of the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See "SECURITY FOR THE 2019 BONDS – Rate and Method."

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

FDIC/Federal Government Interests in Properties

General. The ability of the School District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Federal National Mortgage Association, the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the School District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("**FNMA**") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The School District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2019 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 of the Community Facilities District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the School District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The School District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 of the Community Facilities District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the 2019 Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2019 Bonds.

Depletion of 2019 Reserve Fund

The 2019 Reserve Fund is to be maintained at an amount equal to the Reserve Requirement for the 2019 Bonds and any 2019 Related Parity Bonds. See "SECURITY FOR THE 2019 BONDS – 2019 Reserve Fund." The 2019 Reserve Fund will be used to pay principal of and interest on the 2019 Bonds (and any 2019 Related Parity Bonds) if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within Improvement Area No. 1 of the Community Facilities District. If the 2019 Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the 2019 Bonds (and any 2019 Related Parity Bonds) under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the 2019 Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Bankruptcy Delays

The payment of the Special Tax and the ability of the School District to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2019 BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019 Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019 Bonds and the possibility of delinquent Special Taxes not being paid in full.

The chances are increased that the 2019 Reserve Fund established for the 2019 Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the 2019 Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2019 Bonds on a timely basis.

Disclosure to Future Purchasers

The School District has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in Improvement Area No. 1 of the Community Facilities District or the lending of money secured by property in Improvement Area No. 1 of the Community Facilities District. The Act and the Goals and Policies require the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

No Acceleration Provisions

The 2019 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2019 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondholder is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. See “APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement.” So long as the 2019 Bonds are in book-entry form, DTC will be the sole Bondholder and will be entitled to exercise all rights and remedies of Bond holders.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” interest on the 2019 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2019 Bonds were issued as a result of future acts or omissions of the School District in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2019 Bonds were to become includable in gross income for purposes of federal income taxation, the 2019 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See “THE 2019 BONDS – Redemption.”

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the “**IRS**”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2019 Bonds might be affected as a result of such an audit of such 2019 Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

Voter Initiatives

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

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the School District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2019 Bonds.

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

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes ("special taxes") require a two-thirds vote.

The Special Taxes and the 2019 Bonds were each authorized by not less than a two-thirds vote of the landowners within Improvement Area No. 1 of the Community Facilities District who constituted the qualified electors at the time of such voted authorization. The School District believes, therefore, that issuance of the 2019 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

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

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels city-wide pursuant to a city charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the city on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither "qualified electors" of the city for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper "electorate" under Article XIIIC, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the Community Facilities District and Improvement Area No. 1 were formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the School District.

The School District cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the School District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2019 Bonds.

Redemption from Special Tax Prepayments

The 2019 Bonds are subject to mandatory redemption prior to maturity, as a whole or in part, on any Interest Payment Date, from Special Tax Prepayments. Prepayments of Special Taxes could be made by any of the owners of any of the property within Improvement Area No. 1 of the Community Facilities District including any developer or any individual owners, and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of 2019 Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such 2019 Bonds.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2019 Bonds or, if a secondary market exists, that any 2019 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the 2019 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2019 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2019 Bonds or obligations that present similar tax issues as the 2019 Bonds.

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2019 Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX F.

Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Disclosure Counsel to the School District. Lozano Smith, Sacramento, California, will pass upon certain legal matters for the School District as its general counsel. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter.

Tax Exemption

Opinion of Bond Counsel. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2019 Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2019 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2019 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 at which a 2019 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 are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2019 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2019 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019 Bonds who purchase the 2019 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2019 Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2019 Bond (said term being the shorter of the 2019 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2019 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2019 Bond is amortized each year over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2019 Bond premium is not deductible for federal income tax purposes. Owners of premium 2019 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2019 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2019 Bonds, or as to the consequences of owning or receiving interest on the 2019 Bonds, as of any future date. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2019 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2019 Bonds, the ownership, sale or disposition of the 2019 Bonds, or the amount, accrual or receipt of interest on the 2019 Bonds.

No Litigation

At the time of delivery of the 2019 Bonds, the School District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the School District has been served with process or threatened, which:

- in any way questions the powers of the Board or the School District or the Community Facilities District, or

- in any way questions the validity of any proceeding taken by the Board in connection with the issuance of the 2019 Bonds, or

- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the 2019 Bonds, or

- which, in any way, could adversely affect the validity or enforceability of the resolutions of the Board adopted in connection with the formation of the Community Facilities District and Improvement Area No.1 or the issuance of the 2019 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the 2019 Bonds, or

- to the knowledge of the School District, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the 2019 Bonds for federal income tax purposes, or

- in any other way questions the status of the 2019 Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

The School District will covenant for the benefit of owners of the 2019 Bonds to provide certain financial information and operating data relating to Improvement Area No. 1 of the Community Facilities District and the 2019 Bonds by not later than eight months after the end of the School District's fiscal year (currently March 1 based on the School District's fiscal year end of June 30) (the "**Annual Report**"), commencing March 1, 2020, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E.

In the previous five years, the School District has not failed to comply in all material respects with its existing undertakings for the bonds issued by the School District on behalf of its community facilities districts.

The School District has engaged Goodwin Consulting Group to serve as its dissemination agent and assist the School District in complying with its continuing disclosure undertakings. To further ensure such compliance, the School District has adopted policies and procedures related thereto.

NO RATING

The School District has not obtained a credit rating on the 2019 Bonds. Nothing should be assumed from any credit rating that the School District may obtain for other purposes. Prospective purchasers of the 2019 Bonds are required to make independent determinations as to the credit quality of the 2019 Bonds and their appropriateness as an investment.

UNDERWRITING

The 2019 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), at a purchase price of $__________ (which represents the aggregate principal amount of the 2019 Bonds ($___________), plus a net original issue premium of $___________, less an Underwriter's discount of $__________).

The purchase agreement relating to the 2019 Bonds provides that the Underwriter will purchase all of the 2019 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2019 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the 2019 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2019 Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- Kutak Rock LLP, as Underwriter's Counsel;
- a portion of the fees of Goodwin Consulting Group, Inc., as special tax consultant;
- The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent.

EXECUTION

The execution and delivery of the Official Statement by the School District have been duly authorized by the Board, acting as the legislative body of the Community Facilities District.

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

*The following information concerning the City of Tracy (the "**City**") and San Joaquin County (the "**County**") are included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

Population

Population figures for the City, the County and the State for the last six years are shown in the following table.

CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2013 through 2018 as of January 1

Calendar Year	City of Tracy	San Joaquin County	State of California
2013	85,888	704,739	38,234,391
2014	86,495	712,134	38,568,628
2015	88,074	723,856	39,912,464
2016	89,591	735,319	39,179,627
2017	91,051	747,263	39,500,973
2018	92,553	758,744	39,809,693

Source: State Department of Finance estimates.

Employment and Industry

The Community Facilities District is included in the Stockton Metropolitan Statistical Area ("**MSA**"), which includes all of San Joaquin County. The unemployment rate in the County was 6.1% in December 2018, upfrom a revised 5.5% in November 2018, and below the year-ago estimate of 6.4%. This compares with an unadjusted unemployment rate of 4.1% for the State and 3.7% for the nation during the same period.

Set forth below is data from calendar years 2013 to 2017 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Community Facilities District.

STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2013 through 2017
(March 2017 Benchmark)

	2013	**2014**	**2015**	**2016**	**2017**
Civilian Labor Force (1)	313,100	312,800	315,300	319,500	324,800
Employment	274,600	279,800	287,300	293,500	302,100
Unemployment	38,500	33,000	28,000	26,000	22,700
Unemployment Rate	12.3%	10.5%	8.9%	8.1%	7.0%
Wage and Salary Employment: (2)					
Agriculture	16,100	15,700	16,700	16,600	16,600
Mining and Logging	100	100	100	100	100
Construction	8,800	8,900	10,100	11,100	11,500
Manufacturing	17,900	18,500	18,600	18,800	19,200
Wholesale Trade	11,100	11,100	11,400	11,700	12,100
Retail Trade	25,600	25,700	26,000	26,500	26,800
Transportation, Warehousing and Utilities	17,200	18,300	20,400	23,600	26,700
Information	2,100	2,100	1,900	2,000	1,900
Financial Activities	7,600	7,500	7,400	7,500	7,800
Professional and Business Services	17,400	18,300	19,400	19,600	19,000
Educational and Health Services	35,500	35,900	36,500	36,400	38,000
Leisure and Hospitality	18,200	19,100	19,700	20,500	21,400
Other Services	6,600	6,900	7,200	7,500	7,900
Federal Government	3,500	3,100	3,000	3,000	3,100
State Government	4,300	5,800	6,200	6,400	6,600
Local Government	29,300	29,600	30,400	31,400	32,400
Total All Industries (3)	221,200	226,700	234,800	242,600	250,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of January 2019.

SAN JOAQUIN COUNTY
Major Employers
As of January 2019

Employer Name	Location	Industry
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Corpnet	Tracy	Internet & Catalog Shopping
Blue Shield of California	Lodi	Insurance
Dameron Hospital Assn	Stockton	Hospitals
Derby International	Not Available	Telecommunications Services
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Foster Care Svc	Stockton	Government Offices-County
Inland Flying Svc	Stockton	Aircraft Servicing & Maintenance
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
Morada Produce	Stockton	Fruits & Vegetables-Growers & Shippers
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
North Ca Correctional Youth	Not Available	Police Departments
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	Schools
San Joaquin General Hospital	French Camp	Hospitals
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
Stockton Unified School Dist	Stockton	School Districts
University of the Pacific	Stockton	Schools-Universities & Colleges Academic

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

The following table lists the principal employers within the City, listed in order of number of employees, as of June 30, 2017.

CITY OF TRACY
Principal Employers
As of June 30, 2017

Employer Name	Number of Employees
Golden State FC LLC (Amazon)	3,777
Golden State FC LLC (Amazon)	942
Taylor Farms Pacific Inc.	755
Barbosa Cabinets Inc.	523
Medline Industries Inc.	507
Restoration Hardware	486
Fedex Ground Package Sytem	333
The Home Depot	329
Leprino Foods	309
Orchard Supply Company	297
Wal-Mart Stores Inc.	233
Pacific Medical Inc.	210
Best Buy	173
YRC	162
MC Lane Foodservice Inc.	160
International paper	138
Best Buy Stores LP #391	138
GlassFab Tempering	136
Texas Roadhouse	131
Evergreen New Hope	128
Lynx Industries Inc.	107
The Permenente Medical	105
Safeway Inc. #2600	103
AP Logistics	102

Source: City of Tracy Comprehensive Financial Report for fiscal year ended June 30, 2017.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data are available are shown in the following tables. Figures are yet not available for calendar year 2017 or 2018.

Total taxable sales during the first three quarters of calendar year 2017 in the City were $1,506,257,072, a 31.56% increase over the total taxable sales of $1,144,915,214 reported during the first three quarters of calendar year 2016.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	930	$1,030,595	1,320	$1,199,306
2013	972	1,139,346	1,382	1,339,394
2014	1,010	1,188,945	1,441	1,387,154
2015	1,057	1,233,481	1,641	1,421,064
2016	1,088	1,280,961	1,715	1,536,172

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization.

Total taxable sales during the first three quarters of calendar year 2017 in the County were $9,024,285,682, a 10.71% increase over the total taxable sales of $8,150,924,111 reported during the first three quarters of calendar year 2016.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	8,524	$6,124,320	12,613	$9,010,929
2013	8,754	6,519,537	12,752	9,466,015
2014	8,900	6,780,160	12,865	10,031,845
2015	4,958	6,986,878	14,255	10,467,214
2016	9,480	7,380,226	14,682	10,922,271

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization.

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 median household effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

CITY OF TRACY AND SAN JOAQUIN COUNTY
Median Household Effective Buying Income
2015 through 2019

	2015	2016	2017	2018	2019
City of Tracy	$60,154	$64,225	$65,371	$68,295	$73,172
San Joaquin County	44,235	46,491	48,149	49,883	55,534
California	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF TRACY
Building Permit Activity
For Calendar Years 2013 through 2017
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$20,057.9	$44,538.3	$62,319.4	$87,820.2	$98,767.2
New Multi-family	0.0	0.0	0.0	34,038.7	9,686.4
Res. Alterations/Additions	1,402.9	44,884.6	5,381.8	2,281.9	2,989.3
Total Residential	$21,460.8	$89,422.9	$67,701.2	$124,140.8	$111,442.9
New Commercial	$2,378.8	$1,481.9	$113,546.0	$92,124.7	$184,438.3
New Industrial	0.0	809.6	49,162.0	57,441.7	38,978.1
New Other	4,395.6	2,426.4	12,340.6	11,375.8	4,769.2
Com. Alterations/Additions	18,458.5	18,846.3	127,941.0	138,604.1	93,059.7
Total Nonresidential	$25,232.9	$23,564.2	$302,989.6	$299,546.3	$321,246.3
New Dwelling Units					
Single Family	67	135	183	216	236
Multiple Family	0	0	0	432	65
TOTAL	67	135	183	648	301

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY
Building Permit Activity
For Calendar Years 2013 through 2017
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$264,761.1	$318,760.2	$455,877.1	$467,494.7	$652,308.1
New Multi-family	7,601.9	4,726.9	48,792.9	66,794.5	62,635.8
Res. Alterations/Additions	28,764.8	78,511.0	42,764.8	99,049.9	86,516.1
Total Residential	$301,127.8	$401,998.1	$547,434.8	$633,339.1	$804,460.0
New Commercial	$158,299.3	$42,976.5	$177,272.0	$205,510.1	$357,856.9
New Industrial	1,141.9	29,357.4	85,322.6	61,687.0	179,728.4
New Other	21,462.7	41,819.6	44,373.1	42,074.7	27,794.7
Com. Alterations/Additions	79,145.2	89,630.8	193,659.3	298,721.9	269,172.8
Total Nonresidential	$260,049.1	$203,784.3	$500,627.0	$607,993.7	$834,552.8
New Dwelling Units					
Single Family	1,062	1,214	1,698	1,754	2,078
Multiple Family	74	19	387	550	516
TOTAL	1,136	1,233	2,085	2,304	2,594

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 1 OF THE LAMMERSVILLE SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES)

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IMPROVEMENT AREA NO. 1 OF THE
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(MOUNTAIN HOUSE SCHOOL FACILITIES)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 1 of the Lammersville Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) [herein "Improvement Area No. 1"] shall be levied and collected according to the tax liability determined by the Board of Trustees of the Lammersville Joint Unified School District, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 1 unless a separate Rate and Method of Apportionment of Special Tax 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 District in carrying out its duties with respect to Improvement Area No. 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 and Rule 15c2-12 of the Securities and Exchange Act of 1934 with respect to the Bonds and the Special Tax, and all other costs and expenses of the District in any way related to the establishment or administration of Improvement Area No. 1.

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

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

"Assessor's Parcel Map" means an official map of the County Assessor designating Parcels by Assessor's Parcel Number.

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

"Board" means the Board of Trustees of the Lammersville Joint Unified School District.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by Improvement Area No. 1 to fund Authorized Facilities.

"Building Permit" means a permit that allows for vertical construction of a Unit or a building with multiple Units, and shall not include a separate permit issued for construction of the foundation thereof.

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

"County" means the County of San Joaquin.

"Development Class" means, individually, Developed Property, Final Map Property, and Undeveloped Property.

"Developed Property" means, in any Fiscal Year, all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

"District" means the Lammersville Joint Unified School District.

"Expected Land Uses" means the total number of Units expected within Improvement Area No. 1, as identified in Attachment 1 of this RMA. Attachment 1 shall be updated by the Administrator each time property is annexed into Improvement Area No. 1 to reflect the Expected Land Uses within the annexation area.

"Expected Maximum Special Tax Revenues" means the amount of annual revenue that would be available within Improvement Area No. 1 if the Maximum Special Tax was levied on the Expected Land Uses. The Expected Maximum Special Tax Revenues are shown in Attachment 1 of this RMA and may be reduced due to prepayments in future Fiscal Years. Attachment 1 shall also be updated by the Administrator each time property is annexed into Improvement Area No. 1 to reflect the Expected Maximum Special Tax Revenues taking into account Expected Land Uses within the annexation area.

"Final Map" means a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*.) that creates SFD Lots, as defined below. The term "Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create SFD Lots, including Assessor's Parcels that are designated as remainder parcels or designated by the San Joaquin County Zoning Code to be developed as Multi-Family Property, Non-Residential Property, Single Family Attached Property, or any other use other than single family detached residential units.

"Final Map Property" means, in any Fiscal Year, all SFD Lots for which a Final Map was recorded on or before June 30 of the preceding Fiscal Year and which are not yet Developed Property.

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

"Formation" means the date on which the Resolution of Formation to form Improvement Area No. 1 was adopted by the Board.

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

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

"Multi-Family Property" means any Parcel of Developed Property for which a Building Permit has been issued for construction of a residential structure with three or more Units that share a single Assessor's Parcel number, all of which are offered for rent to the general public and cannot be purchased by individual homebuyers.

"Non-Residential Property" means, in any Fiscal Year, all Parcels of Developed Property within the boundaries of Improvement Area No. 1 that are not Single Family Detached Property, Single Family Attached Property, Multi-Family Property or Public Property, as defined herein.

"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 Final Map Property, "Proportionately" means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor's Parcels of Final Map 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 Improvement Area No. 1 that is owned by the federal government, State of California or other local governments or public agencies.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Second Unit" means a detached or attached residential unit that is located on the same Parcel as a primary single family dwelling unit, and which is clearly subordinate in size to the primary single-family dwelling and as provided by the applicable County ordinance.

"SFD Lot" means an individual residential lot identified and numbered on a Final Map recorded at the San Joaquin County Recorder's Office on which a building permit could be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to the tentative map approved for the property.

"Single Family Attached Property" means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of a residential structure consisting of two or more Units that share common walls and are offered as for-sale units, including such residential structures that meet that statutory definition of a condominium contained in Civil Code Section 1351.

"Single Family Detached Property" means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of a Unit that does not share a common wall with another Unit.

"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 the 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. 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 Indenture or other legal document that sets 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 Non-Residential Property" means any Assessor's Parcel that (i) previously had a residential unit(s) built on it, (ii) has, in any Fiscal Year been taxed as Developed Property, (iii) has had a building permit issued for construction of a commercial, industrial, or other non-residential structure.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area No. 1 which are not exempt from the Special Tax pursuant to law or Section G below.

"Undeveloped Property" means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property or Final Map Property.

"Unit" means (i) for Single Family Detached Property, an individual single-family detached unit, (ii) for Single Family Attached Property, an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure, and (iii) for Multi-Family Property, an individual apartment unit.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

Each Fiscal Year, the Administrator shall (i) categorize each Parcel of Taxable Property as Developed Property, Final Map Property, or Undeveloped Property, and (ii) assign each Parcel of Developed Property and Final Map Property to one of the Land Use Classes identified in Table 1 and Table 2 in Section C below. For Single Family Attached Property and Multi-Family Property, the number of Units shall be determined by referencing the condominium plan, apartment plan, site plan or other development plan. The square footage of SFD Lots shall be determined by reference to County Assessor's Parcel Maps or, to the extent such Maps do not reflect square footage of the SFD Lots, by reference to the lot size summary provided by the engineering firm that produced the Final Map.

In addition, the Administrator shall, ***on an ongoing basis***, monitor whether changes in land use have been proposed that will affect the Expected Maximum Special Tax Revenues. If the Expected Maximum Special Tax Revenues will be reduced pursuant to a proposed land use change, the Administrator shall apply the steps set forth in Section D below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Development Class than other parcels created by the subdivision, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The following maximum rates shall apply to all Parcels of Developed Property within Improvement Area No. 1 for each Fiscal Year in which the Special Tax is collected:

TABLE 1 **Developed Property Maximum Special Tax (Fiscal Year 2013-14)***		
Land Use Class	**Description**	**Maximum Special Tax (Fiscal Year 2013-14)***
1	SFD Lots greater than or equal to 6,000 square feet	$1,640.76 per Unit
2	SFD Lots less than 6,000 square feet	$1,188.52 per Unit
3	Single Family Attached Property	$1,010.54 per Unit
4	Multi-Family Property	$452.24 per Unit
5	Taxable Non-Residential Property	To be Determined**

**On July 1, 2014 and on each July 1 thereafter, the Maximum Special Taxes shown in Table 1 shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.*

*** The maximum Special Tax on Taxable Non-Residential Property shall be the amount needed to replace revenues that were lost when the residential property was converted to non-residential uses. The Board shall determine, or cause to be determined, the Maximum Special Tax for each Parcel of Taxable Non-Residential Property at the time of conversion to non-residential use.*

Once a Special Tax has been levied and collected on a Parcel of Developed Property, the Maximum Special Tax applicable to that Parcel shall not be reduced in future Fiscal Years regardless of changes in land use on the Parcel. Notwithstanding the foregoing, the actual Special Tax levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Tax if a lower Special Tax is calculated pursuant to Step 1 in Section E below.

2. Final Map Property

The following maximum rates shall apply to all Parcels of Final Map Property within Improvement Area No. 1 for each Fiscal Year in which the Special Tax is collected:

TABLE 2 Final Map Property Maximum Special Tax (Fiscal Year 2013-14)*		
Land Use Class	**Description**	**Maximum Special Tax (Fiscal Year 2013-14)***
1	SFD Lots greater than or equal to 6,000 square feet	$1,640.76 per SFD Lot
2	SFD Lots less than 6,000 square feet	$1,188.52 per SFD Lot

**On July 1, 2014 and on each July 1 thereafter, the Maximum Special Taxes shown in Table 2 shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.*

3. Undeveloped Property

The Maximum Special Tax for Parcels of Undeveloped Property in Fiscal Year 2013-14 is $10,698.54 per Acre, which amount shall be increased on July 1, 2014 and on each July 1 thereafter by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

D. <u>CHANGES TO LAND USES WITHIN IMPROVEMENT AREA NO. 1</u>

If changes to the Expected Land Uses occur (including recordation of a condominium plan that reduces the number of expected Units on Single Family Attached Property), and such changes result in a reduction of the Expected Maximum Special Tax Revenues, the following steps shall be applied:

Step 1: By reference to Attachment 1 (which will be updated by the Administrator each time a prepayment occurs), the Administrator shall identify the Expected Maximum Special Tax Revenues for Improvement Area No. 1;

Step 2: The Administrator shall calculate the Maximum Special Tax Revenues that could be collected from property in Improvement Area No. 1 if the land use change is approved;

Step 3: If (i) the revenues calculated in Step 2 are less than those calculated in Step 1, and (ii) such revenues are insufficient to maintain 110% coverage on the Bonds' debt service, the landowner of the property affected by the change in Expected Land Uses must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment shall be calculated using the formula set forth in Section H below. If the mandatory prepayment has not been received by the

District prior to the issuance of the first Building Permit within the Parcel or Final Map on which the land use change has occurred, the Administrator may, in the next Fiscal Year, levy the amount of the mandatory prepayment on the Parcel or Parcels affected by the land use change.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain 110% coverage on the Bond's debt service, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

E. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 1 up to 100% of the Maximum Special Tax for Developed Property determined pursuant to Section C.1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Final Map Property up to 100% of the Maximum Special Tax for such Final Map Property determined pursuant to Section C.2.

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for such Undeveloped Property determined pursuant to Section C.3.

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section G below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.3.

F. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for Improvement Area No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the District may directly bill the Special Taxes, 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 Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2065-66. Under no circumstances may the Special Tax on one Parcel be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels.

G. EXEMPTIONS

Notwithstanding any other provisions of this RMA, no Special Tax shall be levied on: (i) Public Property, except as otherwise provided in the Act and in Step 4 in Section E above, (ii) Non-Residential Property unless such property is determined to be Taxable Non-Residential Property, (iii) Second Units, (iv) Parcels designated as permanent open space or common space on which no structure is permitted to be constructed, (v) Parcels owned by a public utility for an unmanned facility, or (vi) Parcels that are subject to an easement that precludes any other use on the Parcels.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section H:

> **"Remaining Facilities Costs"** means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.
>
> **"Outstanding Bonds"** means all Previously Issued Bonds which remain outstanding, with the following exception: if a 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 Requirement"** means either $21.7 million or such lower number as shall be determined by the District as sufficient to fund the Authorized Facilities. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities

Requirement identified each time property annexes into Improvement Area No. 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 Improvement Area No. 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 District with written notice of intent to prepay. Within 30 days of receipt of such written notice, the District 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. Under no circumstance shall a prepayment be allowed that would reduce the debt service coverage below the amount required pursuant to the Indenture. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or 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 District. If this Section H is being applied to calculate a prepayment pursuant to Section D above, use, for purposes of this Step 1, the amount by which the Expected Maximum Special Tax Revenues have been reduced below the amount needed to maintain 110% coverage on the Bond's debt service 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 Improvement Area No. 1, as shown in Attachment 1 of this RMA or as adjusted by the Administrator after prepayments or land use changes.

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 last Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds. If Bonds are callable at or prior to the last Bond interest payment date on which interest has been or will be paid by Special Taxes already levied, Steps 7, 8 and 9 of this prepayment formula will not apply.

Step 8: Compute the amount of interest the District 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, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the ***"Reserve Fund Credit"***).

Step 12. The 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"***).

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be *recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.*

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The District reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the District's discretion. Interpretations may be made by the District by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this RMA.

ATTACHMENT 1

Improvement Area No. 1 of the
Lammersville School District
Community Facilities District No. 2014-1
(Mountain House School Facilities)

Expected Land Uses and Expected Maximum Special Tax Revenues

Land Use Class	Description	Expected Number of Units	Maximum Special Tax per Unit FY 2013-14 [1]	Expected Maximum Special Tax Revenues[1]
1	SFD Lots greater than or equal to 6,000 square feet	372	$1,640.76 per Unit	$610,362.72
2	SFD Lots less than 6,000 square feet	642	$1,188.52 per Unit	$763,029.84
3	Single Family Attached Property	147	$1,010.54 per Unit	$148,549.38
4	Multi-Family Property	120	$452.24 per Unit	$54,268.80
Expected Maximum Special Tax Revenues at Formation (Fiscal Year 2013-14 $)				**$1,576,210.74**

[1]: On July 1, 2014 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.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

This is a summary of certain provisions of the Fiscal Agent Agreement that are not otherwise described or discussed in this Official Statement. This summary is <u>not intended to be definitive</u>, and reference must be made to the text of the Fiscal Agent Agreement for the complete terms.

This summary is provided in connection with issuance of the 2019 Bonds (as defined in the main body of this Official Statement). The 2019 Bonds constitute Parity Bonds under the Fiscal Agent Agreement, and are secured by a lien and charge upon the Special Taxes and certain funds and accounts established under the Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding Parity Bonds.

DEFINITIONS

Except as otherwise defined in this summary, the terms shall have the meanings previously given in this Official Statement. In addition, the following terms have the following meanings when used in this summary:

*"**Act**"* means the Mello-Roos Community Facilities District Act of 1982, being Sections 53311 and following of the California Government Act.

"***Administrative Expenses***" means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a District employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the District or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the actual costs of the District or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the District staff directly related to the foregoing and a proportionate amount of District general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the District for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

"***Administrative Expense Fund***" means the fund designated the "Improvement Area No. 1 of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) Administrative Expense Fund" established and administered under the Fiscal Agent Agreement.

*"**Agreement**"* or *"**Fiscal Agent Agreement**"* means the Fiscal Agent Agreement by and between the District and The Bank of New York Trust Company, N.A., as Fiscal Agent, dated as of June 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, and any other 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 due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to the Fiscal Agent Agreement).

*"**Auditor**"* means the auditor/controller of the County or such other official at the County who is responsible for preparing property tax bills.

"***Authorized Officer***" means the Superintendent, the Business Manager, the Facilities Planner, the Clerk of the Governing Board or any other officer or employee authorized by the Governing Board of the District or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

"***Bond***" or "***Bonds***" means the 2017 Bonds, the 2019 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"***Bond Fund***" means the fund designated the "Improvement Area No. 1 of the Lammersville Joint Unified School District, Community Facilities District No. 2014-1 (Mountain House School Facilities) Special Tax Bonds Bond Fund" established and administered under the Fiscal Agent Agreement.

*"**Bond Year**"* means the one-year period beginning September 2 in each year and ending on September 1 in the following year, except as provided in the Fiscal Agent Agreement.

*"**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 Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

"***Capitalized Interest Account***" means the account by that name held by the Fiscal Agent and established and administered under the Fiscal Agent Agreement.

*"**CDIAC**"* means the California Debt and Investment Advisory Commission of the Office of the State Treasurer of the State of California or any successor agency or bureau thereto.

*"**CFD**"* means the "Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities)" formed under the Resolution of Formation.

*"**Closing Date**"* means the date upon which there is a physical delivery of the 2019 Bonds in exchange for the amount representing the purchase price of the 2019 Bonds by the Original Purchaser.

"***Continuing Disclosure Certificate***" means that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the 2019

Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*“**Costs of Issuance**”* means items of expense payable or reimbursable directly or indirectly by the District 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 and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the District in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“***County***” means the County of San Joaquin, California.

*“**Debt Service**”* means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

*“**Depository**”* means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

*“**District**”* means the Lammersville Joint Unified School District, and any successor thereto.

*“**DTC**”* means the Depository Trust Company, New York, New York, and its successors and assigns.

*“**Fair Market Value**”* means with respect to the Bonds 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 Act) 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 Act, (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 Act, (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) any commingled investment fund in which the District and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“***Federal Securities***” means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and

(b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

*"**Finance Director**"* means the official of the District, or such official's designee, who acts in the capacity as the chief financial officer of the District, including the controller or other financial officer.

"***Fiscal Agent***" means The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

*"**Fiscal Year**"* means any twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"***Governing Board***" means the Governing Board of the District, in its capacity as the legislative body of the CFD.

"***Improvement Area No. 1***" means "Improvement Area No. 1 of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities)" formed under the Resolution of Formation.

"***Improvement Area No. 1 Value***" means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in Improvement Area No. 1 subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to

(i) an appraisal performed within 6 months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "**Appraiser**") selected by the District, or

(ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director.

It is expressly acknowledged that, in determining the Improvement Area No. 1 Value, the District may rely on an appraisal to determine the value of some or all of the parcels in Improvement Area No. 1 and/or the most recent County real property tax roll as to the value of some or all of the parcels in Improvement Area No. 1. Neither the District nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"***Improvement Fund***" means the fund designated "Improvement Area No. 1 of the Lammersville Joint Unified School District, Community Facilities District No. 2014-1 (Mountain House - School Facilites), Special Tax Bonds, Improvement Fund," established under the Fiscal Agent Agreement.

“***Interest Payment Date***” for the Series 2019 Bonds means March 1 and September 1 of each year, commencing March 1, 2019.

“***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.

*“**Moody’s**”* means Moody’s Investors Service, Inc., and its successor.

*“**MSRB**”* means the Municipal Securities Rulemaking Board, through its EMMA system, 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 the District may designate in an Officer’s Certificate delivered to the Fiscal Agent.

*“**Officer’s Certificate**”* means a written certificate of the District signed by an Authorized Officer of the District.

“***Ordinance***” means any ordinance of the Governing Board of the District levying the Special Taxes, including but not limited to Ordinance No. 13-14-CFD-2014-1 introduced by the Governing Board on June 18, 2014, and adopted by the Governing Board on July 23, 2014.

*“**Original Purchaser**”* and “***Participating Underwriter***” means Stifel, Nicolaus & Company, Incorporated, as the first purchaser of the Series 2019 Bonds from the District.

*“**Outstanding**,”* when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the 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 District 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.

“***Parity Bonds***” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

*“**Permitted Investments**”* means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect 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 pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (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;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency;

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement; and

(k) the California Asset Management Program.

"Project" means those items described as the "Facilities" in the Resolution of Formation.

*"**Qualified Reserve Account Credit Instrument**"* means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2019 Reserve Fund Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2019 Bonds and any 2019 Related Parity Bonds.

"*Rate and Method*" means the Rate and Method of Apportionment of Special Taxes for Improvement Area No. 1 which is found in Exhibit B to the Resolution of Formation.

*"**Resolution of Formation**"* Resolution No. 13-14-19, entitled "A Resolution of Formation of Community Facilities District, adopted by the Governing Board on July 18 2014, forming the CFD and Improvement Area No. 1.

*"**Resolution of Intention**"* means Resolution No. 13-14-12 adopted by the Governing Board on May 7, 2014, indicating the intention of the District to form the CFD and Improvement Area No. 1.

"***Resolution of Necessity***" means Resolution No. 13-14-20 adopted by the Governing Board on May 7, 2014.

*"**S&P**"* means Standard & Poor's Ratings Services, a division of McGraw-Hill, and any successor thereto.

*"**Securities Depositories**"* means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in an Officer's Certificate delivered to the Fiscal Agent.

"***Series 2017 Bonds***" shall have the meaning given that term in the recitals to the First Supplement to Fiscal Agent Agreement.

"***Series 2019 Bonds***" shall have the meaning given that term in the recitals to the First Supplement to Fiscal Agent Agreement.

"***Special Tax Fund***" means the special fund designated "Improvement Area No. 1 of the Lammersville Joint Unified School District, Community Facilities District No. 2014-1 (Mountain House - School Facilities), Special Tax Fund" established and administered under the Fiscal Agent Agreement.

"***Special Tax Prepayments***" means the proceeds of any Special Tax prepayments received by the District, as calculated pursuant to the Rate and Method of Apportionment of the Special Taxes for Improvement Area No. 1, less any administrative fees or penalties collected as part of any such prepayment.

"***Special Tax Revenues***" means the proceeds of the Special Taxes received by the District, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon 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 lien and interest thereon, but does not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"***Special Taxes***" means the special taxes levied by the Governing Board within Improvement Area No. 1 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 District 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.

"***Tax 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 Tax Code.

"***2019 Costs of Issuance Fund***" means the 2019 Costs of Issuance Fund established pursuant to the First Supplement to Fiscal Agent Agreement.

*"**2019 Related Parity Bonds**"* means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2019 Reserve Fund so that the balance therein is equal to the 2019 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2019 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

*"**2019 Reserve Fund**"* means the 2019 Reserve Fund established pursuant to the First Supplement to Fiscal Agent Agreement.

"2019 Reserve Fund Reserve Requirement" means the sum of:

(i) $_______, which is the least of (a) Maximum Annual Debt Service on the 2019 Bonds as of the Closing Date, (b) 125% of average Annual Debt Service on the 2019 Bonds as of the Closing Date and (c) 10% of the original principal amount of the 2019 Bonds plus

(ii) with respect to any series of 2019 Related Parity Bonds the principal of and interest on which is payable from amounts in the 2019 Reserve Fund, an amount equal to the least of (x) Maximum Annual Debt Service on such 2019 Related Parity Bonds as of the date of their issuance, (y) 125% of average Annual Debt Service on such 2019 Related Parity Bonds as of the date of their issuance and (z) 10% of the original principal amount of such 2019 Related Parity Bonds.

FUNDS AND ACCOUNTS

The Fiscal Agent Agreement establishes various funds and accounts for the payment of the Bonds, the payment of costs of issuing the bonds, the payment of costs of the Project and the administration of the CFD. Moneys in the funds and accounts must be invested in accordance with the Fiscal Agent Agreement. Unless otherwise specified in the Fiscal Agent Agreement, interest earnings from investment are retained in the funds and accounts to be used for their purposes. The following funds and accounts are established by the Fiscal Agent Agreement:

<u>2019 Costs of Issuance Fund</u>. The 2019 Costs of Issuance Fund is held by the Fiscal Agent, in trust for the District and is used by the Fiscal Agent to pay the costs of Costs of Issuance of the 2019 Bonds. The Fiscal Agent will maintain the 2019 Costs of Issuance Fund for a period of 180 days from the date of delivery of the 2019 Bonds and then shall transfer any moneys remaining in it, including any investment earnings, to the Finance Director for deposit in the Improvement Fund.

<u>Administrative Expense Fund</u>. The Administrative Expense Fund is held by the Fiscal Agent. Moneys in the Administrative Expense Fund are held in trust by the Fiscal Agent for the benefit of the District and are used to pay Administrative Expense, or a Cost of Issuance upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expenses, or Costs of Issuance. Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

<u>Special Tax Fund</u>. The Special Tax Fund is held by the Fiscal Agent to receive, immediately upon receipt, all Special Tax Revenues and any amounts required by the Fiscal Agent Agreement to be deposited in it. Moneys in the Special Tax Fund are held in trust by the District for the benefit of the District and the Owners of the Bonds, and, pending disbursement, are subject to a lien in favor of the Owners of the Bonds and the District.

As soon as practicable after the receipt by the District of any Special Tax Revenues or the transfer of amounts from the Administrative Expense Fund, but no later than 10 Business Days after such receipt or transfer, the Finance Director must withdraw from the Special Tax Fund and transfer to the Fiscal Agent amounts required to pay Debt Service on the Bonds, and to replenish the 2019 Reserve Fund, if necessary. After these transfers, any amount remaining in the Special Tax Fund will be transferred by the Fiscal Agent to the Administrative Expense Fund.

<u>Bond Fund</u>. The Bond Fund is held by the Fiscal Agent. Moneys in the Bond Fund are held by the Fiscal Agent for the benefit of and are subject to a lien in favor of the District and the Owners of the Bonds. Moneys in the Bond Fund shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below. Within the Bond Fund, there is a Capitalized Interest Account, also held by the Fiscal Agent and used to pay capitalized interest on the Bonds.

If the amount in the Bond Fund is not enough to pay the required Debt Service on an Interest Payment Date, the Fiscal Agent withdraws the amount needed from the 2019 Reserve

Fund. If there is not enough money in the Bond Fund and the 2019 Reserve Fund to pay the scheduled Debt Service, the Fiscal Agent must 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, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

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 Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report that to the Finance Director. The District 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. Any excess moneys remaining in the Bond Fund following the payment of debt service on the Bonds, shall be transferred to the Special Tax Fund.

2019 Reserve Fund. The 2019 Reserve Fund is held by the Fiscal Agent. Moneys in the 2019 Reserve Fund are held in trust by the Fiscal Agent for the benefit of and are subject to a lien in favor of the Owners of the 2019 Bonds and any related 2019 Parity Bonds. Moneys in the 2019 Reserve Fund are used as a reserve for the payment of principal of, and interest and any premium on, the Series 2019 Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts drawn on the 2019 Reserve Fund shall be used by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Series 2019 Bonds and any 2019 Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2019 Bonds and any 2019 Related Parity Bonds from the Bond Fund.

Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2019 Reserve Fund exceeds the 2019 Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2019 Reserve Fund to the Bond Fund, to be used to pay interest on the 2019 Bonds and any 2019 Related Parity Bonds on the next Interest Payment Date.

Whenever the balance in the 2019 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2019 Bonds and any 2019 Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2019 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption of all of the Outstanding 2019 Bonds and any 2019 Related Parity Bonds. In the event that the amount so transferred from the 2019 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2019 Bonds and any 2019 Related Parity Bonds, the balance in the 2019 Reserve Fund shall be transferred to the Finance Director to be used by the District for any lawful purpose.

Notwithstanding the foregoing, no amounts shall be transferred from the 2019 Reserve Fund until after (i) the calculation of any amounts due to the federal government under the rebate provisions of the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the 2019 Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Interest earnings and profits on 2019 Reserve Fund investments must be used as required by the District to comply with the rebate covenant in the Fiscal Agent Agreement and shall otherwise be subject to transfer on the Business Day prior to each Interest Payment Date or when otherwise requested in writing by the Finance Director.

Improvement Fund. The Improvement Fund is held by the Fiscal Agent in trust for the District and moneys in it are used by the District to pay for the acquisition and/or construction of the Project. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund shall be closed. Proceeds of the Bonds transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the District in an Officer's Certificate.

DISTRICT COVENANTS

Punctual Payment. The District 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 any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and of the Bonds.

No Extension of Time. In order to prevent any accumulation of claims for interest after maturity, the District may 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 may 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 District, 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.

No Encumbrance. The District 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 under the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Records. The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries are made of all transactions relating to the expenditures from the Administrative Expense Fund, the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries must be made of all transactions relating to the expenditure of amounts disbursed from the Costs of Issuance Fund Bond Fund (and the Capitalized Interest Account in it), the 2019 Reserve Fund and the Improvement Fund. Such records and accounts must at all times during business hours be subject to the inspection of the District and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Levy and Collection of Special Taxes. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Finance Director shall fix and levy the amount of Special Taxes within the CFD required for the payment of principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the 2019 Reserve Fund and any other reserve account for Parity Bonds that are not 2019 Related Parity Bonds, and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. However, under the Ordinance, the District may, by resolution, provide for any other appropriate method of collection of the Special Taxes, including direct billing to property owner.

As provided in the Fiscal Agent Agreement, delinquent Special Taxes are subject to judicial foreclosure to recover such Special Taxes and costs of collection. The proceeds of such foreclosure are to be credited to the 2019 Reserve Fund and to the Bond Fund, after the payment of costs.

INVESTMENTS

Moneys in any fund or account under the Fiscal Agent must be invested in Permitted Investments, as directed by the District. In the absence of any direction by the District, the Fiscal Agent must invest any such moneys in the Permitted Investments described in clause (h) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. The Fiscal Agent will not be required to determine the legality of any investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Act) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of Code and (unless valuation is undertaken at least annually) investments in the 2019 Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

Investments in the funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, 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 Finance Director 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.

DISTRICT LIABILITY

The District shall not incur any responsibility for the Bonds or the Fiscal Agent Agreement other than for the duties or obligations assigned to or imposed upon it. The District shall not be liable in the performance of its duties under the Fiscal Agent Agreement, except for its own gross negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of the Fiscal Agent Agreement. The District, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District and the Finance Director may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the District Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

THE FISCAL AGENT

The District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act.

The District 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 $50,000,000, and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District 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 shall be made within 45 days after the Fiscal Agent shall have given to the District 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 Owner 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.

If the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent thereunder shall be assumed by and vest in the Finance Director of the District in trust for the benefit of the

Owners. The District covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent thereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Finance Director may designate a successor Fiscal Agent qualified to act as Fiscal Agent thereunder.

The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be in the Fiscal Agent Agreement specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the Fiscal Agent Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Fiscal Agent Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under the Fiscal Agent Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties thereunder which are not due to its negligence or willful misconduct. The obligation of the District under this paragraph shall survive resignation or removal of the Fiscal Agent under the Fiscal Agent Agreement and payment of the Bonds and discharge of the Fiscal Agent Agreement, but any monetary obligation of the District arising under this paragraph shall be limited solely to amounts on deposit in the Administrative Expense Fund.

AMENDMENT

The Fiscal Agent Agreement and the rights and obligations of the District 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 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 District 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 District 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. Any such amendment may not 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 District 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 District 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 District;

(B) to make modifications not adversely affecting any Outstanding Bonds in any material respect including, but not limited to, amending the Rate and Method, so long as the amendment does not result in debt service coverage less than that set forth in the Fiscal Agent Agreement;

(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 District or the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; and

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds.

(E) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

DISCHARGE

The District shall have the option to pay and discharge all or a portion of the indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by 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 the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2019 Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the District shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2019 Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the District shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the District under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the District shall continue in any event: (i) the obligation of the District to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the District to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the District to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the District with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the District and any Special Taxes thereafter received by the District shall not be remitted to the Fiscal Agent but shall be retained by the District to be used for any purpose permitted under the Act and the Resolution of Formation.

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2019 Bonds, payment of principal, interest and other payments on the 2019 Bonds (herein, the "Securities") to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "Agent") takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$__________
IMPROVEMENT AREA NO. 1 OF THE
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(MOUNTAIN HOUSE SCHOOL FACILITIES)
SPECIAL TAX BONDS, SERIES 2019

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Lammersville Joint Unified School District (the "District") in connection with the issuance of the bonds captioned above (the "2019 Bonds"). The 2019 Bonds are being issued pursuant to a First Supplement to Fiscal Agent Agreement dated as of February 1, 2019 which supplements a Fiscal Agent Agreement dated as of June 1, 2017 (collectively, the "Fiscal Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the 2019 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is eight months after the end of the District's fiscal year (currently March 1 based on the District's fiscal year end of June 30).

"*Community Facilities District*" means Improvement Area No. 1 of the Lammersville School District Community Facilities District No. 2014-1 (Mountain House Schools Facilities).

"*Dissemination Agent*" means Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement dated _______, 2019, executed by the District in connection with the issuance of the 2019 Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the 2019 Bonds required to comply with the Rule in connection with offering of the 2019 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2020, with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The District's audited financial statements for the most recently completed fiscal year, 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, together with the following statement:

THE DISTRICT'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 DISTRICT OR THE COMMUNITY FACILITIES DISTRICT, OTHER THAN SPECIAL TAX REVENUES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2019 BONDS, AND NEITHER THE DISTRICT NOR

THE COMMUNITY FACILITIES DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE DISTRICT OR THE SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2019 BONDS.

(b) To the extent not included in the audited financial statements, the following information:

(i) Total assessed value (per the San Joaquin County Assessor's records) of all parcels currently subject to the Special Tax within Improvement Area No. 1 of the Community Facilities District, showing the total secured assessed valuation for all property subject to the Special Tax.

(ii) The total dollar amount of delinquencies, if any, in Improvement Area No. 1 of the Community Facilities District as of August 1 of the prior calendar year and, if the total delinquencies within Improvement Area No. 1 of the Community Facilities District as of August 1 in the prior calendar year exceed 5% of the Special Tax for the previous fiscal year, delinquency information for each parcel responsible for more than $5,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(iii) The amount of prepayments of the Special Tax for the prior Fiscal Year.

(iv) An updated table in substantially the form of the table in the Official Statement entitled "Table 11, Property Ownership by Share of Special Taxes," as shown on the San Joaquin County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(v) The principal amount of the 2019 Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report Date, including the issuance date and principal amount of any additional bonds or obligations issued under the Fiscal Agent Agreement on a parity with the 2019 Bonds.

(vi) An updated table in substantially the form of the table in the Official Statement entitled "Table 6, Appraised Values and Value-to-Debt Ratios Allocated by Neighborhood" based upon the most recent equalized tax roll prior to the September next preceding the Annual Report Date.

(vii) An updated table in substantially the form of the table in the Official Statement entitled "Table 7A, Appraised Values and Value-to-Debt Ratios on 2019 Bonds and 2017 Bonds Allocated by Value-to-Debt Category," based upon the most recent equalized tax roll prior to the September next preceding the Annual Report Date.

(viii) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District set forth in Appendix B to the Official Statement.

(ix) A copy of the most recent annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding Community Facilities District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(c) In addition to any of the information expressly required to be provided under paragraph (b) above, the District 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.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2019 Bonds, or other material events affecting the tax status of the 2019 Bonds.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District, or the sale of all or substantially all of the assets of the District (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) Upon the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2019 Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2019 Bonds. If such termination occurs prior to the final maturity of the 2019 Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Goodwin Consulting Group, Inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2019 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2019 Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2019 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District 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 District 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 District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the 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 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 District, the Property Owner, the Fiscal Agent, the Bond owners or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2019 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2019 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _________, 2019

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

By: ______________________________________
Kirk Nicholas,
Superintendent

AGREED AND ACCEPTED:
Goodwin Consulting Group, Inc.,
as Dissemination Agent

By: ________________________________
Name: _____________________________
Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Lammersville Joint Unified School District
Name of Bond Issue:	Improvement Area No. 1 of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) Special Tax Bonds, Series 2019
Date of Issuance:	________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated ______, 2019, executed by the District and countersigned by Goodwin Consulting Group, Inc., as dissemination agent. The District anticipates that the Annual Report will be filed by _____________.

Dated: ____________

DISSEMINATION AGENT:

Goodwin Consulting Group, Inc.

By: __________________________
Its: __________________________

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

_________, 2019

Lammersville Joint Unified School District
111 South De Anza Boulevard
Mountain House, CA 95391

OPINION: $______________ Improvement Area No. 1 of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) Special Tax Bonds, Series 2019

Members of the Governing Board:

We have acted as bond counsel to the Lammersville Joint Unified School District (the "District") in connection with the issuance by the District, for and on behalf of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities) with respect to its Improvement Area No. 1 of the Lammersville Joint Unified School District Community Facilities District No. 2014-1 (Mountain House School Facilities), of the special tax bonds captioned above, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), a resolution of the Governing Board of the District (the "Governing Board") adopted on November 27, 2018 (the "Resolution"), and a Fiscal Agent Agreement (the "Original Fiscal Agent Agreement"), dated as of June 1, 2017 by and between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), as supplemented by the First Supplement to Fiscal Agent Agreement dated as of February 1, 2019, between the District and the Fiscal Agent (the Original Fiscal Agent Agreement as so supplemented, the "Fiscal Agent Agreement").

Under the Fiscal Agent Agreement, the District has pledged certain revenues ("Special Tax Revenues") for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the District 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 on the foregoing, we are of the opinion that, under existing law:

1. The District is a joint unified school district duly created and validly existing under the Constitution and the laws of the State of California with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the District, and constitutes a valid and binding obligation of the District, enforceable against the District.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the District, and are valid and binding limited obligations of the District, payable solely from the Special Tax Revenues and other funds provided therefor in 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. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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APPENDIX G

APPRAISAL REPORT

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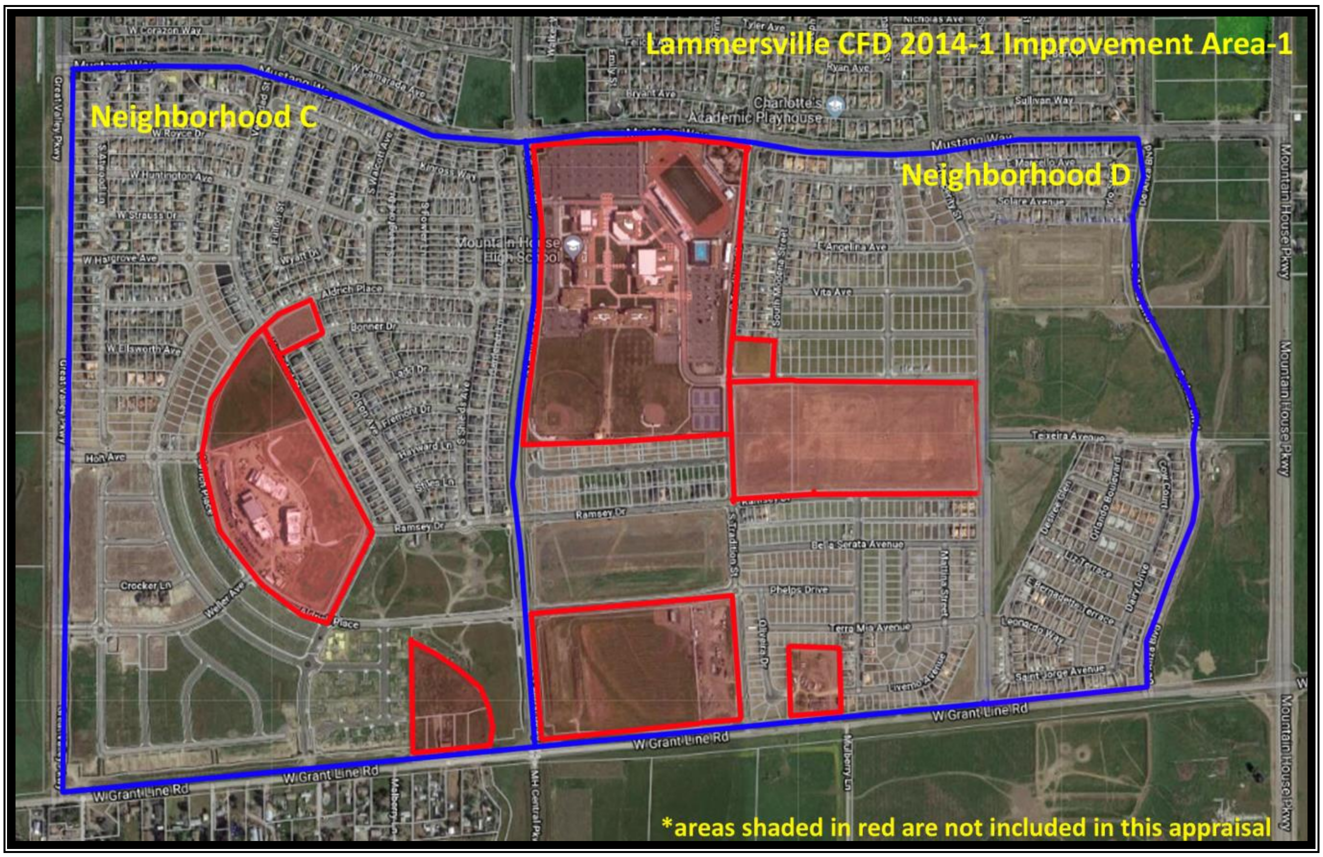
APPRAISAL REPORT

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

CFD No. 2014-1 IMPROVEMENT AREA-1, MOUNTAIN HOUSE

SAN JOAQUIN COUNTY, CALIFORNIA

Date of Value: November 1, 2018



Prepared For:

Kirk Nicholas

Lammersville Joint Unified School District

111 South De Anza Boulevard

Mountain House, CA 95391

Prepared by:

Krauss Appraisal, LLC

Trentin P. Krauss, MAI

KA krauss appraisal
REAL ESTATE VALUATION AND CONSULTING

krauss appraisal

REAL ESTATE VALUATION AND CONSULTING

January 22, 2019

Kirk Nicholas
Lammersville Joint Unified School District
111 South De Anza Boulevard
Mountain House, CA 95391

Mr. Nicholas,

At your request and authorization, Krauss Appraisal, LLC has prepared an Appraisal Report pertaining to the Lammersville Joint Unified School District Community Facilities District No. 2014-1 Improvement Area No. 1 (CFD No. 2014-01 IA-1). This Appraisal Report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the 2016-2017 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

The following document represents my appraisal of the land included in CFD No. 2014.01 Improvement Area-1. The property consists of the residential portions of Neighborhoods C and D in the master planned community of Mountain House. Neighborhood C is planned for 1,238 residential dwelling units and Neighborhood D is planned for 1,274 dwelling units. The properties appraised are located in Mountain House, California, an unincorporated area of southwest San Joaquin County. Ownership of the subject property is held by multiple entities including developers and end users.

The market value estimated in this appraisal report relied on the hypothetical condition that proceeds from the CFD Bonds will be used to finance and/or reimburse certain impact fees and capital improvements and the development of an elementary school in Neighborhood D. The market value estimated in this appraisal report is based on the hypothetical condition that such impact fees and capital improvements are paid. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis."

This appraisal will be used to aid in issuing Lammersville Joint Unified School District CFD No. 2014-1 Improvement Area No. 1 Special Tax Bonds Series 2018 (the CFD Bonds). The values estimated in this appraisal report represent my opinion of the market value for the subject property as of November 1, 2018. It is an assumption of this appraisal that there are no significant changes between the date of inspection and the date of value. It is my opinion the market value, in accordance with the extraordinary assumptions, hypothetical conditions, general assumptions and limiting conditions set forth in this appraisal report, and the estimated aggregate value for Neighborhood C is **$531,100,000** and the estimated value for Neighborhood D is **$382,200,000**. This value includes the contributory value of the finished structures.

The Appraiser inspected the subject property on October 13, 2018 and has impartially considered all data collected during the write up of this appraisal. The Appraiser has no past, present, or anticipated future interest in the subject property.

The final estimate of market value in this appraisal report assumes a transfer of the subject property would reflect a cash transaction or terms considered to be equivalent to cash. The value estimate is also premised on an assumed sale after reasonable exposure in the 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 final estimate of value accounts for the impact of the Special Tax Lien securing the CFD Bonds.

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

The value opinions that are summarized in the Statement of Facts and Conclusions are qualified by certain definitions, limiting conditions and certification included at the conclusion of this appraisal report. This appraisal has been prepared in compliance with USPAP, the Code of Ethics of the Appraisal Institute, and the Appraisal Standards for Land Secured Financing as promulgated by the California Debt and Investment Advisory Commission. This is intended to be an appraisal report as detailed in USPAP.

Respectfully,

Trentin P. Krauss, MAI
State Certification No.: AG 043134
(Expires October 4, 2019)

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KA krauss appraisal
REAL ESTATE VALUATION AND CONSULTING

SUMMARY OF FACTS AND CONCLUSIONS

Subject Property Identification: The subject property consists of the residential portions of Neighborhoods C & D in the community of Mountain House, in San Joaquin County, California. Mountain House is a master-planned community that broke ground in 2001 and is still under construction. The location is north and west of the city of Tracy and is within San Joaquin County Assessor's map books 209 and 262.

Intended User: Lammersville Joint Unified School District

Intended Use: The intended use of this appraisal report is for bond underwriting purposes.

Property History: Over the last twenty years the property appraised has transitioned from agricultural use to a master planned residential community. A significant amount of infrastructure has been built, ingress and egress from Interstate 205 has been improved and over 4,700 detached homes and condominiums have been built and occupied in Mountain House.

Purpose of Appraisal: The purpose of this appraisal is to estimate the current market value of the fee simple interest of the residential properties within Neighborhoods C and D of Mountain House, which are encumbered by Lammersville Joint Unified School District Community Facility District No. 2014-1 Improvement Area No. 1 (the CFD) and subject to the special taxes levied with respect to the CFD. The estimated value recognizes the contributory value of public infrastructure in place but is net of the liens created by the CFD. This appraisal will be used to aid in issuing the CFD Bonds.

Neighborhood Analysis: The subject property is located in Mountain House, a master-planned community in the southwestern region of San Joaquin County. Mountain House consists of 4,784 acres or about 7.5 square miles located in southwestern San Joaquin County. Interstate 205 forms the southern boundary, Old River forms the northern boundary, and the Alameda County line runs along the western boundary. Along the eastern edge is Mountain House Parkway and the Wicklund Cut. Home prices in the neighborhood have improved rapidly over the last five years and have continued to increase, but at a slower rate, throughout 2018.

General Plan: Portions of the subject property are designated in the community of Mountain House's General Plan II and III for development with very low, low, medium, medium-high, and high density residential.

Zoning: Portions of the subject property are zoned for very low, low, medium, medium high, and high-density residential uses.

Flood Hazard Zone: No portion of the subject property is within a Flood Hazard Area per FEMA Flood Plain map panel 06077C0570F dated October 16, 2009.

Site Analysis: The property addressed in this appraisal report consists of the residential portions of Neighborhoods C and D that are subject to CFD-2014-1 IA-1 special taxes. The CFD is expected to have 28 residential projects that have entitlements for approximately 2,512 dwelling units (2,100 detached units and 412 attached). 25 of the projects are expected to have single-family detached products and the remaining 3 projects are expected to have attached housing products. The higher density parcels are not yet entitled, and the number of units is based on preliminary planning numbers.

Improvement Analysis

This appraisal recognizes the benefit of public infrastructure improvements in estimating land values. As of the date of value the best available data indicated there were 954 closed transactions, 662 in Neighborhood C and 292 In Neighborhood D. This appraisal includes the contributory value of the completed residences and the residences under construction.

Environmental Conditions:

The Appraiser has not reviewed any soils or hazardous materials study regarding the subject properties. A significant amount of planning was completed to get approvals for the Mountain House project and it is assumed that no such conditions exist which would prevent the continuing development of the subject property. A physical inspection of the subject site revealed no obvious hazardous conditions.

Highest and Best Use Estimate:

As Vacant

Highest and best use of the subject property is to develop the neighborhood in accordance with a schedule that anticipates likely demand, which is consistent with the master development plan approved by the county.

As Improved

The improvements valued in this appraisal are all consistent with the planned uses and represent the highest and best use of the properties as improved.

Estimated Market Value of the Aggregate Bulk Sale Value for Lammersville Joint Unified School District Community Facilities District 2014-1 IA-1 (Neighborhood C): **$531,100,000**

Estimated Market Value of the Aggregate Bulk Sale Value for Lammersville Joint Unified School District Community Facilities District 2014-1 IA-1 (Neighborhood D): **$382,200,000**

Marketing Period and Exposure Time: Given the size and scope of the properties included in the CFD, as well as a review of market data used in this appraisal process, a market exposure time for a bulk sale of all the residential lots of one to three years is estimated. This is also the estimate regarding a marketing period.

Date of Value: November 1, 2018

Date of Inspection: October 13, 2018

Date of Report: January 22, 2019

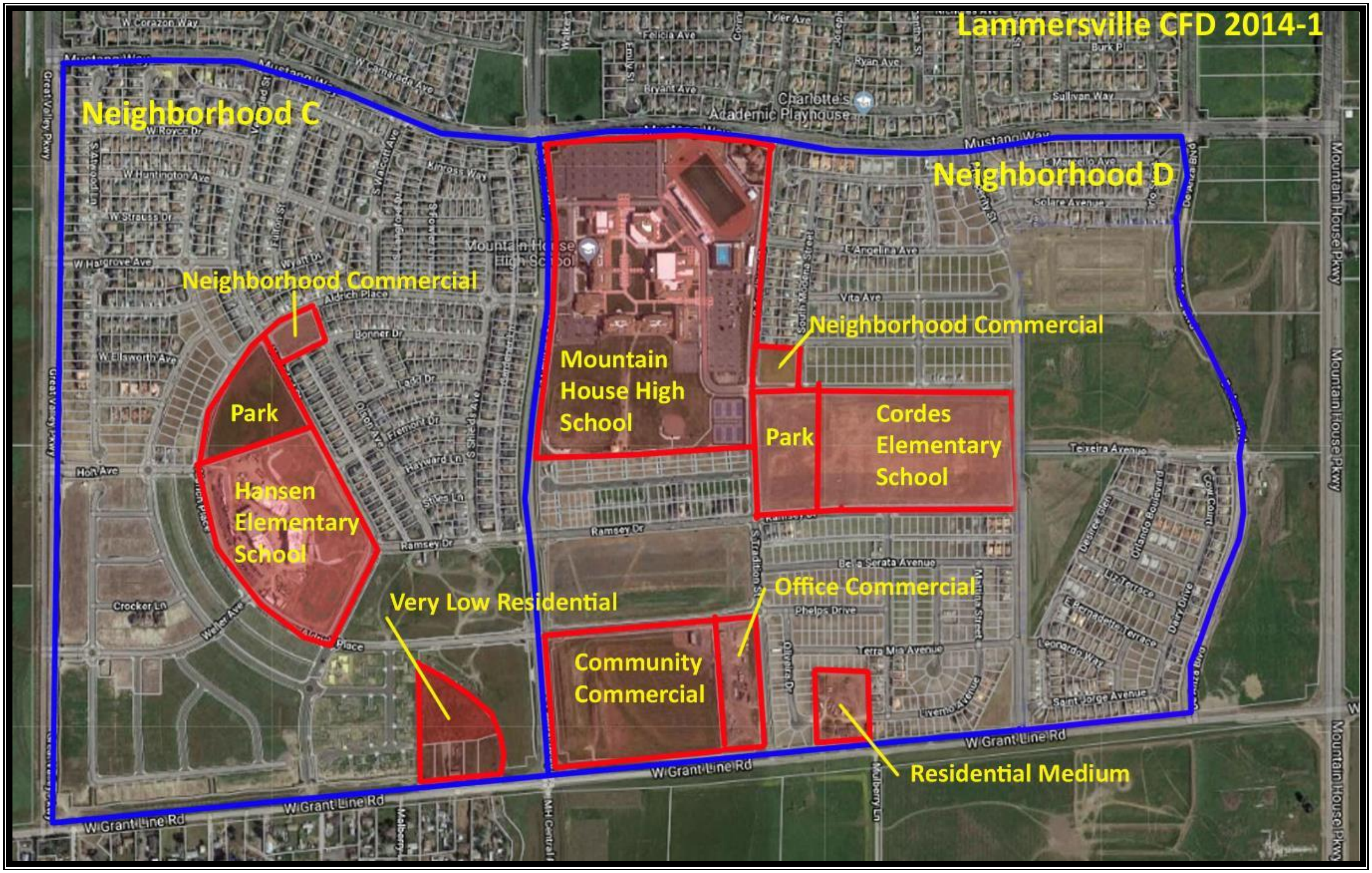
Extraordinary Assumptions: None

Hypothetical Conditions: The value estimate contained in this appraisal report relies on the hypothetical condition that proceeds from the CFD Bonds will be used to finance and/or reimburse certain impact fees and capital improvements. The market value estimate is based on the hypothetical condition that such impact fees and capital improvements are paid.

Jurisdictional Exceptions: None

Special Limiting Conditions: The above value estimates specifically ignore any hidden or unapparent environmental and/or adverse subsoil contamination or conditions, or any building materials

which may have an impact on the development costs, marketability, or mortgageability of the subject real estate.



Aerial View of Neighborhood's C&D (Areas shaded in red are not included in this appraisal)

Access to Neighborhood C **Model Homes**

Typical Street **Future Homesites**

Residence in Neighborhood C **Alley Load Properties**

Neighborhood C – Under Construction

Undeveloped Tracts

Typical Residence in Neighborhood D

Under Construction Neighborhood D

Neighborhood D – Developing Area

Neighborhood D – Model

EFFECTIVE DATE, PURPOSE AND USE

The effective date of value of this appraisal is November 1, 2018. The date of the appraiser's most recent inspection was October 13, 2018. It is an assumption of this appraisal that there has been no significant changes in the subject property between the date of inspection and the date of value. The purpose of this appraisal is to estimate the market value of the fee simple interest in the properties included in Neighborhoods C and D of the subject described CFD to be used to aid in issuing the CFD Bonds.

INTENDED USE AND USER

The intended user of this appraisal report is the Lammersville Joint Unified School District. This appraisal report is intended to be used for bond underwriting.

DEFINITION OF VALUE

The purpose of this appraisal is to estimate the market value of the subject property as of the date of value identified. Market Value is defined as follows:

> The most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
> (1) Buyer and seller are typically motivated;
> (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
> (3) A reasonable time is allowed for exposure in the open market;
> (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

INTEREST APPRAISED

In this appraisal, the Appraiser estimates the market value of the fee simple interest for the subject property, subject to covenants, conditions, restrictions, rights of way, and easements of record. The definition of fee simple as used in this appraisal report is taken from the Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015) as follows:

> "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."

No legal description or Preliminary Report was provided to the Appraiser and it is an assumption of this appraisal that there are no items of title that have a significant impact on the market value of the subject property.

SCOPE OF ASSIGNMENT

It is the intent that all appropriate data deemed pertinent to the solution of the appraisal problem be collected, confirmed, and reported in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute. The appraisal problem for this assignment is to estimate the fee simple interest in the subject property. This appraisal is intended to be an appraisal report as defined by USPAP.

Activities undertaken during the course of this appraisal are as follows:

- A physical inspection of the subject property and surrounding neighborhood was completed by Trentin P. Krauss, MAI on October 13, 2018.

- Research and investigation of current market conditions relative to the property type being appraised, as well as the market sector with which the subject is identified. Data regarding the market area, property-specific market data, zoning and land-use, and current data on comparable listings and transactions were reviewed.

- Interviews with brokers, developers, appraisers, property owners and/or managers, as well as relevant public agencies or governing bodies. A representative from the San

Joaquin County Community Development Department and the City of Tracy Planning Department were interviewed regarding the subject property.

- A Market Absorption Study regarding the subject property prepared by Empire Economics, Inc. was reviewed.

- Collection, verification and analysis of market data and any other pertinent information necessary to the valuation process.

- And, compilation of the descriptions, reasoning and explanations leading to final value conclusions within this report.

PROPERTY HISTORY

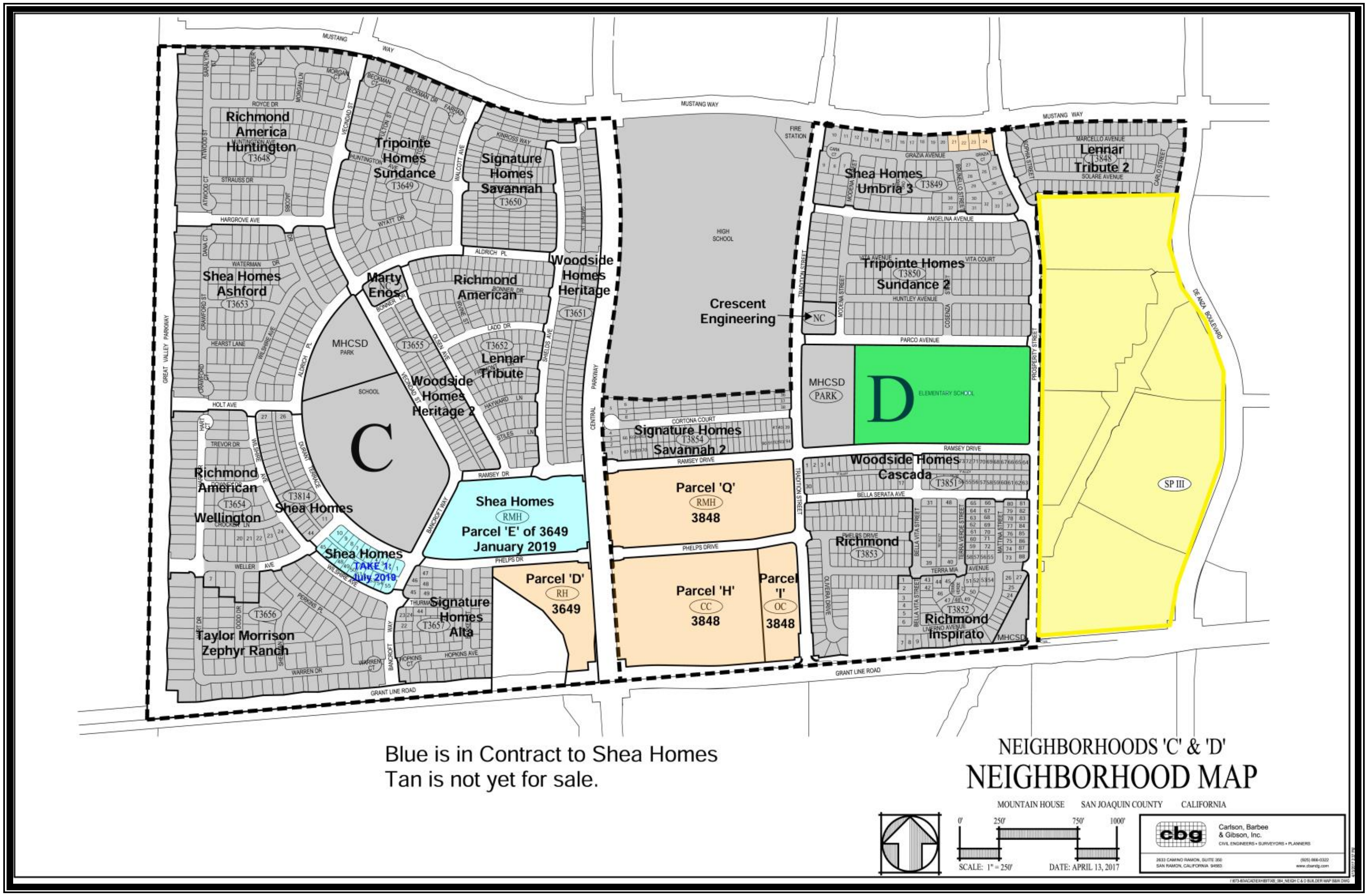
The subject property was acquired by Trimark Communities in transactions that occurred between 1990 and 1994. In 1994, the Mountain House project received a General Plan amendment and approval from San Joaquin County. Final subdivision maps for Specific Plan Area 1 (Neighborhoods E, F and G that include a total of 2,909 single family lots and 1,047 multifamily units) were recorded from Sept. 2002 through November 2006. Additional neighborhoods have been sold off over the years and currently there is active development in several neighborhoods including Neighborhoods C and D.

At the time of this appraisal there were five active subdivisions offering detached homes for sale in Neighborhood C and ten in Neighborhood D. Sales offices interviewed indicated they had been steadily raising their asking prices throughout 2018, but at a slower rate than recent years. Residences made available have sold out quickly. As of the date of value sales offices indicated they have been selling out of most releases, but prices were flat.

Data provided indicates there are 133 pending building permits in Neighborhood C and 241 in Neighborhood D. These permits represent properties that are in various phases of development from finished lots to nearly completed residences. The majority of the unfinished or under construction properties are located in Tracts 3653, 3654, 3656, 3657, and 3814. There are an additional two parcels that are zoned for residential medium/high and high density uses (approximately 23 acres). All of the detached tracts have been sold to developers.

Neighborhood D is actively being developed with 11 active subdivisions that have varying detached products. Development of this Neighborhood is underway with the majority of the developed area located at the northern or southeastern areas of the site in Tracts 3848, 3849, and 3617.

The following map indicates the tracts located in Neighborhoods C and D, the yellow highlighted area is included in Neighborhood D. The green area is the location of the proposed Cordes Elementary School.



IDENTIFICATION OF THE SUBJECT PROPERTY

Mountain House consists of 4,784 acres or about 7.5 square miles located in southwestern San Joaquin County. Interstate 205 forms the southern boundary, Old River forms the northern boundary, and the Alameda County line runs along the western boundary. Along the eastern edge is Mountain House Parkway and the Wicklund Cut.

The western boundary of Neighborhood C is adjacent to the Alameda County line and approximately three miles northwest of the city of Tracy. Mountain House consists of 12 distinct neighborhoods. Each neighborhood is approximately the same size and is centered around a school and a neighborhood park. The project is proposed to contain three separate village centers, approximately 15-20 acres each, serving four neighborhoods each. The northwest corner of Neighborhood D is developed with Mountain House High School that opened in June 2014.

Neighborhood C is expected to have 12 residential projects by various builders that are anticipated to have 1,238 single family detached and attached homes. There are currently five active projects in the neighborhood that have been marketing detached residences and six others that have sold out. As of October 1, 2018 (most recent data available), there have been over 662 closed transactions in Neighborhood C. The projects are offering residences that range from $544,000 (2,200 square feet) to $850,000 (3,250 square feet). The Hansen Elementary school in Neighborhood C was recently completed and will service Kindergarten through 8th grade.

For the purpose of this appraisal the projects in Neighborhoods C and D have been partitioned into five market segments, as described.

Category A (Smallest Residences)
There are two projects in this category with one closed out and one active. The projects are planned to be developed with a total of 173 residences of which 102 have closed escrow. The average asking price in the active project is $560,000 for a 2,200 square foot residence.

Category B (Smaller Residences)
There are two projects in this category that have both sold out. The projects were developed with 139 residences of which all of them have closed escrow.

Category C (Larger Residences)
There are four projects in this category, of which two have sold out, one is open, and one is planned to open in late 2018. The projects are planned for 291 residences of which 231 have closed escrow. The average asking price in the active projects is $750,000 for a 2,800 square foot residence.

Category D (Largest Residences)
There are four projects in this category, of which one is closed out, two are currently active, and one is planned to open in 2019. The projects are planned for 411 residences of which 190 have closed escrow. The average asking price in the active projects is $750,000 for a 3,460 square foot residence.

Category E (Attached Residences)
There are two projects in this category and none are active. The projects are planned for 224 residences with an anticipated average residence size of 1,800 square feet. The anticipated average sale price of these is $450,000.

The following table outlines the housing inventory of Neighborhood C as of the most recent data provided.

Neighborhood C **Breakdown as of Oct. 26, 2018**	**# of Each**
Planned Attached Lots	224
Finished Lots	197
Residences Under Construction	133
Finished Residences	684
Total	**1,238**

Neighborhood D is expected to have 13 residential projects by various builders that are anticipated to have 1,274 single-family detached and attached homes as well as apartment units. There are 11 open projects that are offering detached residences. The following is a breakdown of Neighborhood D.

Category A (Smallest Residences)
There are four projects with two open projects and one planned to open in 2019 and the other in 2020. There are 323 planned detached residences that will average 2,100 square feet in size. There are six closed sales in this category. The average asking price is $535,000.
Category B (Smaller Residences)

There are four planned projects in this category that are all open and offering residences for sale. The projects are planned to be developed with 327 residences and there have been 93 closed transactions. The average size of the residences is estimated to be 2,350 square feet and the average asking price is $600,000.

Category C (Larger Residences)
There are four planned projects in this category that are all open and offering detached residences for sale. The projects are planned to be developed with 374 residences and there have been 151 closed transactions. The average size of the residences is estimated to be 2,800 square feet and the average asking price is $700,000.

Category D (Largest Residences)
There is one planned project in this category that is open and will be developed with 62 residences. There have been 42 closed transaction. The average size of the residences is estimated to be 3,300 square feet and the average asking price is $765,000.

Category E (Attached Residences)
There is one project in this category which is not active now, but is planned to be active in 2020. The project is planned for 188 residences with an anticipated average residence size of 2,000 square feet.

Nearly all grading and utilities have been installed in Neighborhood D and developers are actively developing most tracts. All of the parcels are within San Joaquin County Assessor's map books 209 and 262. The following table outlines the housing inventory of Neighborhood D as of the date of the most recent data provided and includes the areas planned to be annexed into Neighborhood D (D2 and D4). These areas have been annexed into the District, but lack recorded final subdivision maps. D2 is currently planned to be developed with 124 residences and D4 is planned to be developed with 49 residences.

Neighborhood D (includes D2 & D4) Breakdown as of Oct. 26, 2018	# of Each
Planned Attached Lots	188
Finished Lots	283
D2 and D4 Lots	173
Residences Under Construction	241
Finished Residences	389
Total	**1,274**

ASSESSMENT AND TAX INFORMATION

Ad Valorem Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides a limitation on ad valorem property taxes and 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 exceed2% 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 reappraised 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 of a public agency that was approved by voters prior to 1978 and any bonds subsequently approved by a two-thirds vote of the district or by a 55% affirmative vote, if the election is conducted for a school district pursuant to Proposition 39 in June 2000, 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 remaining infrastructure and property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. The appraised properties are located in Tax Rate Area 092018, which is subject to a tax rate of 1.0% plus voter approved taxes, taxing agency direct charges and special assessments, and fees. The tax bills of several existing finished properties in Neighborhood C were reviewed and support an aggregate tax rate around 1.64% of assessed value, for the neighborhood. No information for Neighborhood D was available, but the average tax rate in Neighborhood D is estimated to be comparable.

The US Congress enacted a new law on December 22, 2017, known as the "Tax Cuts and Jobs Act". The new law makes small reductions to income tax rates for most individual tax brackets and significantly reduces the income tax rate for corporations. One change that may impact property values is that the new law tightens limits on the deduction for home mortgage interest. For 2018–2025, it generally allows a taxpayer to deduct interest only on mortgage debt of up to $750,000. However, the limit remains at $1 million for mortgage debt incurred before December 15, 2017, which will significantly reduce the number of taxpayers affected.

It is unclear the impact this will have on the residential market, but given the pricing of most residences in the CFD, it is not anticipated to have a significant impact. The changes could increase the cost of home ownership in California and could adversely affect sales of homes in the state. As of the date of value there have been no significant impacts from the law and there is no consensus nor a common prediction on the impact it will have. Local brokers, agents, and home builders interviewed indicated they have mixed predictions about the impact, but homebuilders indicated they have not adjusted their pricing and do not anticipated a change in sales pace resulting from the Tax Act. This appraisal was completed without projections of either an enhancement or a diminution to the prices of homes caused by the Tax Act.

REGIONAL ANALYSIS

SAN JOAQUIN COUNTY

The Property is located in unincorporated San Joaquin County, adjacent to the city of Tracy, in the western portion of San Joaquin County. San Joaquin County is within the Central Valley of California, east of the San Francisco Bay Area by approximately 60 miles. It is located southwest of Sacramento County and north of Stanislaus County. The City of Stockton is less than 30 miles northeast of the Property and is the County seat of San Joaquin County. The population of Tracy was reported to be 90,889 and the population of Stockton was reported to be 310,496 persons by the US Census Bureau in 2017.

The County has historically enjoyed an agriculturally based economy. This has changed somewhat in recent years, particularly in the western-most portion of the County in the communities of Mountain House, Tracy, Lathrop, and Manteca which to some extent, have become suburbs of the Bay Area and Silicon Valley. Tracy has seen significant construction over the past several years, as well as the development of warehousing and distribution centers, including a large Safeway facility. An amended growth management ordinance passed by the citizens of Tracy in 2000 limits the annual number of housing units that can be approved in Tracy. The extremely strong economy of the San Francisco Bay Area and high land prices have pushed many industrial, warehouse and distribution users into the Central Valley, benefitting such communities as Lathrop, Stockton and Manteca, in addition to Tracy. The dynamics of this growth are expected to cause continued development of this nature, as well as additional residential construction, in central San Joaquin County over the next 10 years, although at perhaps a slower rate than the past five years.

San Joaquin County serves as an important transportation link between the San Francisco Bay Area, the Central Valley, Southern California, and points beyond. Rail and vehicle links are well-established, including Union Pacific rail lines, Interstate 5, State Route 99, and Interstate 205. The nearest regional airport is located approximately 27 miles northeast of the subject property in Stockton. The nearest international airport is Oakland, which is 42 miles west of the development.

The table below includes historical and recent population estimates for San Joaquin County.

	2005	% Change	2010	% Change	2015	% Change	2016
San Joaquin	**644,116**	**6.2%**	**684,306**	**6.1%**	**726,106**	**2.7%**	**745,424**
Escalon	7,171	**-0.5%**	7,132	**5.5%**	7,523	**0.0%**	7,522
Lathrop	13,116	**37.4%**	18,023	**15.8%**	20,866	**5.8%**	22,073
Lodi	62,113	**0.0%**	62,134	**4.0%**	64,596	**0.1%**	64,641
Manteca	62,651	**7.4%**	67,276	**12.1%**	75,448	**1.9%**	76,908
Ripon	13,658	**4.7%**	14,297	**6.0%**	15,151	**2.1%**	15,463
Stockton	286,926	**1.7%**	291,731	**4.8%**	305,658	**0.5%**	307,072
Tracy	79,964	**3.7%**	82,923	**5.0%**	87,075	**2.5%**	89,274

Regional Map

NEIGHBORHOOD DESCRIPTION AND ANALYSIS

The subject property consists of the residential portions of Neighborhoods C and D in Mountain House, California. As of the date of value there were 662 closed sales of detached residences in Neighborhood C and 292 in Neighborhood D. There are 15 active projects between the neighborhoods that are offering a variety of detached products.

Mountain House consists of 4,784 acres or about 7.5 square miles located in southwestern San Joaquin County. Interstate 205 forms the southern boundary, Old River forms the northern boundary, and the Alameda County line runs along the western boundary. Along the eastern edge is Mountain House Parkway and the Wicklund Cut. Mountain House is generally surrounded by rural homesites and agricultural land.

Access to the subject location is provided by Interstate 205 (Mountain House Parkway exit) and Patterson Pass Road. The streets that provide access to Mountain House residents are improved with asphalt paving, concrete curbs and gutters, street lights, and median dividers. Medians are attractively landscaped, and the layout of the development is functional.

The Master Plan proposes that Mountain House be developed with a neighborhood structure that permits easy access to schools, open space, commercial services, and transit. Residential development is contained in 12 neighborhoods, including 10 family neighborhoods and two active adult neighborhoods. Each of the 10 family neighborhoods contains a Neighborhood Center that includes a K-8 school, a park, a commercial area, and a transit stop. The majority of neighborhoods are separated by arterial streets with only local or collector streets occurring within the neighborhood. As of the date of value, four of the Neighborhoods (E, F, G, and H) have been fully developed or mostly developed. Grading and early infrastructure for the development of Neighborhoods A, B, I, J, and K has started.

Mountain House developed rapidly in the early 2000s but with the recession the real estate market was especially hard hit. In 2012 the strong real estate market returned to this area and since then the market has continued to be strong as is evidenced by high absorption rates and increasing asking prices in the active subdivisions surveyed. Real estate prices in Mountain House have continued to increase over the last several years and have reached and in some cases exceeded their former 2006-2007 peaks. The area will see continued development for approximately 20 years as it reaches maturity, but developers are anticipated to remain cautious in the short term.

At build-out the community is planned to have 15,500 households or approximately 50,000 people and over 20,000 onsite jobs which will be created by a planned 143-acre business park. As of the date of value of this appraisal there has been almost no commercial development. The majority of the proposed commercial development is planned to be south of Neighborhoods C and D and industrial development east of Neighborhood D.

Demand for major shopping and other services will be met by three Village Centers and a 39-acre Town Center. As of the date of value there are several small commercial buildings, but no shopping centers or grocery store. The nearest commercial uses are located in the City of Tracy, several miles east of the subject property.

PROPERTY DESCRIPTION AND ANALYSIS

The subject property includes the residential portions of Neighborhoods C and D in Mountain House, San Joaquin County, California. The property included in the appraised CFD is made up of improved, partially improved, and vacant land that is part of a master planned community. Both Neighborhoods are made up of multiple parcels with level topography. No soils report was provided for this analysis. This appraisal assumes the soil and subsoil conditions are suitable for development based on the existing development plan being implemented. The following is a description of the two neighborhoods appraised.

Neighborhood C

Neighborhood C includes plans for 1,014 single-family detached lots and an estimated 224 single-family attached units. All of the parcels are within San Joaquin County Assessor's parcel map books 209 and 262.

As of the date of value, almost all of Neighborhood C has been completed or is under construction, except for the 15.92 acres of land zoned for residential medium/high and high density uses. This area is located at south end of Neighborhood C. The specific plan suggests a total of 224 units are planned to be developed on the 15.92 acres of land zoned for medium/high and high density residential uses (APNs 262-020-03 and 262-020-04). Neither of the parcels has an approved tentative or final map, but a developer is actively pursuing an approved map. For the purpose of this appraisal a unit count is estimated at 224 units for the 15.92 acres, which is a density of 14 units per acre.

As of the date of the Appraiser's inspection, 662 single-family residences had been completed and were closed transactions to end users. Information provided indicates that as of October 26, 2018 there were 817 parcels in Neighborhood C with building permits issued.

Almost all of the property benefits from full street improvements that include signaled intersections, roundabouts and other typical suburban infrastructure. Infrastructure improvements include water and storm drain facilities, street lighting, public roads and concrete curbs, gutters and sidewalks. The purpose of the CFD Bonds is to assist in the funding of a neighborhood elementary school in Neighborhood D identified as Cordes Elementary School.

Neighborhood D

As of the date of value, Neighborhood D was in the process of being developed with all major roadways completed and significant development underway. Neighborhood D is already developed with the Mountain House High School (APN 209-045-30) and Fire Station 1 (APN 209-045-017). For the purpose of this appraisal the high school and the fire station are not included in the valuation estimates. There is an additional area that is planned for Cordes Elementary School and an adjacent park that are not included in this valuation (portions of APNs 209-045-037 and 209-045-038).

The portions of Neighborhood D included in this appraisal are planned to have 14 residential projects (including 1 attached project) that will deliver 1,274 single-family detached and attached residences. All of the parcels are within San Joaquin County Assessor's parcel map books 209 and 262. As of the date of the Appraiser's inspection, 292 single-family residences had been completed and were closed transactions to end users. Information provided indicates that as of October 26, 2018 there were 630 parcels in Neighborhood D with building permits issued and 389 permits were finalized.

Neighborhood D is crossed by the PG&E 230-kV Rio Oso-Tesla transmission line, which crosses the Neighborhood in a mostly northeast to southwest direction. There are additional setbacks from the easement required in the Master Plan that are 25 feet for housing and 10 feet for non-residential structures. All planned development must accommodate the setbacks.

Offsite Improvements

The primary access to the neighborhoods is from Mountain House Parkway, which provides access to Mountain House from Interstate 205. The planned project provides multiple access points to the neighborhoods that are typical of suburban residential uses.

Utilities

In 2015 Mountain House was in the news because during the drought the State Water Board threatened to stop or reduce the flow of water to Mountain House. The State Water Board had ordered an end to pumping water from the rivers and streams where the community was getting its water. However, the community had the proper water rights and the courts did not allow the water to be shut off. Interviews with market participants support that while some individuals were aware of this situation, they were still interested in purchasing a residence in Mountain House. The drought ended after significant rains and residential prices in the community have not indicated any concerns over water, but there is always risk associated with water supply.

Most utility services for the Mountain House community are provided by the Mountain House Community Services District (MHCSD) as required in the Master Plan. The MHCSD is providing domestic water service at Mountain House via existing and under-construction water lines constructed by Trimark and Shea Homes. Domestic water lines already exist along Bethany Road. The Byron Bethany Irrigation District (BBID), under contractual relations with the MHCSD, is providing water supply to the MHCSD. Neighborhoods C and D have been annexed to the MHCSD and BBID. The MHCSD water treatment plant is located on the north side of Byron Road north of the project area. The plant is constructed to handle 15 million gallons per day and has a firm maximum –day capacity of 12.5 million gallons per day as permitted by the State Department of Health Services. The plant is designed to serve an average daily demand of 10.2 million gallons per day. The plant is ultimately planned to have capacity for 20 million gallons per day. Once demand exceeds 12 million gallons per day the MHCSD will revise the plant's permit to allow the 20 million gallons per day. No expansion beyond what is already planned is needed to accommodate Neighborhoods C and D.

The MHCSD wastewater treatment plant is located north of Byron Road, northeast of the project area. The plant is designed to provide treatment for 5.4 million gallons per day. To serve the proposed projects a connection to the existing sewer backbone would be installed. No additional expansion of the plant is necessary to accommodate Neighborhoods C and D.

Electricity and natural gas are provided by Pacific Gas and Electric and are typical of suburban uses in the region.

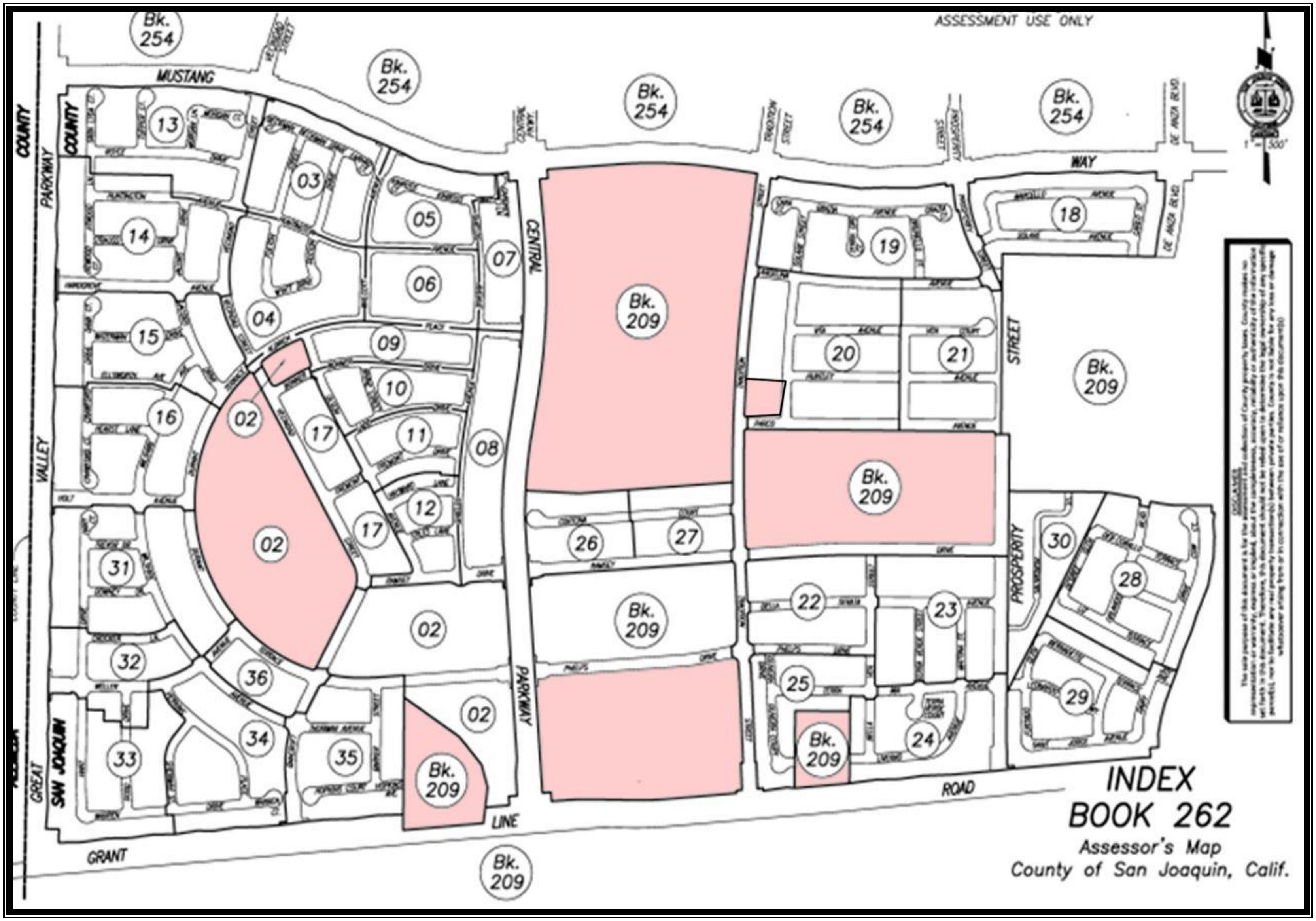
Hazardous Waste

At the time of the 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 estimate is 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.

Infrastructure and Development

Over 95% of the infrastructure for Neighborhood C and 75% of Neighborhood D has been developed with all backbone infrastructure. Both neighborhoods are in the process of being developed with various detached residences, but Neighborhood C is nearing full buildout of detached residences. Major roadways are in place and ready to be extended across the remaining areas of the neighborhoods. The properties are well suited to the planned development and infrastructure is being installed to accommodate the planned development on an as-needed basis.

The following map is from the San Joaquin County Assessor and includes the property appraised.



San Joaquin County Assessor Map – Neighborhoods C & D (highlighted areas are not included in this appraisal)

ZONING - LAND USE

Development of the subject property is under the jurisdiction of San Joaquin County and is specifically subject to a Master Plan development agreement. The Mountain House community includes a total of 4,791 acres of which the subject properties are the fifth and sixth phases of twelve. At this time, all of the detached subdivision maps for Neighborhoods C and D have received approval and have been recorded.

Development within the subject neighborhoods is set by Mountain House Specific Plans 2 and 3, which include five distinct residential land use categories. All of Neighborhood C is located in Mountain House Specific Plan 2, but Neighborhood D has portions located in Specific Plans 2 and 3. The Plans include the same five residential land use categories. All five categories are included in the areas appraised and are described as follows.

R-VL Zone: The Very-Low Density Residential (R-VL) Zone is intended as a transition from rural to urban areas allowing for detached, single-family dwellings on large lots located in areas with existing large lot development. This zone is intended to implement the Very Low-Density Residential land use category of the Master Plan.

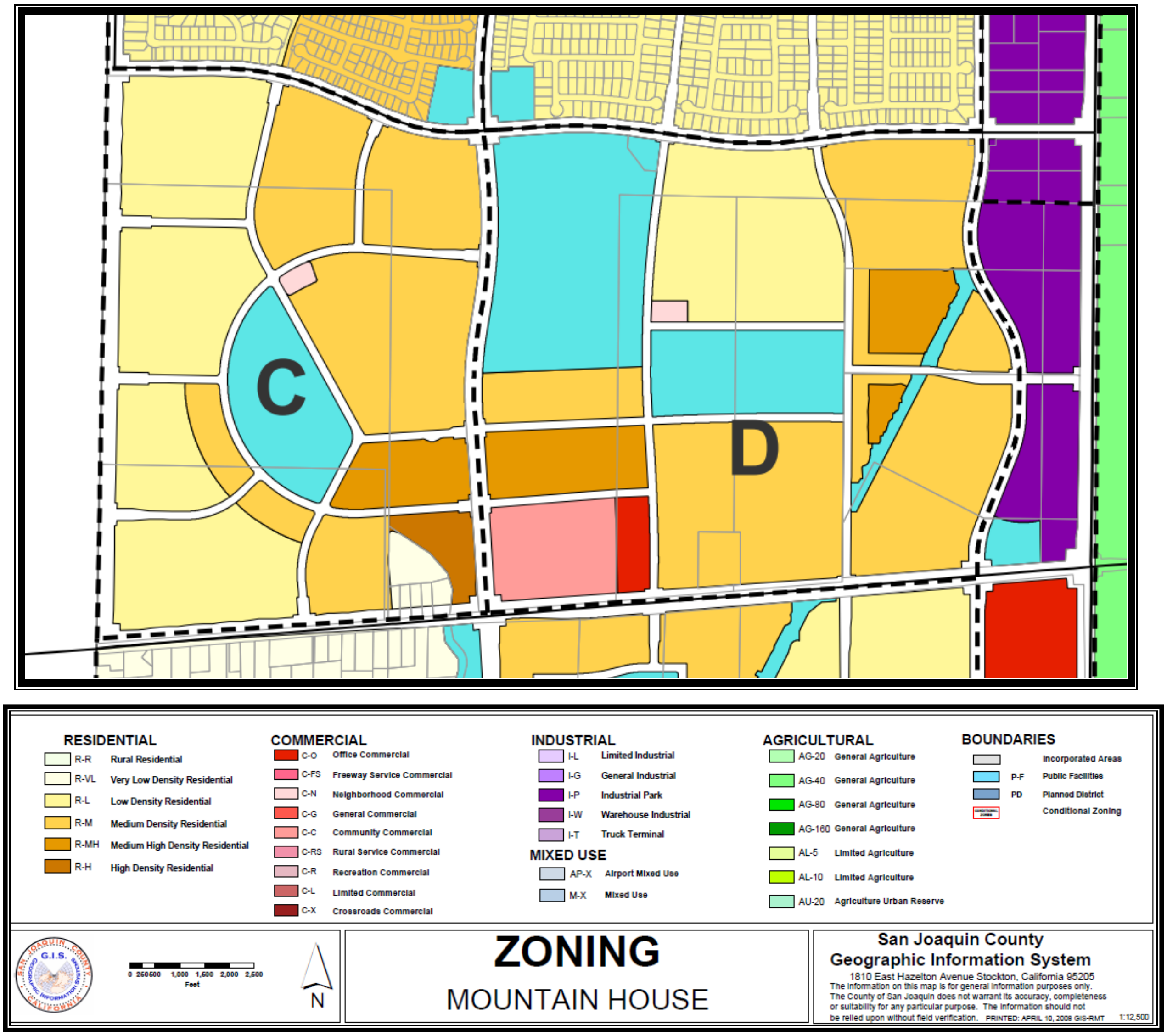
R-L Zone: The Low Density Residential (R-L) Zone is intended to provide for neighborhoods consisting of detached, single-family residences in an aggregate density range of 3.75 to 4.75 dwelling units per acre. Product types may include large lot single-family homes, to small lot zero lot line "patio" homes. This zone is intended to implement the Low-Density Residential land use category of the Master Plan.

R-M Zone: The Medium Density Residential (R-M) Zone is intended to accommodate detached single-family dwelling units and attached units in an aggregate density range of 5.7 to 7 dwelling units per acre including duplexes, triplexes, and four-plexes in neighborhoods most appropriately situated as buffers between less and more intensively developed residential areas or as transitions from residential to commercial areas. This zone includes specific requirements for small lots with a typical area less than 3,600 square feet, that allows both greater flexibility and requires that one model type be of a small size in order to meet the diversity and affordable home policies of the Master Plan. The zone is intended to implement the Medium Density Residential land use category of the Master Plan.

R-MH Zone: The Medium-High Density Residential (R-MH) Zone is intended to allow for higher density detached or attached housing units such as townhouses and garden apartments in central portions of urban communities, along major transportation routes, and around major commercial areas in an aggregate density range of 12 to 14 dwelling units per acre. This zone is intended to implement the Medium-High Density Residential land use category of the Master Plan.

R-H Zone: The High Density Residential (R-H) Zone is intended to encompass housing such as apartments, condominiums, and other multi-family housing units in an aggregate density range of 18 to 20 dwelling units per acre, located near major commercial and employment areas, and major transportation routes. This zone is intended to implement the High-Density Residential land use category of the Master Plan.

The following map outlines the location of the zoning districts in Neighborhoods C and D.



Zoning Map For Neighborhoods C and D

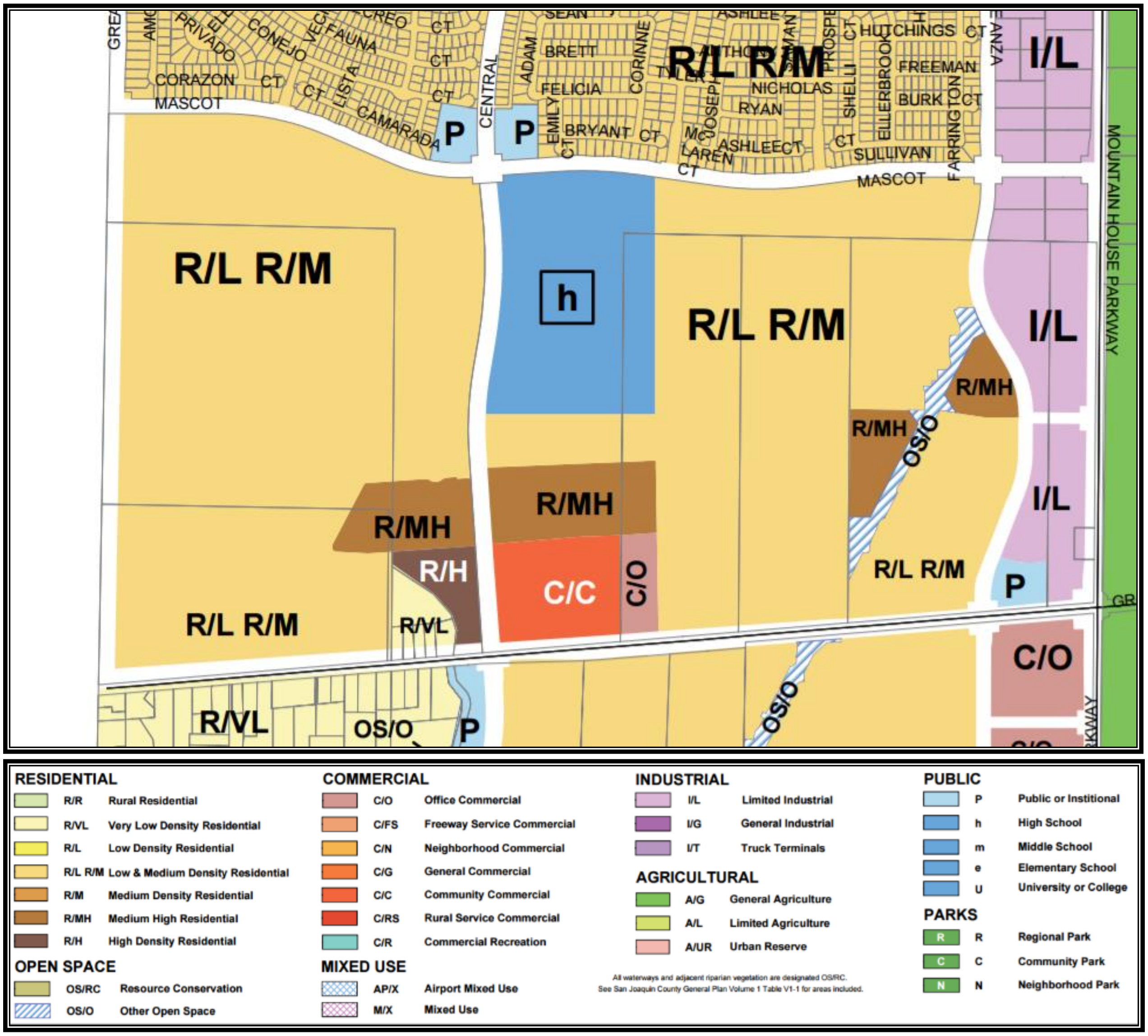
GENERAL PLAN – Land Use

The General Plan sets forth the goals, policies and directions the area will take in managing its future. California law requires each local government to adopt a local General Plan, which must contain at least seven elements: Land Use, Transportation, Housing, Conservation, Noise, Open Space and Safety.

The subject properties have a variety of residential designations that include low density residential, medium high residential, and high density residential as detailed on the map later in this section. These are briefly described in the following excerpt from the Master Plan for Specific Plan 3.

Table 3-2: Master Plan Land Use Designations in SP III

RESIDENTIAL	
Very Low Density Residential (R/VL)	R/VL uses consist of relatively large lot, single family detached homes within the existing Grant Line Village, south of Grant Line Road.
Low Density Residential (R/L)	Low Density Residential uses include a variety of single family dwelling unit types. Product types may include large-lot single family homes, to zero lot line "patio" homes.
Medium Density Residential (R/M)	Medium Density Residential provides for a wide variety of dwelling unit types, which include both detached and attached homes and may include small-lot detached units, duplexes, triplexes, low density town homes, or other housing types, such as second units.
Medium-High Density Residential (R/MH)	Medium-High Density Residential areas may include townhomes, garden apartments, and other attached residential uses.
High Density Residential (R/H)	High Density Residential uses are located on or near De Anza Blvd. and will provide housing in close proximity to employment. Housing types may include condominiums, townhomes, garden apartments, and other attached residential uses.



General Plan Land Use Map For Neighborhood C and D

krauss appraisal
REAL ESTATE VALUATION AND CONSULTING

SUPPLY AND DEMAND – ABSORPTION

At the time of this appraisal, all detached lots in Neighborhood C were approved for development and 817 building permits had been issued with 684 finalized permits. All detached lots in Neighborhood D were approved for development and 630 building permits had been issued with 389 finalized permits. The multi-family parcels have no approved plans or maps, but a developer is actively pursuing a medium density project in Neighborhood C. Neighborhood C was under the ownership of Shea Mountain House LLC which has been selling off lots in packages to developers. Shea Mountain House LLC has developed the Neighborhoods with a variety of finished lots. All of these tracts have been sold to developers or are in contract to be sold off in phases as the developer needs. Neighborhood D was developed with 13 tracts for detached products that have all been sold to developers or are in contract to be sold in phases.

As part of this valuation process, it is necessary to estimate how quickly the subject lots can be developed and sold to end users to estimate a demand for the finished lots and, therefore, arrive at a bulk sale value for the finished lots. The absorption estimate is a function of the supply and demand for the single-family homes that will be built in the coming years. A Market Absorption Study of the subject properties was completed by Empire Economics, Inc. (Empire) and reviewed by the Appraiser.

Many factors are reviewed in the Empire report, but four major factors outlined in the report are:

1) The market demand for homes in the CFD Market Area is based upon recent/expected economic and real estate factors, according to the Most Probable Economic Scenario. As the economy continues to expand at a strong rate, the employment growth will continue to provide further support for the housing market.

2) However, the strong rate of economic growth will generate upward pressure on interest rates, including higher mortgage rates, resulting in some households being adversely impacted by higher housing payments.

3) The competitive market analysis revealed that the currently active projects in the CFD have Base Prices and Special Taxes that are regarded as being competitive in the marketplace.

4) Given the anticipated development schedule for the forthcoming projects, Empire assumes that all of these projects will enter the marketplace in a timely manner in response to the demand for homes as the currently active projects are closed-out.

The concluded absorption from the report for the combination of Neighborhoods C and D is as follows:

Recent Absorption Rates:

2015: 3 projects, for a total of 103 homes escrow closings

2016: 6 projects for a total of 215 escrow closings

2017: 12 projects for a total of 317 escrow closings

January-September 2018: 13 projects with 314 escrow closings

Estimated Future Absorption Rates:

October-December 2018: 15 projects with 182 escrow closings

2019: 15 projects with 451 escrow closings

2020: 13 projects with 379 escrow closings

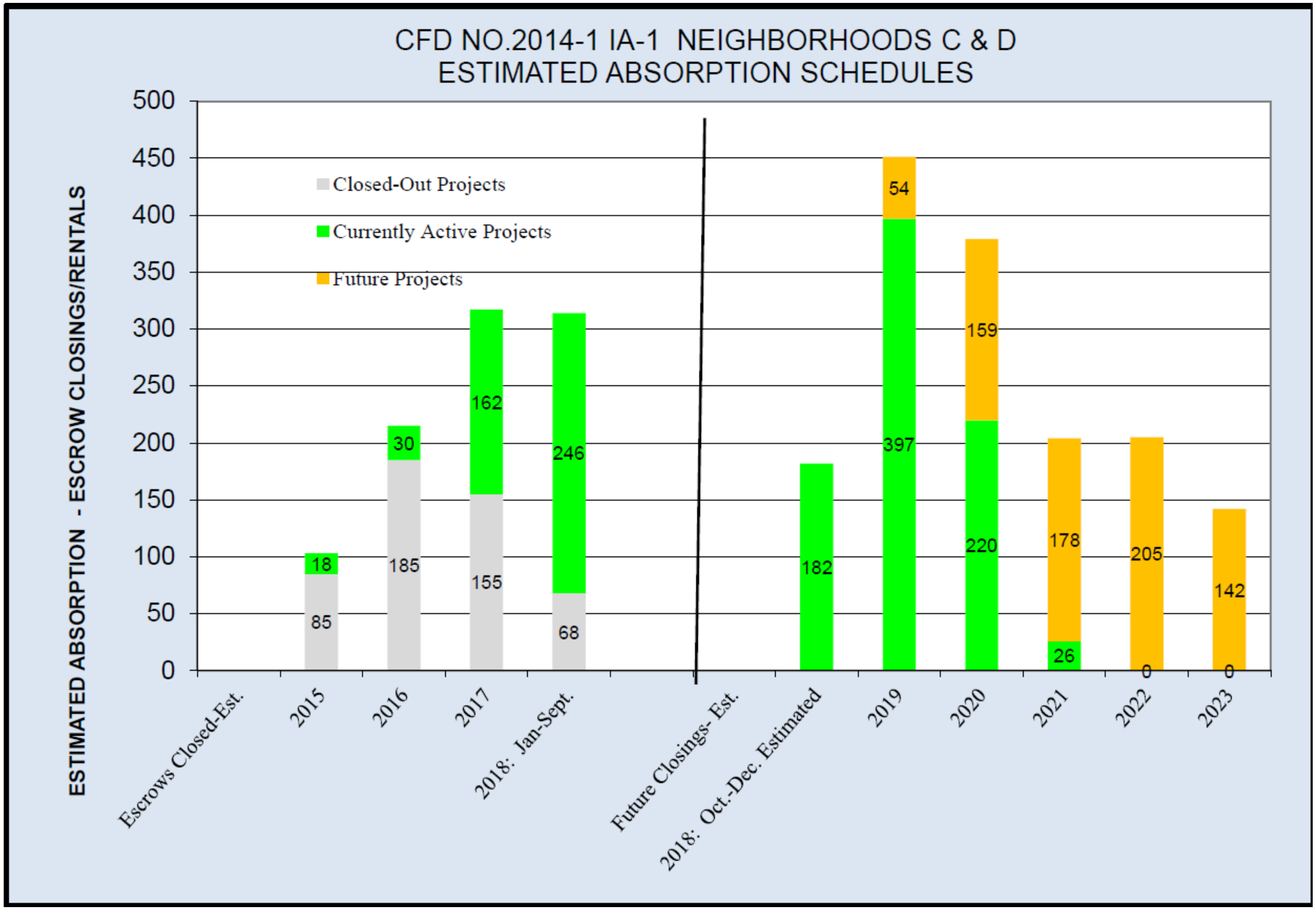
2021: 7 projects with 204 escrow closings

2022: 5 projects with 205 escrow closings (including 60 apartment rentals)

2023: 4 projects with 142 escrow closings (37 rentals), with all of the projects closing out

The estimated absorption schedules for the residential projects in the CFD are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders.

The following table from the Empire report details the estimated absorption for Neighborhoods C and D.



Empire Economics Absorption Schedule

The Empire report specifies the risk of forecasting the future market and states "The estimated absorption schedules for the residential projects in the CFD are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders."

Supply Analysis

The subject property is part of a larger development area known as Mountain House, which will eventually include up to 15,500 residential units. The closest location that will see similar growth is Lathrop, about fifteen miles east, which has a similar master planned community identified as River Islands. The most dramatic growth area in San Joaquin County over the past 10 years has been the community of Tracy, just three miles southeast of the subject location. Prior to the most recent recession, Tracy had 20 to 30 active subdivisions that were selling homes at a pace of 4 to 7 units per month.

Until November 2000, Tracy's growth management ordinance had restricted building permits to approximately 600 homes per year. In some years, demand exceeded this measured pace; in other years, demand was less than 600 units per year. In November 2000, the voters of Tracy approved a growth initiative that further limited the number of new single-family homes permitted each year. This measure essentially cut the permitted new housing to approximately 300 units per year. It was later determined, however, that subdivision maps which had been approved prior to the voter-approved initiative could proceed. Since then the existing supply of approved subdivisions has run out and all new development is subject to the growth restrictions. The existing entitlements enhance the demand and value of Mountain House.

Neighborhoods C and D are being built-out similar to the completed Neighborhoods of E, F, and G to the north. When construction of the portions of Neighborhood C in the CFD are completed, the neighborhood will be developed with 1,014 single-family dwelling units, not including the higher density residential uses. When construction in Neighborhood D is completed, the neighborhood will be developed with 1,086 single-family dwelling units, not including the higher density residential uses.

The most significant area of future supply will be River Islands in Lathrop, which will add 11,000 new homes over the next 10 to 20 years. The Lathrop area was similarly hard hit by the recession and downturn in the economy and real estate market. Also, similar to Mountain House, River Island has been selling houses rapidly for several years and has continually been able to increase asking prices. Over the past year, new homes in River Islands have been selling at a pace of 2 to 5 units per month in most of the active subdivisions. There are currently at least seven active subdivisions in Lathrop that have asking prices between $460,000 and $560,000. Mountain House homes have historically sold at a significant premium to homes in Lathrop and should continue to do so reflecting a location closer to Bay Area job markets. Average asking prices for new homes in Mountain House range from $510,000 (1,740 square feet) to $850,000 (3,610 square feet).

In the future, some competition may come from development identified as Tracy Hills, which is a master planned community located southeast of Mountain House. The project is 5,411 acres in size with 1,876 developable acres that are planned to add 4,704 residential units to the market. The timing of this project is uncertain and has been lingering for over a decade.

Demand Analysis

Absorption for the Property is estimated based on the economic report provided by Empire Economics. To gauge the demand for residential products at the subject location and to arrive at a specific estimate of absorption for the subject finished lots, the surrounding active subdivisions within Mountain House which are currently selling products were surveyed. Several subdivisions that are located in nearby competing areas were also surveyed. The results of this survey are included on the table later in this section. The prices reflected in the survey are base prices and all of the subdivisions offer upgrades that can add $5,000 to $50,000+ to the base price. In the current market, most buyers are adding between $10,000 and $40,000 in upgrades based on interviews with sales offices.

The survey included active subdivisions in Neighborhoods C and D as wells as several competing areas outside of Mountain House. The survey is relied on to support an estimate of absorption. The following is a survey of active subdivisions in the market including subdivisions that are anticipated to compete with the subject properties.

Survey of Active Subdivisions

Date of Survey: October 2018

Neighborhood Name / Builder	Total Lots	Typical Lot Size	Product SqFt	Base Price Range / Average Price	Price / SqFt	Sales Started	Total Closed / Pending	Remaining Inventory / Models	Monthly Absorption
Castaway	114	3,500	1,575	$368,990	$234	Q3-2018	5	78	2.5
Van Daele Homes			1,581	$392,935	$249		29	2	
River Islands, Lathrop, CA			1,776	$404,990	$228				
Wellington- Neighborhood C	67	6,000	3,160	$709,950	$225	Q1-2018	35	32	4.4
Richmond American Homes			3,210	$727,950	$227		unknown	3	
Mountain House, CA			3,460	$751,950	$217				
			3,590	$751,950	$209				
Savannah II- Neighborhood C	94	3,500	1,966	$500,000	$254	Q2 2018	23	71	4.6
Signature Homes			2,132	$500,000	$235		0	4	
Mountain House, CA			2,274	$500,000	$220				
			2,324	$550,000	$237				
Alta- Neighborhood C	71	autocourt	1,978	$559,000	$283	Q2 2018	0	71	0
Signature Homes			2,025		$0		0	4	
Mountain House, CA			2,150		$0				
			2,350	$602,000	$256				
Sundance- Neighborhood C	138	5,600	2,642	$694,900	$263	Q3 2017	32	89	2.13
TriPointe Homes			2,894	$756,900	$262		17	4	
Mountain House, CA			3,029	$777,900	$257				
			3,258	$796,990	$245				
Cascada- Neighborhood D	78	4,500	2,551	$591,990	$232	Q1 2018	41	37	4.1
Woodside Homes			2,809	$611,990	$218		unknown	3	
Mountain House, CA			3,053	$635,990	$208				
Ashford- Neighborhood C	117	5,500	3,101	$746,000	$241	Q1 2017	61	35	2.8
Shea Homes			3,406	$779,000	$229		21	4	
Mountain House, CA			3,476	$841,740	$242				
			3,494	$837,000	$240				
Prescott- Neighborhood C	117	5,500	2,484	$637,420	$257	Q4 2018	0	51	4.0
Shea Homes			2,706	$660,420	$244		4	2	
Mountain House, CA									
Inpirato- Neighborhood D	88	3,600	2,080	$581,950	$280	Q3 2017	58	30	4.5
Richmond American Homes			2,160	$598,950	$277		unknown	3	
Mountain House, CA			2,430	$628,950	$259				
			2,480	$633,950	$256				
Oliveto- Neighborhood D	88	3,570	2,120	$561,950	$265	Q2 2018	16	72	2.7
Richmond American Homes			2,440	$589,450	$242		unknown	3	
Mountain House, CA			2,560	$614,450	$240				
			2,620	$614,450	$235				

The survey of active subdivisions in the area support the absorption estimates provided in the Empire Report, which are relied on in this appraisal.

The median sale price for all listed attached and detached residences for San Joaquin County was $357,600 (www.trulia.com). The median sale price of homes in Mountain House is $617,000, up 6.7% over last year. Interviews with active subdivisions in Mountain House support that demand has slowed but is still strong.

The Appraiser interviewed multiple sales offices in Mountain House which reported that throughout 2018 they have seen a steady absorption of new homes. Several indicated that they have sold between 3 and 5 houses per month over the last couple of months, but sales have slowed recently. Most offices suggested traffic has been strong overall, but has slowed in recent months. Several pointed to the increase in lending rates and increased uncertainty in the market as the cause. It is also typical that the residential real estate market slows over the winter months.

Fears of another real estate bubble and increasing mortgage rates have increased uncertainty in the real estate market and economy, but overall those interviewed suggested they anticipate the market to at a minimum remain flat. Those that expressed a concern in the market suggested they do not anticipate a steep decline in prices, but rather a levelling off. Over the next several years, the real estate market is anticipated to follow closely with the overall economy. Developers have been careful to keep a limited supply of inventory and have been releasing houses in phases typically comprised of less than ten homes. It is anticipated that if the economy suffers a setback the real estate market will follow suit.

Conclusions

Over the past 20 years San Joaquin County has been one of the strongest growth areas in Northern California and has also been one of the hardest hit by the recent recession. With a transition from an agriculturally based economy to a more technological based economy the area has seen a rapid increase in population and employment opportunities. However, the area is still considered to have a less stable economy than areas closer to the major employment centers. Since 2012 demand has returned to this area which has been fueled by increased optimism in the economy and a strong technology sector in the San Francisco Bay Area. With rental rates increasing at very rapid rates in the Bay Area many families are opting to buy a house in San Joaquin County rather than continuing to rent in the Bay Area.

Over the last several years developers sold homes at a pace that hadn't been seen since 2007. Developers started increasing prices around mid-2012 and prices have continued to increase and are now at or above pre-recession levels. Mountain House offers multiple products that are of good quality and are desirable to home buyers looking for a larger house that is more affordable than those in central Bay Area locations.

In the next several years it is anticipated that the subject project will benefit from its good location just northwest of Tracy, as well as from being a highly planned community. Tracy has not been able to provide a sufficient housing supply because of growth limitations. There will be some competition from Lathrop and Tracy, with River Islands subdivision in Lathrop providing the most similar product in the area. The subject location is considered superior to other developments to the east and north because of its closer proximity to the urban employment centers of the greater San Francisco Bay Area.

As long as the economy remains stable it is anticipated that at any given time, it is likely that there will be seven or more subdivisions offering single family detached and attached homes at different locations within Mountain House. It is anticipated that these subdivisions will sell homes at a pace of two to four dwelling units per month and will be able to close these homes at a similar pace. As indicated above, this absorption is contingent on the national and local economy continuing to remain stable.

The absorption estimate is based on the Market Absorption Study provided by Empire Economics, Inc. and the previous supply and demand analysis prepared by the Appraiser. The following table outlines the status of the lots in Neighborhoods C and D as of the date of value:

Neighborhood C **Breakdown as of Oct. 26, 2018**	**# of Each**
Planned Attached Lots	224
Finished Lots	197
Residences Under Construction	133
Finished Residences	684
Total	**1,238**

Neighborhood D (includes D2 & D4) **Breakdown as of Oct. 26, 2018**	**# of Each**
Planned Attached Lots	188
Finished Lots	283
D2 and D4 Lots	173
Residences Under Construction	241
Finished Residences	389
Total	**1,274**

Current development in Neighborhood C ranges from low to medium high density on lots that are generally between 2,500 and 7,500 square feet. It is estimated that groups of lots can be sold following the required infrastructure construction. Lots will be absorbed at a pace consistent with the absorption analysis as described earlier in this report.

The Empire Economic Report indicates the remaining supply of detached properties held by developers in Neighborhood C will sell out within three years. In Neighborhood C there are currently 330 detached finished lots or lots with pending building permits. Under the assumption that there will be an average of four subdivisions offering product at any one time and selling two to four units per month, the existing inventory would be exhausted between 22 and 42 months. Given the historical strong demand and the historical absorption this range is reasonable. Barring any major economic downturn, it is anticipated the project will sell out closer to the low end of the range.

The Empire Economic Report indicates the remaining supply of properties held by developers in Neighborhood D will sell out within five years. At the current absorption rate of two to four sales a month per active subdivision (11 open subdivisions) this estimate is reasonable. In Neighborhood D there are currently 697 finished detached lots or lots with pending building permits. Under the assumption that there will be an average of eight subdivisions offering product at any one time and selling two to four units per month, the existing inventory would be exhausted between 22 months and 44 months. Barring any major economic downturn, it is anticipated the project will sell out closer to the low end of the range.

The following tables summarize the estimated absorption for the various land uses within the two neighborhoods. The absorption estimates will be used in the discounted cash flow later in this appraisal report.

Annual Sales Projection - Neighborhood C

Residential Uses

Lot Type/Category	Total Res. Units	SFR Completed or Under Construction	Remaining Units	Year 1	Year 2	Year 3	Year 4	Year 5
Category A - Less than 3,999 sf								
Subtotal Smallest Lots	173	122	51	34	17	-	-	-
Category B - 4,000 sf to 4,999 sf								
Subtotal Med./Small Lots	139	139	-	-	-	-	-	-
Category C - 5,000 sf to 5,999 sf								
Subtotal Larger Lots	245	187	58	30	28	-	-	-
Category D - 6,000+ sf								
Subtotal Largest Lots	457	369	88	30	40	18	-	-
Category E - Attached Units								
Subtotal Small Lots	224	0	224	35	45	55	45	30
Total Neighborhood C	1,238	817	421	129	130	73	45	30
		Total Sales Per Year		129	130	73	45	30
		Sales Per Month		10.8	10.8	6.1	3.8	2.5

Annual Sales Projection - Neighborhood D

Residential Uses

Lot Type/Category	Total Res. Units	SFR Completed or Under Construction	Remaining Units	Year 1	Year 2	Year 3	Year 4	Year 5
Category A - Less than 3,999 sf								
Subtotal Smallest Lots	323	10	313	93	68	69	45	38
Category B - 4,000 sf to 4,999 sf								
Subtotal Med./Small Lots	327	213	114	75	39	-	-	-
Category C - 5,000 sf to 5,999 sf								
Subtotal Larger Lots	374	272	102	40	40	22	-	-
Category D - 6,000+ sf								
Subtotal Largest Lots	62	42	20	20	-	-	-	-
Category E - Attached Units								
Subtotal Small Lots	188	0	188	-	36	40	48	64
Total Neighborhood D	1,274	537	737	228	183	131	93	102
		Total Sales Per Year		228	183	131	93	102
		Sales Per Month		19.0	15.3	10.9	7.8	8.5

HIGHEST AND BEST USE

Highest and best use is defined as "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." This analysis is applied to the property as though vacant and as improved. The as though vacant analysis will determine if the highest and best use is to leave the site vacant or to improve it. If the conclusion is to improve the site, an ideal improvement is also concluded. The as improved analysis compares the existing improvements to the ideal improvements.

The four tests or criteria applied in highest and best use analysis, both as though vacant and as improved, are:

1) Legally permissible (conforming to zoning, general plan, and any other legal restrictions)
2) Physically possible (site topography, size, access, utilities, etc.)
3) Financially feasible (Is there market demand for the site/improvements?)
4) Maximally productive (Which use that meets the first three tests will produce the highest return?)

AS THOUGH VACANT

Legally Permissible

The subject property is part of an approved master-planned development in western San Joaquin County. The larger development is planned to be built out as a suburban community with commercial and public uses. The zoning and the general plan suggest a variety of uses for vacant land in a well-planned community. The properties appraised in this report are all zoned for varying residential uses. Most legal uses are detached residences, but there are some parcels that are approved for higher density residential development.

The remaining vacant lots in Neighborhoods C and D are zoned for residential or public uses. The land that is zoned for public use is not included in this appraisal. Developing the subject properties with the designated uses is a legal use of the properties and is consistent with the surrounding uses and larger development. The legally permissible use of the subject properties is well-defined and consistent with the current land use regulations.

Physically Possible

As described earlier in this report, the subject parcels are part of a master planned community and are designated for a variety of residential uses. These uses include single-family homes and a variety of higher density residential uses. The Neighborhoods have level topography and are well suited for development. The proposed uses are typical of similar residential development and developing the site with the planned legally permissible use is physically possible.

Financially Feasible

The strong performance of publicly traded companies such as Lennar, Meritage Homes Corp., CalAtlantic Group, Inc. (formerly Standard Pacific), Pulte Group, Inc., and others suggest that construction of residential projects in developments such as Mountain House are a financially feasible and profitable use. As the economy remains strong, so has the demand for single-family residences throughout the Bay Area and Central Valley. All of the sales offices interviewed in Mountain House suggested that demand and asking prices have been strong and are anticipated continue to be strong. The financially feasible use of the subject property is to develop it with the planned community. Development of the higher density residential uses will lag behind the detached residential uses because of the limited demand for them in this location at this time.

Maximally Productive

The maximally productive use of a property is that use which brings the greatest return given that it meets the three tests above. The legal use of the subject property is set by the current subdivision maps and the construction of homes has proven profitable. As a result, the most productive use of the subject property is to continue the development of the master planned community of Mountain House.

Conclusion

In conclusion, the highest and best use of the subject property is to develop the Neighborhoods as planned, at a pace that is consistent with demand. Demand has remained strong over the last five years and is anticipated to remain stable as long as the economy does not suffer any setbacks. The higher density residential uses will likely not be developed until they are in demand. Developers interviewed suggested that if the current economy and real estate market remain strong there could be some development of a higher density residential use, but some suggest this will not happen until additional commercial uses are developed. Currently detached single-family residences are in demand in this location.

AS IMPROVED

Legally Permissible

There have been 954 completed and closed sales of single-family residences in the neighborhoods appraised. The improved properties are all being developed as planned and are legally permissible uses that conform to the sites zoning.

Physically Possible

As described earlier in this report, the improved properties are part of a master planned community that has designated them for a variety of residential uses. The improved properties are approved for single-family uses and the existing improvements were constructed in the last four+ years and are physically possible as supported by their existence.

Financially Feasible

The improved properties were developed by home builders to be sold to end users and have been well received in the market. The developed parcels have been absorbed in the market by end users at a rate that is typical of the area. The financially feasible use of the improved properties is the continued use as single-family residences.

Maximally Productive

The maximally productive use of a property is that use which brings the greatest return given that it meets the three tests above. The legal use of the subject property is set by the current subdivision maps and the construction of homes has proven profitable. As a result, the most productive use of the subject property is the continued use as a residential development and to complete the residences that are planned and under construction.

Conclusion

In conclusion, the highest and best use of the improved properties is the continued use as part of a single-family residential subdivision in the master planned community.

APPRAISAL METHODOLOGY

The purpose of this Appraisal is to estimate the current market value for the portions of Neighborhoods C and D of Mountain House that are included in the CFD. The subject property is in the process of being developed and is planned to continue to be developed until all units are sold. Current development is primarily single-family residences, but the subject property also includes some high-density residential uses planned for the future. Various commercial and public uses are also planned, but are not included in this appraisal.

There are three generally accepted approaches to estimating the market value of real estate. These are the Cost Approach, the Sales Comparison Approach, and the Income Approach. All three approaches rely on market data which is analyzed independently of the other approaches to arrive at an indication of the subject's value.

The subject property currently includes unimproved residential land, developed, and developing properties. To value the subject property, several approaches are relied on including a discounted cash flow model that forecasts the development and sales process of the subject property (developed building sites) over the next several years. In the subject area, parcels intended for residential development are typically marketed by developers as developed subdivision parcels (finished lots) that are purchased by merchant builders, who build the retail finished products, i.e., single family homes.

These parcels are generally purchased by merchant builders in increments of 25 to 200 lots and buyers pay an amount for the paper lots plus the cost to build out the land to a semi-finished product. The product that is sold is a finished development pad to which is supplied backbone infrastructure including collector streets, sewer, water, electrical service, as well as improved public use parcels such as parks and open space. The merchant builders generally will finish out the residential lots that have received final subdivision map approval. The cost to finish out lots typically ranges from $10,000 to $30,000 with additional Master Development fees that generally range from $28,000 to $35,000 per lot that are paid by the merchant builders.

To arrive at a current value estimate for the subject property, sales prices are estimated for the subject lots based on recent sales. Then an absorption period is estimated for the remaining finished lots, based on the absorption analysis discussed earlier in this report. From these projected annual revenues, holding costs such as taxes, cost of sales, an administration and entitlement cost are deducted.

The net annual revenue is then discounted at a rate which is appropriate to the risk and opportunity cost for this type of investment and which allows for a profit to the land developer. The resulting present value calculation yields an estimate of value for the subject property on an 'as is' basis net of assessment district liens and future special tax levies.

In summary, the valuation methodology used in this analysis draws from the three basic approaches to market value - those being the income approach, as this method processes income generated from the sale of development parcels; direct sales comparison as the basis for the estimated product sales in comparison with other sale properties in the competing area; and the cost approach in that the cash flow model recognizes costs to create the land products.

Those approaches that are appropriate to the valuation problem are applied, and, finally, the Appraiser considers each indication of value in reconciling to a final value conclusion.

MARKET VALUE OF FINISHED OR UNDER CONSTRUCTION SINGLE-FAMILY RESIDENCES

In appraisals for land secured financing it is often appropriate to rely on what is identified as Mass Appraisal, Development Reporting as outlined in Standard 6 of USPAP. When an entire tract or project has been built and fully absorbed, the appraiser may use an aggregate value estimate, which utilizes a conservative per dwelling unit estimate. As of October 26, 2018, the most recent data indicated there were 817 development permits issued for single-family residences in Neighborhood C with 684 finalized permits and 133 pending. As of October 26, 2018, Neighborhood D had 630 development permits issued with 389 finalized and 241 pending permits.

The market value of the improved residences is estimated using mass appraisal techniques. The sales of finished residences dates back to 2014 and a value is estimated for the sales using a combination of values based on Assessor's records and actual sales of finished residences. An average market value of all residences located in each tract is estimated and applied to the finished residences and residences under construction.

The assessed values are based on the market value of the properties at the time of the most recent transfer of ownership and is inflated by no more than 2% per year under Proposition 13.

The current assessed values represent transactions from within the last four years and provide a conservative value estimate for the improved properties. However, the assessor information only accounts for properties that have sold and been updated in the Assessor's records.

A review of Assessor's records supports an aggregate value for all sold improved properties in Neighborhood C of $376,900,000, or $585,250 per unit, rounded. This accounts for 645 residences that are included in the current tax roll. Many other homes have sold, but have yet to be assessed and are not included. There is no significant data for Neighborhood D, because of the more recent development of the area.

The value estimates based on Assessor's records are conservative given that they do not account for changes in the market and are capped at a maximum of 2% appreciation per year. The value estimates under this approach are anticipated to set the low end of the range.

The market value of the improved properties is also estimated by relying on a sales comparison approach. This approach estimates the average market value of a residence in each of the development tracts. The average market value of a finished residence in each tract is estimated based on sales of finished residences in the various tracts. The following table outlines the estimated value of an average finished residence in each tract and concludes with a value for all of the improved residences in each tract.

A value for the properties with pending building permits is estimated based on a physical survey of the properties completed by the Appraiser as well as information provided. There are 133 parcels in Neighborhood C and 241 in Neighborhood D that have pending building permits. The properties that are under construction represent properties that range from only having the foundation poured to properties that are only days from being completed. A value for the unfinished but permitted properties is estimated at 50% of the estimated average market value per finished residence. The following tables identify the estimated values of the finished residences and residences under construction.

Value of Completed or Under Construction Residences - Neighborhood C

As of October 2018

Subdivision	Total Units in Tracts	Completed Construction	Under Construction	Est. Average Market Value	Est. Value of Completed SFR	Est. Value of Under Const. SFR
Tract 3648	129	127	2	$775,000	$98,425,000	$775,000
Tract 3649	113	111	0	$700,000	$77,700,000	$0
Tract 3650	102	102	0	$510,000	$52,020,000	$0
Tract 3651	77	77	0	$650,000	$50,050,000	$0
Tract 3652	139	139	0	$610,000	$84,790,000	$0
Tract 3653	117	70	47	$800,000	$56,000,000	$18,800,000
Tract 3654	67	8	35	$775,000	$6,200,000	$13,562,500
Tract 3655	46	46	0	$630,000	$28,980,000	$0
Tract 3814	55	0	6	$725,000	$0	$2,175,000
Tract 3656	98	0	23	$775,000	$0	$8,912,500
Tract 3657	71	4	20	$550,000	$2,200,000	$5,500,000
TOTAL, rounded	**1,014**	**684**	**133**		**$456,365,000**	**$49,725,000**

Value of Completed or Under Construction Residences - Neighborhood D

As of October 2018

Subdivision	Total Units in Tracts	Completed Construction	Under Construction	Est. Average Market Value	Est. Value of Completed SFR	Est. Value of Under Const. SFR
Tract 3671	56	0	29	$550,000	$0	$7,975,000
	49	0	0	$525,000	$0	$0
	124	0	0	$525,000	$0	$0
Tract 3854	94	14	22	$550,000	$7,700,000	$6,050,000
Tract 3852	88	33	36	$600,000	$19,800,000	$10,800,000
Tract 3848	82	76	6	$620,000	$47,120,000	$1,860,000
Tract 3853	88	6	23	$590,000	$3,540,000	$6,785,000
Tract 3615	69	1	42	$610,000	$610,000	$12,810,000
Tract 3617	81	73	7	$645,000	$47,085,000	$2,257,500
Tract 3850	138	51	24	$600,000	$30,600,000	$7,200,000
Tract 3851	78	19	32	$750,000	$14,250,000	$12,000,000
Tract 3616	77	70	7	$700,000	$49,000,000	$2,450,000
Tract 3849	62	45	13	$765,000	$34,425,000	$4,972,500
TOTAL, rounded	**1,086**	**388**	**241**		**$254,130,000**	**$75,160,000**

The final estimate of value is based on the sales comparison analysis with support from the Assessor's office values. A final value of the improved residences in Neighborhood C is $456,365,000 or $667,000 per residence, rounded and for Neighborhood D is $254,130,000 $655,000 per residence, rounded.

In addition, the market value of the properties that are permitted for construction and in various phases are estimated for Neighborhood C at $49,725,000 or $374,000 per residence and for Neighborhood D is $75,160,000 or $312,000 per residence, rounded.

SALES COMPARISON APPROACH – Finished Lots

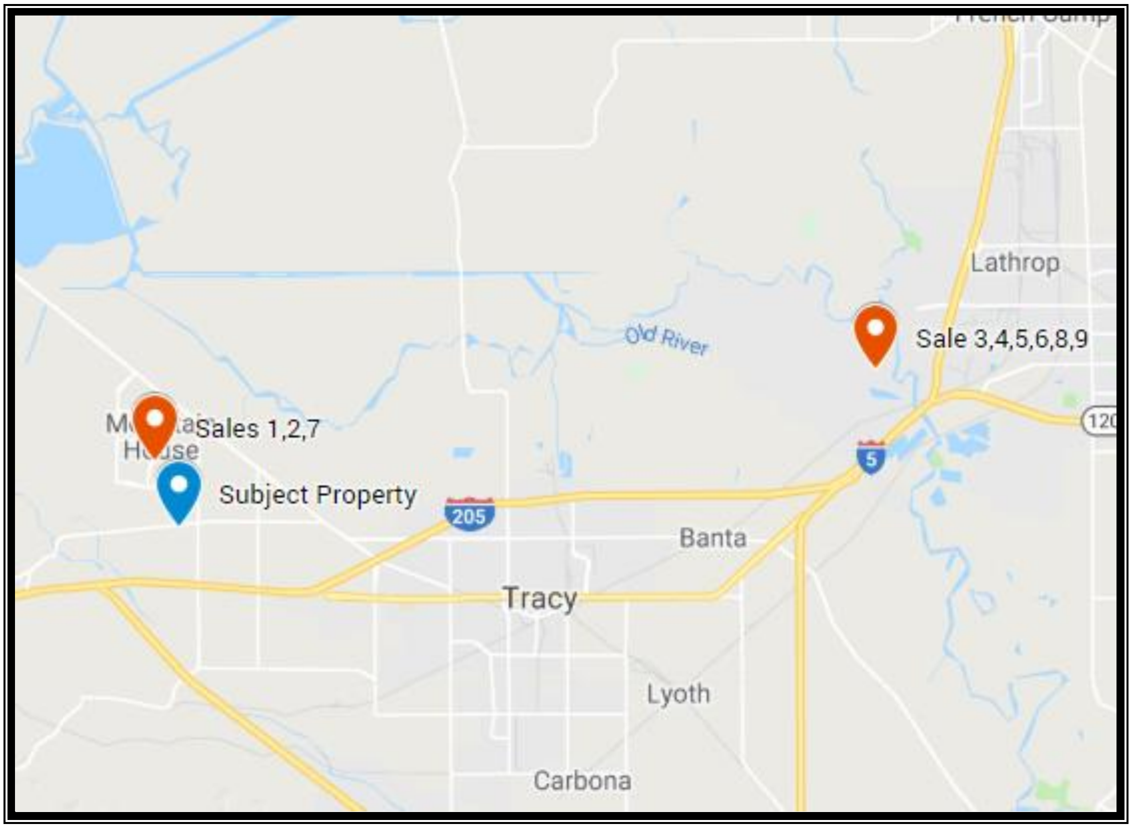
The sales comparison approach is a method of comparing the subject property to recent sales, listings and offers of similar types of properties located in the subject or competing areas. The most similar sales are analyzed based on the degree of comparability between the subject and the sale properties, the length of time since the sale transactions were completed, the accuracy of the sales data, and the absence of unusual conditions affecting the sale. Appropriate units of comparison are identified and compared to the subject property.

Sales of comparable properties were researched to estimate a value for the subject property. For this analysis, comparable sales were selected that are similar to the subject in regard to use, location and topography. The unit of comparison most mentioned by market participants for valuing single family residences or lots is the price per lot or residence. The unit of comparison most often used to value vacant multi-family land is the price per dwelling unit anticipated or entitled for development. In this report a value will be estimated for the various properties based on the appropriate unit of comparison.

The sales summarized on the following page have been used to arrive at an estimate of value for the finished lots. They were selected for their similarity to the subject property in terms of potential use, location and date of sale.

RESIDENTIAL LAND SALES SUMMARY

Sale No.	Location	Sale Date / Grantor / Grantee	Price / Acres	Units / Density	Zoning / Lot Size	Price Per Unit	Comment
Finished Lot Sales							
1	Mountain House Tract 3654 (38-70)	Apr-18 Mountain House Dev. LLC Richmond American	$5,377,500 7.7	30 3.9	R-L 8,000	$179,250	Finished lots within a master planned community in Mountain House.
2	Mountain House Tract 3653	Dec-16 Mountain House Dev. LLC Shea Homes LP	$9,300,000 11.0	60 5.5	R-L 7,500	$155,000	Finished lots within a master planned community in Mountain House.
3	River Islands Lathrop, CA	Oct-16 River Islands at Lathrop Tim Lewis	$11,308,939	97 5.0	RL-RI 5,000	$116,600	97 finished lots with an average lot size of 5,000 square feet.
4	River Islands Lathrop, CA	Jun-16 River Islands at Lathrop Van Daele	$17,190,000	131 4.5	RL-RI 6,000	$131,200	131 finsihed lots with an average lot size of 6,000 square feet.
5	River Islands Lathrop, CA	Sep-16 River Islands at Lathrop New Home Co.	$16,060,600	131 5.0	RL-RI 4,950	$122,600	131 finished lots in River Islands. Average lot size is 4,950 square feet.
6	River Islands Lathrop, CA	Mar-16 River Islands at Lathrop Kiper	$15,867,819	145 5.5	RL-RI 4,320	$109,400	145 finished lots in River Islands. Average lot size is 4,050 square feet.
7	18601 W. Grant Line Rd. Mountain House, CA	Apr-18 Mountain House Dev. LLC Richmond American	$6,731,272 4.9	42 8.5	R-M 4,400	$160,300	42 finished lots with level topography. Located in Mountain House.
8	Tract 3875 (por) Lathrop, CA	Feb-18 River Islands Dev., LLC River Islands 131 LLC	$1,320,000 2.7	11 4.2	RL-RI 8,300	$120,000	11 Finished lots in River Islands. Phased sale.
9	Tract 3864 (por) Lathrop, CA	Feb-18 River Islands Dev., LLC Kiper	$2,381,874 2.8	22 7.9	RL-RI 5,500	$108,300	22 Finished lots in River Islands. Phased sale.



Comparable Sales Map - Finished Lot Sales

COMMENTS REGARDING LAND SALE COMPARABLES

Land Sale 1

This is the sale of 30 residential lots that are located in Neighborhood C of Mountain House. The lots were purchased by Richmond American Homes from Mountain House Developers who intended to develop them with single-family residences. This is a phased takedown of a larger acquisition by the merchant builder. The average size lot is 8,000 square feet. All public utilities and infrastructure are in place to the sites and they are ready to be developed.

Land Sale 2

This is the sale of 60 residential lots that are located in Neighborhood C of Mountain House. The lots were purchased by Shea Homes from Mountain House Developers who intended to develop them with single-family residences. The average size lot is 7,500 square feet. All public utilities and infrastructure are in place to the sites and they are ready to be developed.

Land Sale 3

This is the sale of 97 residential lots that were purchased by Tim Lewis for $116,600 per lot. These lots are located in River Islands and were purchased as finished lots. The merchant builder is taking the group down in phases and closed on 12 lots on October 15, 2016 for a cost of $1,238,000. The total sale price was $11,308,939, which included $1,164,000 of capital facility fees. The sale is part of River Islands, a master planned community that is being developed by multiple developers simultaneously. These lots average 5,000 square feet in size. The seller indicated the sale was a market transaction.

Land Sale 4

This is the sale of 131 residential lots that were purchased by Van Daele for $131,221 per lot. These lots are located in River Islands and were purchased as finished lots. The merchant builder is taking the group down in phases and closed on 34 lots on June 20, 2016 for a cost of $4,386,000. The total sale price was $17,190,000, which includes $1,703,000 of capital facility fees. The sale is part of River Islands, a master planned community that is being developed by multiple developers simultaneously. These lots average 6,000 square feet in size. The seller indicated the sale was a market transaction.

Land Sale 5

This is the sale of 131 residential lots that were purchased by New Home Company for $122,600 per lot. These lots are located in River Islands and were purchased as finished lots. The merchant builder is taking the group down in phases and closed on 12 lots on September 2, 2016 for a cost of $1,471,200. The total sale price was $16,060,600, which includes $1,572,000 of capital facility fees. The sale is part of River Islands, a master planned community that is being developed by multiple developers simultaneously. These lots average 4,950 square feet in size. The seller indicated the sale was a market transaction.

Land Sale 6

This is the sale of 145 residential lots that were purchased by Kiper Homes for $109,400 per lot. These lots are located in River Islands and were purchased as finished lots. The merchant builder is taking the group down in phases and closed on 48 lots on March 31, 2016 for a cost of $1,450,000. The total sale price was $14,417,819, which includes $1,450,000 of capital facility fees. The sale is part of River Islands, a master planned community that is being developed by multiple developers simultaneously. These lots average 4,050 square feet in size. The seller indicated the sale was a market transaction.

Land Sale 7

This is the sale of 42 residential lots that are located in Neighborhood C of Mountain House. The lots were purchased by Richmond American Homes from Mountain House Developers who intended to develop them with single-family residences. This is a phased take down of a larger acquisition by the merchant builder. The average size lot is 4,400 square feet. All public utilities and infrastructure are in place to the sites and they are ready to be developed.

Land Sale 8

This is the sale of 11 residential lots that are located in River Islands. The lots were purchased by a developer from River Islands Developers who intended to develop them with single-family residences. This is a phased take down of a larger acquisition by the merchant builder. The average size lot is 8,300 square feet. All public utilities and infrastructure are in place to the sites and they are ready to be developed.

Land Sale 9

This is the sale of 22 residential lots that are located in River Islands. The lots were purchased by a developer from River Islands Developers who intended to develop them with single-family residences. This is a phased take down of a larger acquisition by the developer. The average size lot is 5,500 square feet. All public utilities and infrastructure are in place to the sites and they are ready to be developed.

In addition to the closed transactions there are multiple tracts that are in contract in Neighborhood D for undisclosed amounts. Interviews with parties involved with recent sales in Neighborhoods C and D were interviewed and indicated prices have increased slightly in recent years. The details of the contracts are confidential, but recent finished lot sales have ranged from $132,500 (4,200 square foot per lot - auto court product) to $190,000 (6,500 square foot lot) per lot. Due to the private nature of the contracts the parties were not allowed to reveal any additional information.

LAND SALES ADJUSTMENTS

This section estimates a value for the remaining and planned finished lots that are in Neighborhoods C and D. All of the finished lots in Neighborhoods C and D have been sold or are in contract to be sold to various developers. The finished lots range in size from approximately 2,500 to over 7,500 square feet.

The absorption of finished single-family residences has been steady over the last five years and developers are continuing to develop smaller phases. A representative from DR Horton was interviewed and indicated that they are capable of buying finished lots in Mountain House and breaking ground within six months. That representative stated that outside of Mountain House the interval between purchasing lots and starting construction is even shorter, but Mountain House has several permitting hurdles that slow down the development process. The representative also indicated that on average it takes them three and a half months to finish a house. A representative from Shea Homes indicated once they have the necessary permits they can finish a house in three months.

The sales summarized on the previous pages have been used to arrive at an estimate of value for the vacant land intended for residential home development throughout the subject property. The comparable sales were selected for their similarity to the expected sales to occur for the subject property in terms of potential use, location, and date of sale.

The following adjustment grid was created to account for differences between the subject property and the comparable sales. When possible, the adjustments are based on quantifiable evidence; however, some adjustments, such as location, are more subjective. The Appraiser based these adjustments on personal experience with the market, as well as interviews with real estate brokers, property owners, or others involved with the transactions. The following table outlines the adjustments made to the comparable sales.

Land Sales Adjustment Table

Element of Comparison	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9
Sale Price Per Lot	-	$179,250	$155,000	$116,600	$131,200	$122,600	$109,400	$160,300	$120,000	$108,300
Real Property	Fee									
Rights Conveyed	Simple	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		$179,250	$155,000	$116,600	$131,200	$122,600	$109,400	$160,300	$120,000	$108,300
Financing	Cash to	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price	Seller	$179,250	$155,000	$116,600	$131,200	$122,600	$109,400	$160,300	$120,000	$108,300
Conditions of Sale	At Market	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		$179,250	$155,000	$116,600	$131,200	$122,600	$109,400	$160,300	$120,000	$108,300
Market Conditions	-	3.0%	11.0%	12.0%	14.0%	12.5%	15.5%	3.0%	4.0%	4.0%
Adjusted Price		$184,628	$172,050	$130,592	$149,568	$137,925	$126,357	$165,109	$124,800	$112,632
Location	MH	0%	0%	20%	20%	20%	20%	0%	0%	20%
Entitlements	Approved	0%	0%	0%	0%	0%	0%	0%	0%	0%
Zoning	Mixed	0%	0%	0%	0%	0%	0%	0%	0%	0%
Topography/Shape/Size	Mostly Level	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Adjustment		0%	0%	20%	20%	20%	20%	0%	0%	20%
ESTIMATED PRICE PER LOT		$185,000	$172,000	$157,000	$179,000	$166,000	$152,000	$165,000	$125,000	$135,000

The foregoing data has been adjusted in an attempt to reconcile the various differences between the sale properties and the subject property. Adjustments were made for market conditions to reflect the strong rising prices during recent years. Locational adjustments were made as well to reflect the difference between the pricing of product at the sale locations, versus the anticipated pricing of finished products at the subject property. Before adjustments the range is from $108,300 to $179,250 per lot with an average of $134,000 per lot. After adjustments the sales have a range from $125,000 to $185,000 with an average lot valued at $160,000, rounded.

The developers of the subject property will continue to market residential lots to merchant home builders. These lots will benefit from a high level of public infrastructure and good access to Interstate 580. The foregoing land sales have been used to estimate a current value for the subject residential lots. This data, as well as information regarding the history of the subject property and land sales from other locations, support the final estimated values.

The following table lists the remaining inventory of finished lots in Neighborhoods C and D and the value estimated for the various lots. The lots are divided by category as described previously in this report. These value estimates are relied on in the discounted cash flow model later in this report.

	Lot Size	Remaining Lots Neighborhood C	Remaining Lots Neighborhood D
Catergory A	6,000+ sf	51	220
Category B	5,000-5,999 sf	-	114
Category C	4,000-4,999sf	58	102
Category D	3,999 or Less	88	20
Category E	Attached	224	188
TOTAL		421	644

RESIDENTIAL LAND RESIDUAL ANALYSIS

As a second measure of value for the residential development land that will be marketed at the subject property, a static dollar residual model is prepared. The model starts with an estimated value for typical finished products which are likely to be sold within the subject subdivisions. From this amount, the cost to create those homes and other land construction costs are subtracted to arrive at an estimated residual value for the semi-finished lots. The table below summarizes these calculations.

To estimate the value for the proposed finished homes, the results from the survey of homes in the competing market area is relied on. A value for each category is estimated based on market data. The prices are based on actual sales data from the neighborhood.

In estimating the cost to create these products, the Appraiser's personal experience with residential development projects as well as information provided by developers in River Islands, Discovery Builders, Shea Homes, Ponderosa Homes, and other local merchant builders were relied on. The following model outlines the analysis and supports the value estimated for paper lots estimated previously in this appraisal report.

Paper Lot Residual Analysis

		Category A	Category B	Category C	Category D
Estimated Finished Home Values		$780,000	$700,000	$610,000	$535,000
Typical Lot Size		7,000	5,500	4,000	3,500
Living Area		3,300	2,850	2,350	1,900
Price Per Square Foot		$236	$246	$260	$282
Construction Costs	Per Unit				
Direct Cost Per Sq Ft		$125	$130	$130	$135
Direct Construction		$412,500	$370,500	$305,500	$256,500
Indirect Costs	$ 15.00	$49,500	$42,750	$35,250	$28,500
Intract Cost and Fees		$20,000	$20,000	$20,000	$20,000
Master Dev Cost		$30,000	$30,000	$30,000	$30,000
Admin and Marketing	3%	$19,500	$17,500	$15,250	$13,375
Profit to Builder	10%	$78,000	$70,000	$61,000	$53,500
Total All Costs		$609,500	$550,750	$467,000	$401,875
Net to Finished Lots, rounded		$171,000	$149,000	$143,000	$133,000

SALES COMPARISON – Attached/Multi-Family Land

This section estimates a value for the vacant parcels that are zoned for attached or multi-family residential uses. The following table outlines the parcels in the Neighborhoods appraised and the approximate land area.

Vacant Multi-Family Land

Neighborhood C

APN	Acres	Zoning	Planned Units	Estimated Density/Acre
262-020-03	10.55	RM-H	124	11.8
262-020-04	5.37	RH	100	18.6

Neighborhood D

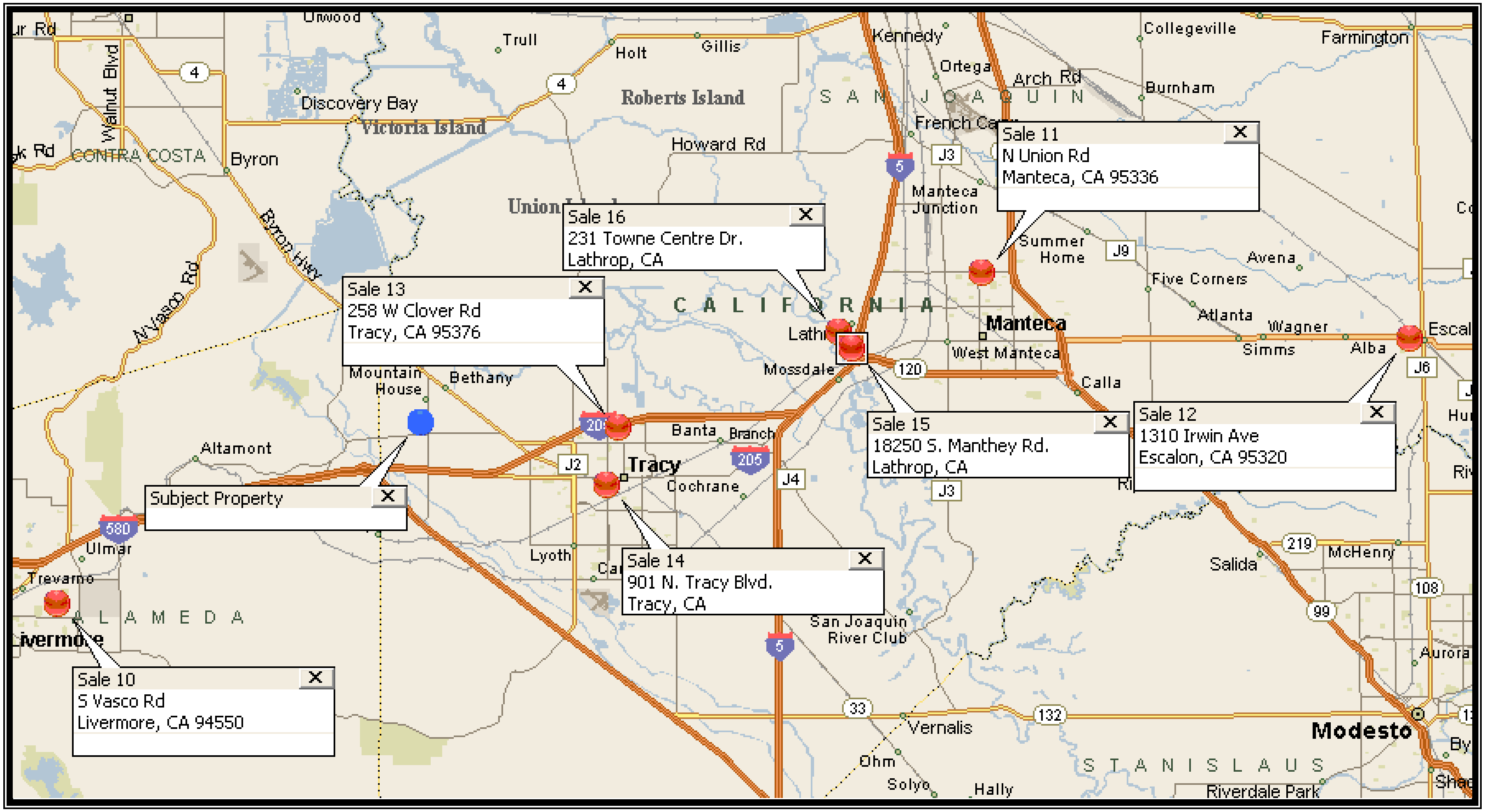
APN	Acres	Zoning	Planned Units	Estimated Density/Acre
209-450-32 (por.)	15.51	RM-H	188	12.1

Neighborhood C includes two parcels that are designated for attached development. One parcel is zoned for medium high density and the other is zoned for high density residential use. Neighborhood D includes one area that is largely made up of a portion of APN 209-450-32 that is zoned for residential medium high density. There has been no multi-family development activity anywhere in Mountain House as of the date of value of this appraisal. However, a developer is in the process of getting plans approved for development of a multifamily property in Neighborhood C.

The following table shows the estimated value for these parcels using a sales comparison approach based on sales of properties with the same or similar highest and best use. The table is followed by a map that shows the location of the comparable sales, which is followed by a summary of each of the comparable sales.

HIGH DENSITY RESIDENTIAL LAND SALES SUMMARY

Sale No.	Location	Sale Date / Grantor / Grantee	Price / Acres	Units / Density	Zoning	Price Per Unit	Comment
10	S. Vasco Rd. Livermore, CA 099B-5760-013	Sep-16 Summerhill Apartments Orvieto Family Apartments	$1,000,000 4.96	171 35.0	PD-R	$5,800	Corner parcel that is developed with an old industrial building. Marketed as multi-family land. No plans.
11	2224 N. Union Rd. Manteca, Ca 197-020-64, -71, -74	Jul-17 Bill Filios Wayne Henry	$3,000,000 8.6	172 20.0	LDR/MDR	$17,400	Vacant land sold to be developed with a 172 unit apartment building. Plans were approved at sale.
12	1310 Irwin Ave. Escalon, CA 225-070-20, -32	LISTING Miguel MacHado unknown	$700,000 3.17	37-91 15-29	R3	$10,000 - $20,000	Listing with no plans. Zoning supports 15 to 29 units per acre. Level topography. Vacant land.
13	258-274 W. Clover Rd. Tracy, CA 214-430-46, -47	Jun-18 Tafaal Consulting Inc. Larry & Rochelle Lacomba	$1,000,000 2.15	18 8.4	MDC	$55,600	Multi-family residential. Permitted for development with 4 triplexes and 3 duplexes.
14	901 N. Tracy Blvd. Tracy, CA 234-060-11	Sep-18 Isabel Hsiao Mohammed & Parveen Khan	$291,000 0.56	7 12.0	MDR	$43,300	Corner parcel that is developed with an old industrial building. Marketed as multi-family land.
15	18250 S. Manthey Rd. Lathrop, CA 241-020-61, -65, -66	May-18 Ramona Chace, LLC Mossdale Landing Apts., LLC	$5,900,500 9.03	204 22.6	RH-MV	$28,900	Three adjacent parcels with level topography. The property surounds a water storage tank. Approved plans.
16	231 Towne Centre Dr. Lathrop, CA 191-550-74	Oct-18 Lathrop Investors, LLC Ramona Chase, LLC	$1,300,000 3.40	84 24.7	CV-MV	$15,500	Two adjacent parcels with level topography. Located in Mossdale Village.



Comparable Sales Map of Multi-Family Land

Land Sale 10

This is the sale of a 4.96-acre parcel in Livermore, CA that was entitled to be developed with a multi-story apartment building. The property is adjacent to a residential development that is being developed by Summerhill Homes. This parcel was sold to an apartment developer to be developed with 171 apartments. The parcel is located in a developing area of the city that is in transition from industrial uses to more suburban uses. The property sold for $1,000,000, or $5,800 per unit, in September 2016. This was reportedly a market transaction.

Land Sale 11

This is the sale of three adjacent parcels in Manteca with a total land area of 8.6-acres. The site had approved plans for a 172-unit apartment complex. The property sold for $3,000,000, or $17,400 per unit, in July 2017. This was reportedly a market transaction.

Land Sale 12

This is the listing of two adjacent parcels in Escalon that are being marketed for multi-family development. The property is listed for sale for $700,000 and has been on the market for over a year. The site is zoned R3, high density residential. There are no plans associated with this listing. The land has level topography and good utility.

Land Sale 13

This is the sale of two adjacent parcels in Tracy that are divided by an access road. The property has a total land area of 2.15 acres and is permitted for development with 4 triplexes and 3 duplexes. The site sold in 2016 for $500,000 and sold again in June 2018 for $1,000,000. The buyer intends to develop the property with the approved plans.

Land Sale 14

This is the sale of a single parcel in Tracy that has a total land area of 0.56 acres. The property sold for $291,000 or $43,300 per unit in September 2018. The property included a light industrial building that was historically owner-occupied. The on-site improvements are of concrete block construction with an office area estimated to be 1,700 square feet and two large covered parking areas. The improvements are in fair condition. The listing agent indicated the improvements had been vacant for over a year and the majority of the value was in the land. The site is zoned for multi-family residential uses, but has no entitlements.

Land Sale 15

This is the sale of three adjacent parcels in Lathrop with level topography. The property nearly surrounds a city-maintained water storage tank. The site is planned for high density residential uses and the buyer intends on getting the required permits for development.

Land Sale 16

This is the sale of two adjacent parcels located in Mossdale Village in Lathrop. The site has level topography and the buyer intends on developing the site with an 84-unit apartment complex. The project will include five residential buildings of both two-story and three-story elevations with apartments ranging in size from 850 square foot 1-bedroom units to 1,100 square foot 2-bedroom units. The units are planned to include laundry, walk in closets and private patios or balconies.

LAND SALES ADJUSTMENTS

Demand for higher density residential uses typically lags the market for detached single-family residences and demand for attached or multi-family units has been limited since the recent recession. During the last real estate boom, which ended in 2008, the areas surrounding the subject neighborhoods saw real estate values increase dramatically in a short period of time. As developers raced to fill the demand for detached residential units, the market for apartments experienced a sharp decline. The large amount of available and affordable detached residences in the area limits the demand for apartments and higher density uses.

Over the last four or five years, real estate values have increased and developers have re-entered the market. There has been limited new development of apartment units in this market. However, developers interviewed in the course of the research for this appraisal indicated there is one medium density project in Neighborhood C that is pending an approved tentative map. There are rumors of other developers starting to plan for apartments, but the large supply of residential land in this area and high demand for detached residences has occupied most developers. As prices for detached residences continue to rise the demand for more affordable alternatives like apartments is anticipated to rise.

The sales summarized on the previous pages have been used to arrive at an estimate of value for the vacant medium to high density residential land throughout the subject property. The comparable sales were selected for their similarity to the subject property in terms of potential use, location and date of sale. The limited number of transaction of similar properties required broadening the area used to search for comparable sales.

The following adjustment grid was created to account for differences between the subject and the comparable sales. When possible, the adjustments are based on quantifiable evidence; however, some adjustments, such as location, are more subjective. The Appraiser based these adjustments on personal experience with the subject market, as well as interviews with real estate brokers, property owners or others involved with the transactions. The following table outlines the adjustments made to the comparable sales.

Medium to High Density Land Sales Adjustment Table

Element of Comparison	Subject	Sale 10	Sale 11	Listing Sale 12	Sale 13	Sale 14	Sale 15	Sale 16
Sale Price Per Unit	-	$5,800	$17,400	$10,000 $20,000	$55,600	$35,000	$28,900	$15,500
Real Property Rights Conveyed	Fee Simple	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		$5,800	$17,400	$10,000	$55,600	$35,000	$28,900	$15,500
Financing	Cash to Seller	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		$5,800	$17,400	$10,000	$55,600	$35,000	$28,900	$15,500
Conditions of Sale	At Market	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		$5,800	$17,400	$10,000	$55,600	$35,000	$28,900	$15,500
Market Conditions	-	6.25%	3.8%	-5.0%	1.0%	6.0%	1.3%	0.0%
Adjusted Price		$6,163	$18,053	$9,500	$56,156	$37,100	$29,261	$15,500
Other Factors								
Location	Mountain House	20%	20%	0%	0%	0%	10%	10%
Entitlements	None	0%	-15%	0%	-15%	0%	-15%	0%
Zoning	RM or RMH	0%	0%	0%	0%	0%	0%	0%
Density	Mixed	0%	0%	0%	0%	10%	0%	0%
Topography/Shape/Size	Level	0%	0%	0%	0%	0%	0%	0%
Total Adjustment		20%	5%	0%	-15%	10%	-5%	10%
ESTIMATED PRICE PER UNIT		$7,000	$19,000	$10,000	$48,000	$41,000	$25,000	$28,600

The foregoing data has been adjusted in an attempt to reconcile the various differences between the sale properties and the subject properties. Adjustments were made for market conditions to reflect the strong rising prices during recent years but leveling off over the last six months. Locational adjustments were made as well to reflect the difference between the pricing of product at the sale locations, versus the anticipated pricing of finished products at the subject property. Before adjustments the comparable sales range from $5,800 to $55,600 per unit and have an average of $27,700 per unit. After adjustments the sales have a range from $7,000 to $48,000 per unit and an average unit price of $25,500.

There is no planned development of the multi-family parcels in Neighborhoods C or D for at least a year. When they are ready to be developed, the subject property will benefit from a high level of public infrastructure. The foregoing land sales have been used to estimate a current value for the vacant medium to high density parcels based on their anticipated price per unit. This data, as well as information regarding the history of the subject property and land sales from other locations, supports the final estimated value for the properties. For the purpose of this appraisal the attached lots identified as Category E are all valued at $25,000 per unit.

CONCLUSION OF LAND VALUE ESTIMATES BY PRODUCT TYPE

The following table summarizes value conclusions regarding the land value for each of the residential development types which are likely to be developed at the subject property. These range from attached high density residential units to lots of 7,500 square feet or larger. The basis for each value estimate is the direct market comparison analysis described on previous pages, supported by the Residual Analysis above. These estimates will be used in the following cash flow model when estimating an average land value for each of the property ownerships.

The following table outlines the value estimate for each of the various lot types in the subdivision and includes the estimated price per unit for the attached units.

	Lot Size	Estimated Finished Lot Value
Catergory A	6,000+ sf	$180,000
Category B	5,000-5,999 sf	$165,000
Category C	4,000-4,999sf	$150,000
Category D	3,999 or Less	$130,000
Category E	Attached	$25,000

DISCOUNTED CASH FLOW MODEL

The Discounted Cash Flow (DCF) models included on the following pages summarize the valuation and absorption conclusions detailed previously in this appraisal report. The cash flow models reflect the bulk market value to a master developer and are often used in estimating land value when subdivision and development are the highest and best use of the land being appraised. The discounted cash flow analysis consists of four primary components:

Revenue – the total gross income derived from the disposition of the subject property.

Absorption – the time frame required to sell the subject property.

Expenses – the expenses associated with the sell-off of the subject property, including administration, marketing, remaining site development costs and construction costs, commission costs and property taxes over the sellout period.

Discount Rate- the appropriate discount rate is estimated by employing a variety of data and is used to discount the net income over the sellout period to a present value.

These four components are detailed in this section.

Revenue

For the subject property, revenue is created by the selloff of land to merchant builders. The estimated value of the finished lots is estimated previously in this appraisal report based on a sales comparison approach and is used to estimate the future revenue. The projected sales price for the average unit in a sale to merchant builders was estimated based on sales of lots in phases to merchant developers. The current price per lot is escalated by an estimated growth rate of 3.0%. For the purpose of this appraisal the second quarter 2018 Korpacz Investors Survey by Price Waterhouse Coopers is relied on to support a growth rate. The report indicates that over the last six months there was an increase in caution due to heightened uncertainty as it relates to the current political environment, capital markets, and the home building industry's position in the real estate cycle.

Growth rate assumptions typically range from 1.0% to 8.0% in the survey and the average for the second quarter 2018 is 4.4%. A rate that is below this is estimated based on interviews with market participants and increased uncertainty in the market. The second quarter Korpacz report estimated the parties surveyed had varied ideas of forecasting changes in value that ranged from -10% to 10% with an average expected change of +1.2%. This average is well below where it was a last year (+5.3%), as well as two years ago when it was +3.6%.

More recent interviews of market participants conducted by the Appraiser support that local developers indicate there is increased uncertainty in the future of the residential real estate market and that a slowdown or correction may be in the future. A growth rate that is at the low end of the range of 3% per year is estimated for this analysis.

Absorption

An absorption rate estimate is previously detailed in this report and assumes multiple active subdivisions selling off between 2 and 4 units per month. This is in line with the absorption rate detailed in the Market Absorption Study prepared by Empire Economics.

Expenses

Property Taxes (Ad Valorem and Special Taxes)

Property taxes are estimated based on the most recent data available and are phased out proportional to the selloff of the underlying properties (net of community facilities district special tax levies). The total tax expense is reduced over the absorption period, as the land components are sold off to merchant builders or end users. Property taxes are increased by 2% per year in line with Propositions 13.

Land Construction Costs

According to a representative of the master developer, Mountain House Developers, the remaining site development (in-tract) costs are $250,000 for Neighborhood C and $3,000,000 for Neighborhood D. These remaining site development costs will be incurred as the units are being constructed and are allocated based on the estimated absorption. The larger upfront cost for Neighborhood D is due to the completion of the necessary infrastructure to provide roads and utilities to the tracts.

Marketing and Sales

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. Considering the specifics of the subject property, a figure of 5.0%, or 3.0% for marketing and 2.0% for sales, is used in the marketing and sales expense category.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.0% to 4.0%, depending on the length of the project and whether all of the categories are included in a builder's budget. For the purpose of this appraisal an annual expense of 3.0% of annual revenue is estimated over the entire sellout period.

Discount Rate

The project discount rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 15% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts or projects developing at any one time, which reduces risk.

The leading indicator of an appropriate discount rate is Price Waterhouse Cooper's Korpacz Investors Survey, which details investment land on a semi-annual basis. For the purpose of this appraisal the fourth quarter 2017 and second quarter 2018 Korpacz Investors Surveys are relied on, as well as historical Korpacz reports. The latest Korpacz Investors Survey was reviewed and indicated a discount rate for the second quarter of 2018 for the national land development market ranging from 10.0% to 20.0% with an average of 15.40%, which is the same as six months ago.

A rate that is closer to the middle of the range is estimated for the subject property to account for the diminished risk of the project, due to substantial development and sell off. During the last economic downturn Mountain House saw real estate values decline rapidly and by larger amounts than many of the areas that are closer to the Bay Area job markets. The subject property has limited entitlement risk and benefits from a considerable amount of infrastructure expenditure, development, and extensive planning. The subject property also benefits from home builders actively building homes in the development with strong absorption rates. In addition, 954 homes have already sold and closed to end users, which represents 45% of the total planned development.

These rates are free and clear of financing, are inclusive of developer's profit, and assume entitlements are in place. Without entitlements in place, the PwC survey indicates certain investors increase the discount rate between 100 and 800 basis points (an average increase of 400 basis points). According to the data presented in the 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. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates in the survey include residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

The subject property has approved subdivision plans and is part of a master planned community that benefits from significant planning, which reduces risk. Even though much of the entitlement risk has been mitigated, there is risk associated with estimating the timing that the subject components will be sold off, especially when the market has enjoyed several years of increasing prices. In addition, there is risk associated with unforeseen factors such as broad economic decline and job loss. Considering these factors, and the positive and negative characteristics previously described, a discount rate of 16% is estimated for the subject property, this includes developers' incentive or entrepreneurial incentive. This static profit level is generally consistent with merchant builder expectations for the region and reflects the competitive nature of the single-family residential housing market in the Bay Area and Central Valley.

Conclusion

From the annual revenues, all expenses are subtracted to achieve a net operating income. Additional land costs required to bring the subject property to the finished lot status are subtracted as well. These estimates are based on information provided by Mountain House Developers and other developers active in the region. Last, the annual net operating income is discounted to a present value using the estimated discount rate.

The following tables outline the value conclusions made in this appraisal report and the DCF models for Neighborhoods C and D. The previously estimated values for the finished residences and residences under construction are added to the estimated net present value from the DCF.

Discounted Cash Flow - Neighborhood C

	Remaining Inventory	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6
Revenue							
Category A Large Lots 6,000+							
Price Per Lot		$180,000	$185,400	$190,962	$196,691	$202,592	$208,669
Lot Sales Neighborhood C	51	34	17	-	-	-	-
Subtotal Category A		$6,120,000	$3,151,800	$0	$0	$0	$0
Category B Med./Large Lots (5,000 -5,999 sf)							
Price Per Lot		$165,000	$169,950	$175,049	$180,300	$185,709	$191,280
Lot Sales Neighborhood C	-	0	0	0	0	0	0
Subtotal Category B		$0	$0	$0	$0	$0	$0
Category C Medium Lots (4,000-4,999 sf)							
Price Per Lot		$150,000	$154,500	$159,135	$163,909	$168,826	$173,891
Lot Sales Neighborhood C	58	30	28	-	-	-	-
Subtotal Category C		$4,500,000	$4,326,000	$0	$0	$0	$0
Category D Med./Small Lots 3,999 or less sf)							
Price Per Lot		$130,000	$133,900	$137,917	$142,055	$146,316	$150,706
Lot Sales Neighborhood C	88	30	40	18	-	-	-
Subtotal Category D		$3,900,000	$5,356,000	$2,482,506	$0	$0	$0
Category E Attached Lots							
Price Per Lot		$25,000	$25,750	$26,523	$27,318	$28,138	$28,982
Lot Sales Neighborhood C	224	35	45	55	45	30	14
Subtotal Category E		$875,000	$1,158,750	$1,458,738	$1,229,318	$844,132	$405,746
Annual Revenue Neighborhood C		$15,395,000	$13,992,550	$3,941,244	$1,229,318	$844,132	$405,746
Annual Change in Inventory		129	130	73	45	30	14
Expenses - Cost of Sales							
Property Taxes/Insurance		$25,000	$17,340	$6,672	$1,411	$147	$5
Land Construction Costs	$250,000	$150,000	$75,000	$25,000	$0	$0	$0
Marketing & Sales	5.0%	$769,750	$699,628	$197,062	$61,466	$42,207	$20,287
General & Admin.	3.0%	$461,850	$419,777	$118,237	$36,880	$25,324	$12,172
Total Annual Cost		$1,406,600	$1,211,744	$346,972	$99,756	$67,678	$32,465
Net Revenue of Neighborhood C		$13,988,400	$12,780,806	$3,594,272	$1,129,562	$776,454	$373,281

Estimated Value of Neighborhood C				
Residential Land in Neighborhood C	$25,000,000	Growth Rate:	Year 1-2	3.00%
Value of Partially Completed Residences	$49,725,000		Year 3-8	3.00%
Value of Completed Residences	$456,365,000	Discount Rate:		16.0%
Total Neighborhood C, rounded	**$531,100,000**			

Discounted Cash Flow - Neighborhood D

	Remaining Inventory	Period 1	Period 2	Period 3	Period 4	Period 5
Revenue						
Category A Large Lots 6,000+						
Price Per Lot		$180,000	$185,400	$190,962	$196,691	$202,592
Lot Sales Neighborhood D	220	45	45	47	45	38
Subtotal Category A		$8,100,000	$8,343,000	$8,975,214	$8,851,089	$7,698,480
Category B Med./Large Lots (5,000 -5,999 sf)						
Price Per Lot		$165,000	$169,950	$175,049	$180,300	$185,709
Lot Sales Neighborhood D	114	75	39	-	-	-
Subtotal Category B		$12,375,000	$6,628,050	$0	$0	$0
Category C Medium Lots (4,000-4,999 sf)						
Price Per Lot		$150,000	$154,500	$159,135	$163,909	$168,826
Lot Sales Neighborhood D	102	40	40	22	-	-
Subtotal Category C		$6,000,000	$6,180,000	$3,500,970	$0	$0
Category D Med./Small Lots 3,999 or less sf)						
Price Per Lot		$130,000	$133,900	$137,917	$142,055	$146,316
Lot Sales Neighborhood D	20	20	-	-	-	-
Subtotal Category D		$2,600,000	$0	$0	$0	$0
Category E Attached Lots						
Price Per Lot		$25,000	$25,750	$26,523	$27,318	$28,138
Lot Sales Neighborhood D	188	-	36	40	48	64
Subtotal Category E		$0	$927,000	$1,060,900	$1,311,272	$1,800,814
Annual Revenue Neighborhood D		$29,075,000	$22,078,050	$13,537,084	$10,162,361	$9,499,294
Annual Change in Inventory		180	160	109	93	102
Expenses - Cost of Sales						
Property Taxes/Insurance		$150,000	$108,075	$51,017	$15,448	$2,447
Land Construction Costs	$3,000,000	$1,500,000	$1,000,000	$300,000	$100,000	$100,000
Sales/Marketing Cost	5.0%	$1,453,750	$1,103,903	$676,854	$508,118	$474,965
General and Admin.	3.0%	$872,250	$662,342	$406,113	$304,871	$284,979
Total Annual Cost		$3,976,000	$2,874,319	$1,433,983	$928,436	$862,390
Net Revenue		$25,099,000	$19,203,731	$12,103,101	$9,233,925	$8,636,904

Estimated Value of Neighborhood D				
Residential Land in Neighborhood D	$52,900,000	Growth Rate:	Year 1-2	3.00%
Value of Partially Completed Residences	$75,160,000		Year 3-8	3.00%
Value of Completed Residences	$254,130,000	Discount Rate:		16.0%
Total Neighborhood D, rounded	**$382,200,000**			

RECONCILIATION AND FINAL VALUE ESTIMATE

The table that follows summarizes the value conclusions arrived at in this appraisal report. The value conclusions are supported by actual prices paid in the case of finished homes and finished lots. Homes under construction were conservatively valued based on a 50% of the estimated finished value. The estimated property values are net of tax liens. It is an assumption that all the properties which are not owner/user occupied can be sold at the estimated values within a market exposure time of 36 months or less.

The Mountain House development has seen a rapid appreciation of real estate values over the last several years with some increase in concerns for a market correction or levelling off. Developers have continuously been releasing small phases and were able to increase their asking prices rapidly over the last several years. Most merchant builders indicate that they sell out of their inventory almost as quick as they release it. Mountain House is anticipated to remain a desirable and affordable location for home buyers well into the future. The following table outlines the value estimates of the various components of the CFD as of November 1, 2018.

Estimated Value of Neighborhood C	
Residential Land in Neighborhood C	$25,000,000
Value of Partially Completed Residences	$49,725,000
Value of Completed Residences	$456,365,000
Total Neighborhood C, rounded	**$531,100,000**

Estimated Value of Neighborhood D	
Residential Land in Neighborhood D	$52,900,000
Value of Partially Completed Residences	$75,160,000
Value of Completed Residences	$254,130,000
Total Neighborhood D, rounded	**$382,200,000**

STATEMENT OF LIMITING CONDITIONS

CONTINGENT AND LIMITING CONDITIONS

The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.

2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.

5. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.

Statement of Limiting Conditions (cont'd)

7. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

8. The appraiser has based his appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.

9. This study is to be used in whole and not in part. No part of it shall be used in conjunction with any other appraisal. Publication of this report or any portion thereof without the written consent of the appraiser is not permitted.

10. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the Appraiser particularly as to valuation conclusions, the identity of the appraiser or firm with which they are connected, or any reference to the Appraisal Institute.

11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

APPRAISER'S CERTIFICATION

The undersigned appraiser certifies and agrees that to the best of their knowledge and belief:

1. The statements of fact contained in this appraisal report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and legal instructions, and are the personal, impartial and unbiased professional analyses, opinions and conclusions of the appraiser.

3. The Appraiser has 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.

4. The Appraiser has no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. The Appraiser's engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The Appraiser's 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.

7. The Appraiser has made a personal inspection of the property that is the subject of this report. The property owner, or his/her designates representative, were given the opportunity to accompany the Appraiser on the property inspection.

8. No one other than the signing appraiser has provided appraisal assistance in the preparation of this report.

9. 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.

10. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Trentin P. Krauss, MAI has completed the requirements of the continuing education program of the Appraisal Institute including the Standards and Ethics education requirement for practicing affiliates of the Appraisal Institute.

Appraiser's Certification (continued)

11. The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its authorized representatives.

12. The Appraiser certifies that their State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.

13. The signing appraiser has the knowledge and experience to complete this appraisal assignment.

14. The Appraiser has not performed any service, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Trentin P. Krauss, MAI
SCREA No. AG043134
January 22, 2019

TRENTIN P. KRAUSS, MAI
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EXPERIENCE

Mr. Krauss has over fifteen years of experience as a real estate appraiser. Appraisal assignments have covered a wide range of existing and proposed properties, including residential developments, offices, industrial, retail, raw acreage, and special purpose properties. His clients include individuals, attorneys, lenders, and public agencies.

2003 to Present	Krauss Appraisal, LLC (Formerly Smyers & Krauss Appraisal, LLC) Walnut Creek, California
2000 to 2002	Investment Bank, Barclays Global Investors Walnut Creek, California

EDUCATION

California Polytechnic State University, San Luis Obispo

B.S. - Finance, Minor Economics (1999)

Appraisal Institute

Courses:
- Basic Appraisal Principles
- Basic Income Capitalization
- General Applications
- Advanced Income Capitalization
- Highest and Best Use and Market Analysis
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Condemnation Appraising: Basic Principles & Applications
- National USPAP Course

Seminars:
- Arbitration: What you Can't Learn from Books
- Inspecting Commercial Properties
- Real Estate Damage Economics
- Appraising Partial Interests
- Appraising Green Properties
- Appraising Outside the Box
- Liability, Errors, Omissions
- Investment Analysis
- Subdivision Analysis

PROFESSIONAL CREDENTIALS

Appraisal Institute – MAI Designated Member # 413313
Certified General Real Estate Appraiser - State of California # AG043134

DEFINITIONS OF TERMS

The following definitions are reprinted from the *Uniform Standards of Professional Practice* as promulgated by the Appraisal Standards Board of The Appraisal Foundation or *The Dictionary of Real Estate Appraisal*, which is published by the Appraisal Institute.

Market Value

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

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

Cash Equivalent
"A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts."

Condominium
"A form of fee ownership of separate units or portions of multi-unit buildings that provides for formal filing and recording of a divided interest in real property, where the division is vertical as well as horizontal; fee ownership of units in a multi-unit property with joint ownership of common areas."

Dedication
"A voluntary gift by the owner of private property for some public use, e.g., the dedication of land for streets and schools in a development."

Easement
"conveyance of certain property rights, but not ownership, to a parcel of real estate."

Excess Land
Land that is not needed to serve or support the existing improvements. The highest and best

use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have potential to be sold separately and is valued separately.

Fee Simple Estate
"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."

Floor Area Ratio
"The relationship between the aboveground floor area of a building and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the floor area of a building is twice the total land area."

Leased Fee Estate
"An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease."

Leasehold Estate
"The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease."

Market Rent
"The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted users, use restrictions, expense obligations, terms, concessions, renewal and purchase options, and tenant improvements."

Right of Way
"A privilege to pass over the land of another in some particular path; usually an easement over the land of another; a strip of land used in this way for railroad and highway purposes, for pipelines or pole lines, and for private or public passage."

Addenda B

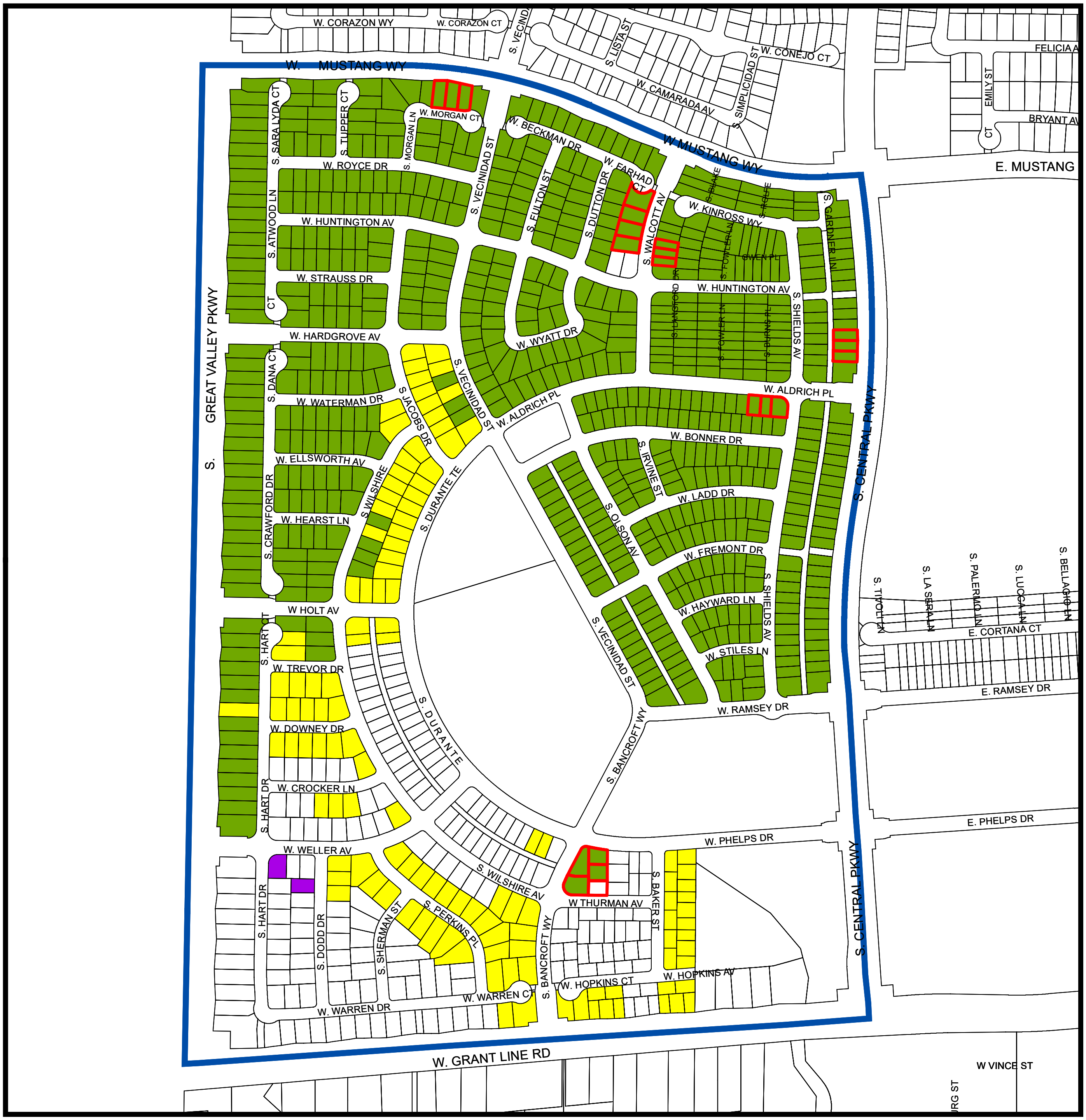
Parcels With SFR/SFRD Permits Issued:

NEW	PREVIOUS	FINALED	TOTAL
2	121	709	832

All Permits Issued: Including Second Units

NEW	PREVIOUS	FINALED	TOTAL
3	167	771	941

- Neighborhood C Boundary
- Model Home Location
- Parcel Line
- Newly Issued Permit Location
- Finaled Permit Location
- Previously Issued Permit Location



Residential Building Permits Issued As of 01/07/2019
Mountain House - Neighborhood C

0 250 500 750 1,000
Feet

N

San Joaquin County Geographic Information Systems
1810 East Hazelton Avenue, Stockton, CA 95205

IssuedPermits.mxd

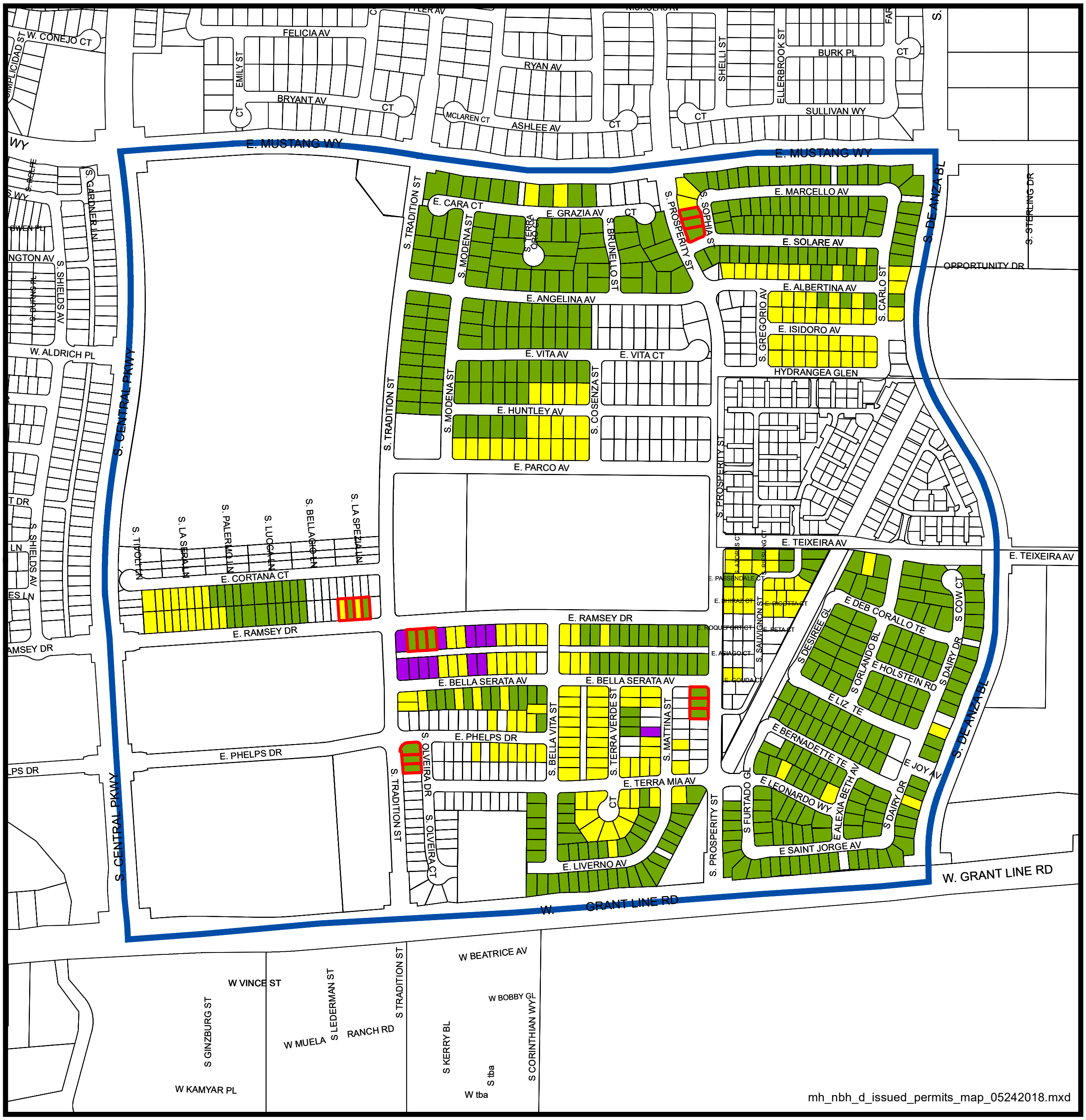
Parcels With SFR/SFRD Permits Issued:

NEW	PREVIOUS	FINALED	TOTAL
12	206	480	698

All Permits Issued: Including Second Units

NEW	PREVIOUS	FINALED	TOTAL
14	255	547	816

- Neighborhood D Boundary
- Model Home Location
- Parcel Line
- Newly Issued Permit Location
- Finaled Permit Location
- Previously Issued Permit Location



Residential Building Permits Issued As of 01/07/2019
Mountain House - Neighborhood D

San Joaquin County Geographic Information Systems
1810 East Hazelton Avenue, Stockton, CA 95205

The information on this map is based on the most current information available to San Joaquin County Geographic Information Systems.
The County of San Joaquin does not warrant its accuracy, completeness, or suitability for any particular purpose.
The information on this map is not intended to replace engineering, financial or primary records research.

0 250 500 750 1,000
Feet

N

APPENDIX H

MARKET ABSORPTION STUDY

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LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
IMPROVEMENT AREA NO. 1
(MOUNTAIN HOUSE SCHOOL FACILITIES)

SAN JOAQUIN COUNTY, CALIFORNIA

MARKET ABSORPTION STUDY

BY

EMPIRE ECONOMICS, INC.

OCTOBER 19, 2018

(Grammatical Revisions: November 26, 2018)

(Revisions to Absorption Schedules for Areas D-2 and D-4 Only: January 21, 2019)

This report was prepared by Empire Economics specifically for the Lammersville Joint Unified School District CFD No. 2014-1 IA-1 Special Tax Bonds and as such this report or any portions thereof are not intended for any other use.

EXECUTIVE SUMMARY

The Executive Summary provides a synopsis of the primary highlights/conclusions of the Market Absorption Study; however, Empire Economics recommends that the Study be read in its entirety in order to understand the assumptions as well as the data/metrics underlying these conclusions.

The Lammersville JUSD retained Empire Economics (Empire), an economic and real estate consulting firm that provides consulting services only to public entities, to perform a Market Absorption Study for the projects in the Planned Community of Mountain House, CFD No. 2014-1 Improvement Area No. 1 (the "CFD"). Accordingly, the Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of its forthcoming homes.

The Planned Community of Mountain House has an excellent location in the San Francisco Market Region suburbs, just northerly of Interstates 580/205, as well as a broad diversity of housing products in various price ranges.

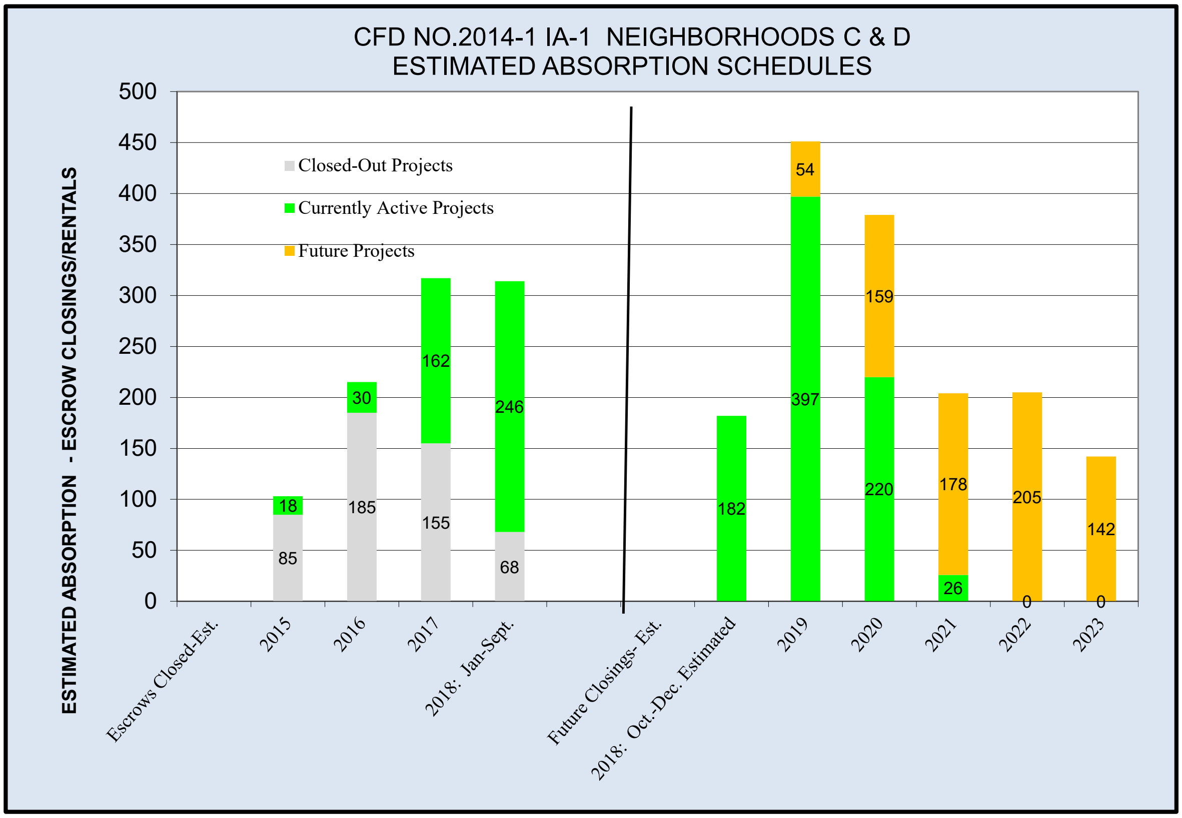
From a macroeconomic perspective, favorable factors include Mountain House being part of the San Francisco Market Region which has experienced a considerable economic/employment growth and housing price appreciation in recent years.

- ✓ *However, significant amounts of employment growth in recent years have resulted in very low unemployment rates which may constrain future employment gains.*
- ✓ *With regards to the amount of spillover from the urbanized to suburban areas for moderately price new single-family homes, this has recently been diminished due to many Millennials (age group of 18 to 36), exhibiting a strong preference for residing in apartments in urbanized areas.*
- ✓ *Thus far recent increases in mortgage rates have been counterbalanced by strong employment growth. However, substantial federal deficits during the next several years along with the Federal Reserve Board rebalancing its mortgage loan portfolio are expected to continue to exert upward pressure on interest rates.*
- ✓ *With respect to households that commute between the suburban and urban areas, higher gas prices have increased their commuting costs.*

From a microeconomic perspective, the CFD has recently experienced increasing rates of absorption (escrow closings), from 103 homes (3 active projects) in 2015 to an estimated 450+ homes (15 projects) in 2018.

- ✓ *These projects are currently achieving sales rates of some 42 homes per year, on the average, which is strong considering that there are 15 currently active projects on the marketplace.*
- ✓ *These favorable absorption rates can be a attributed to a multiplicity of factors including the CFD's strategic location at the portal from the nearby urbanized to suburban areas, the strong reputation that it has established in the marketplace, and a highly rated school district, among others.*
- ✓ *Specifically, using high school graduation rates as a benchmark, the Lammersville JUSD is among the highest rated of the nearby school districts.*
- ✓ *Since the proceeds from the CFD are expected to be utilized specifically for school facilities, purchasers are more accommodating in paying their Special Taxes.*

Empire's Most Probable forecast for the active/forthcoming projects in the CFD takes into account the above macroeconomic and microeconomic factors in estimating its absorption schedules (escrow closings and apartment rentals) – please refer to the following graph for additional information.



Finally, the estimated absorption schedules by Empire are based upon the most probable economic scenario regarding economic/housing market conditions, however, potential risk factors that may adversely impact the absorption rates are as follows:

- ✓ *A significant decline in employment in critical economic base sectors due to currently unforeseen events could cause the economy to enter a recession. There have been three major contractionary phases in the San Francisco Region since 1990, including 1992-1995, 2001-2005 and 2009-2011.*

- ✓ *Mountain House is situated in a suburban area and such areas, when a downturn occurs, are typically subject to greater reductions in the demand for new housing and greater price declines compared with the urbanized areas.*

- ✓ *Potential impacts of the recently enacted Tax Cuts and Jobs Act (TCJA) policies on the new for-sale housing market, due primarily to the limitation of $10,000 for SALT related deductions (primarily state income taxes and property taxes). The degree of these impacts are expected to be more pronounced for higher priced as compared with moderately priced homes. However, the housing marketplace will require some time to fully adjust for these expected impacts, due to the complexities of the SALT deductions.*

CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the Lammersville Joint Unified School District, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence.

This Certificate states that Empire performs consulting services only for public entities such as the Lammersville Joint Unified School District, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders. For example, if a research firm for a specific Community Facilities District were to provide consulting services to both the public entity as well as the property owner/developer/builder, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2014-1 IA-1 of the Lammersville Joint Unified School District was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the Lammersville Joint Unified School District, not the District's developers or any of the various builders.
- Empire has not performed any consulting services for the CFD's property owners or the developer/builders during the past twenty+ years.
- Empire will not perform any consulting services for the CFD's property owners or the developer/builders during the next five years.
- Empire's compensation for performing the Market Absorption Study for the District is not contingent upon the issuance of Bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for CFD No. 2014-1 IA-1 of the Lammersville Joint Unified School District was performed in an independent professional manner.

____

Empire Economics, Inc.
Joseph T. Janczyk, President

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SECTION I: EXPECTED PRODUCT MIX CHARACTERISTICS

SECTION II: MACROECONOMIC ANALYSIS DESIGNATED ECONOMIC AND REAL-ESTATE FORECASTING SCENARIO

SECTION III: MICROECONOMIC ANALYSIS

SECTION IV: ESTIMATED ABSORPTION SCHEDULES

SECTION V: ASSUMPTIONS AND LIMITING CONDITIONS

INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

The Lammersville Joint Unified School District (JUSD) was previously petitioned by the property owner to form Community Facilities District No. 2014-1 Improvement Area No. 1 (the "CFD") which encompasses Neighborhoods C & D within the Planned Community of Mountain House, to provide financing for the infrastructure that is required to support the development of their residential projects.

Mountain House is a Planned Community that is situated in the westerly portion of San Joaquin County, about sixty miles east of San Francisco, some twenty miles east of Dublin and about six miles northwest of Tracy. Mountain House has development plans to accommodate about 15,500 households upon build-out, and these are spread among 12 different neighborhoods. Starting in 2003, residential projects entered the marketplace, and thus far four neighborhoods have been or are actively being developed. Residential projects in Neighborhoods C and D started to enter the marketplace in 2014 and 2017, respectively.

The CFD currently has 28 residential planning areas/projects that have entitlements for approximately 2,512 homes. With regards to the composition of the homes by product types, 25 of the projects are expected to have single-family detached products while the remaining 3 projects are expected to have attached/apartment housing products. Thus far, 6 of the projects have been closed-out, all of the their homes constructed and escrows closed. Another 15 projects are currently active on the marketplace and the remaining 7 projects are for future development

The Lammersville Joint Unified School District (JUSD) has retained Empire Economics, Inc., an economic and real estate consulting firm, to perform a Market Absorption Study for the projects in the CFD . The purpose of the Market Absorption Study for the CFD is to conduct a comprehensive analysis of the product mix characteristics, macroeconomic factors and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the homes in the CFD, in order to arrive at conclusions regarding the following:

- For each of the 15 currently active projects and 7 forthcoming projects, provide estimates of the absorption schedules for their homes, from market-entry to build-out on an annualized basis.

- Identify and also discuss potential economic and real estate risk factors that may adversely impact the marketability of the remaining homes to be absorbed, such as potential increases in mortgage rates as well as the Tax Cuts and Jobs Act.

For information on the general location of the CFD, please refer to the following pages.

SAN FRANCISCO BAY AREA MARKET REGION
LOCATION OF CFD NO. 2014-1 IA-1

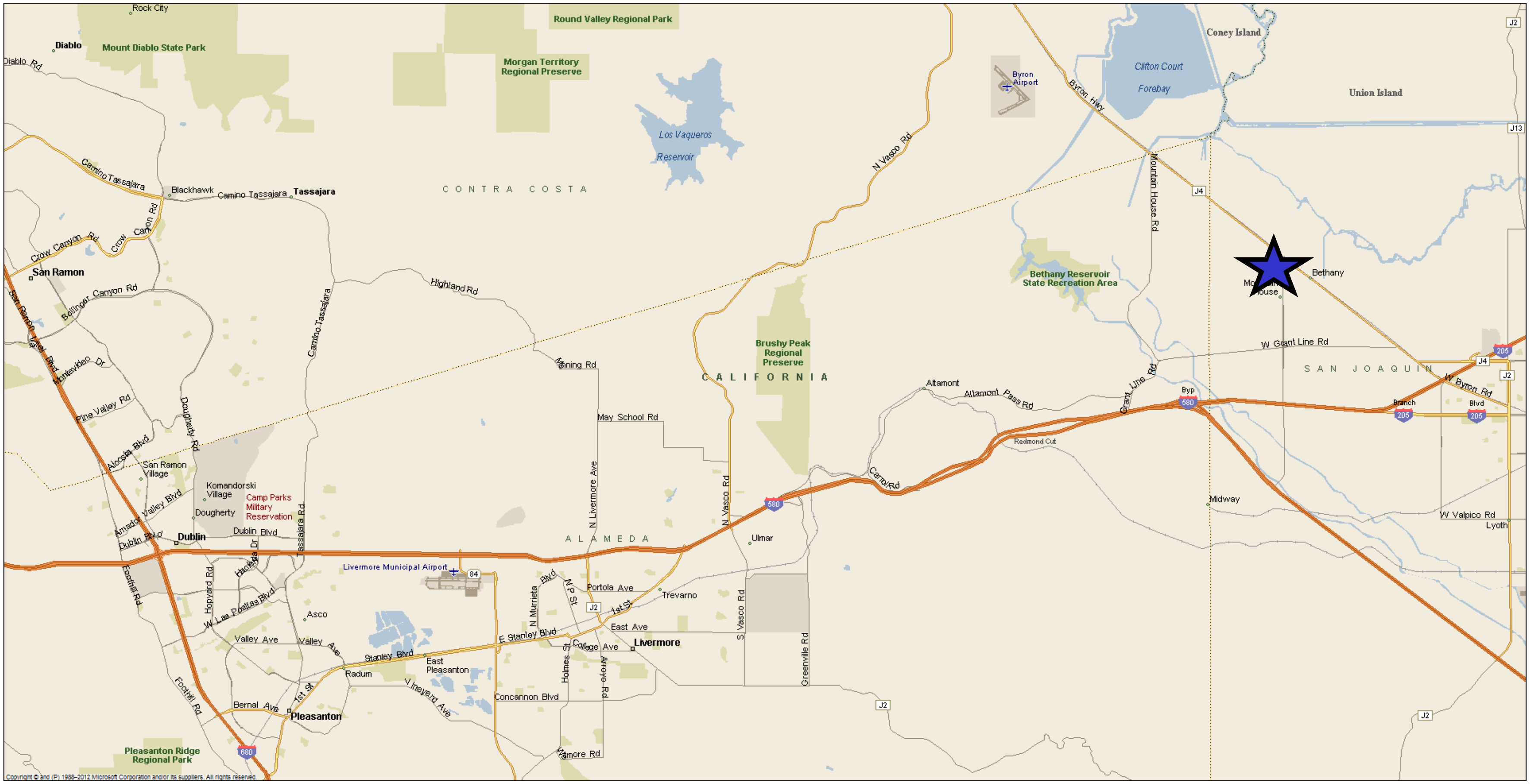
SAN FRANCISCO URBAN/COASTAL COUNTIES: SAN FRANCISCO, SAN MATEO AND SANTA CLARA

SAN FRANCISCO EAST BAY COUNTIES: CONTRA COSTA AND ALAMEDA

LOCATION OF MOUNTAIN HOUSE AND CFD NO. 2014-1 IA-1

CFD No. 2014–1 IA-1 is located at the far western portion of San Joaquin County, in very close proximity to Alameda County.

San Joaquin County covers an expansive geographical area that includes many other cities located further easterly and northerly.



B. ROLES OF THE MARKET ABSORPTION STUDY FOR THE BOND FINANCING

The Market Absorption Study (Market Study) for the CFD has a multiplicity of roles with regards to the Bond Financing; accordingly, these are set-forth below:

Marketing Prospects for the Residential Projects

Estimated Absorption Schedules
for each of the Currently Active and Forthcoming Projects

Escrow Closings of Homes to Homeowners,
From Market-Entry to Build-Out

Potential Risk Factors that may Adversely Impact
the Marketability of the Homes

Relationship of the Market Study to the Special Tax Payments

Special Taxes
for the Residential Projects/Products

Aggregate Levels of
Special Tax Revenues for Bond Sizing

Share of Payments:
Developers/Builders vs. Final-Users/Homeowners

Relationship of the Market Study to the Appraisal/Valuation

Appraisal of Property
Discounted Cash Flow – Present Value

(The Longer the Absorption Time, the Lower the Present Value)

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the homes in the CFD .

I. Expected Product Mix Characteristics

Characteristics of the Expected Product Mix for the CFD

II. Macroeconomic Analysis
Designated Economic Real Estate Forecasting Scenario

Overview of the Housing Market during 2000-2018+

Critical Components of the Economic Forecasting Model

Expected Economic – Real Estate Conditions in the Market Area

Conclusions on Recent/Future Housing Market Conditions

III. Microeconomic Analysis
Competitive Market Analysis of the Residential Projects

Development Trends/Patterns in the CFD Market Area

Socioeconomic Characteristics: School Quality

Identification and Analysis of the Currently Active
Residential Projects in Mountain House

Competitive Market Analysis of the Projects in the CFD
Statistical Analysis of the Prices, Living Area and Special Taxes

IV. Estimated Absorption Schedules

Estimated Absorption Schedules for the CFD
Discussion of Potential Risk Factors

V. Assumptions and Limiting Conditions

SECTION I: EXPECTED PRODUCT MIX CHARACTERISTICS

A. CHARACTERISTICS OF THE EXPECTED PRODUCT MIX

NEIGHBORHOODS C & D

The CFD has a total of 28 residential planning areas/projects by various builders that are anticipated to have some 2,512 single-family and attached homes as well as apartment units upon build-out: their characteristics are as follows:

- ✓ Their marketing status is as follows: 6 have closed-out, 15 are active and 7 are forthcoming.
- ✓ These projects have a total of 2,512 homes of which 954 have closed escrows.
- ✓ The projects have prices of $636,939 for 2,553 sq.ft. of living area for a value ratio (price/living area) of $249/sq.ft., on the average.

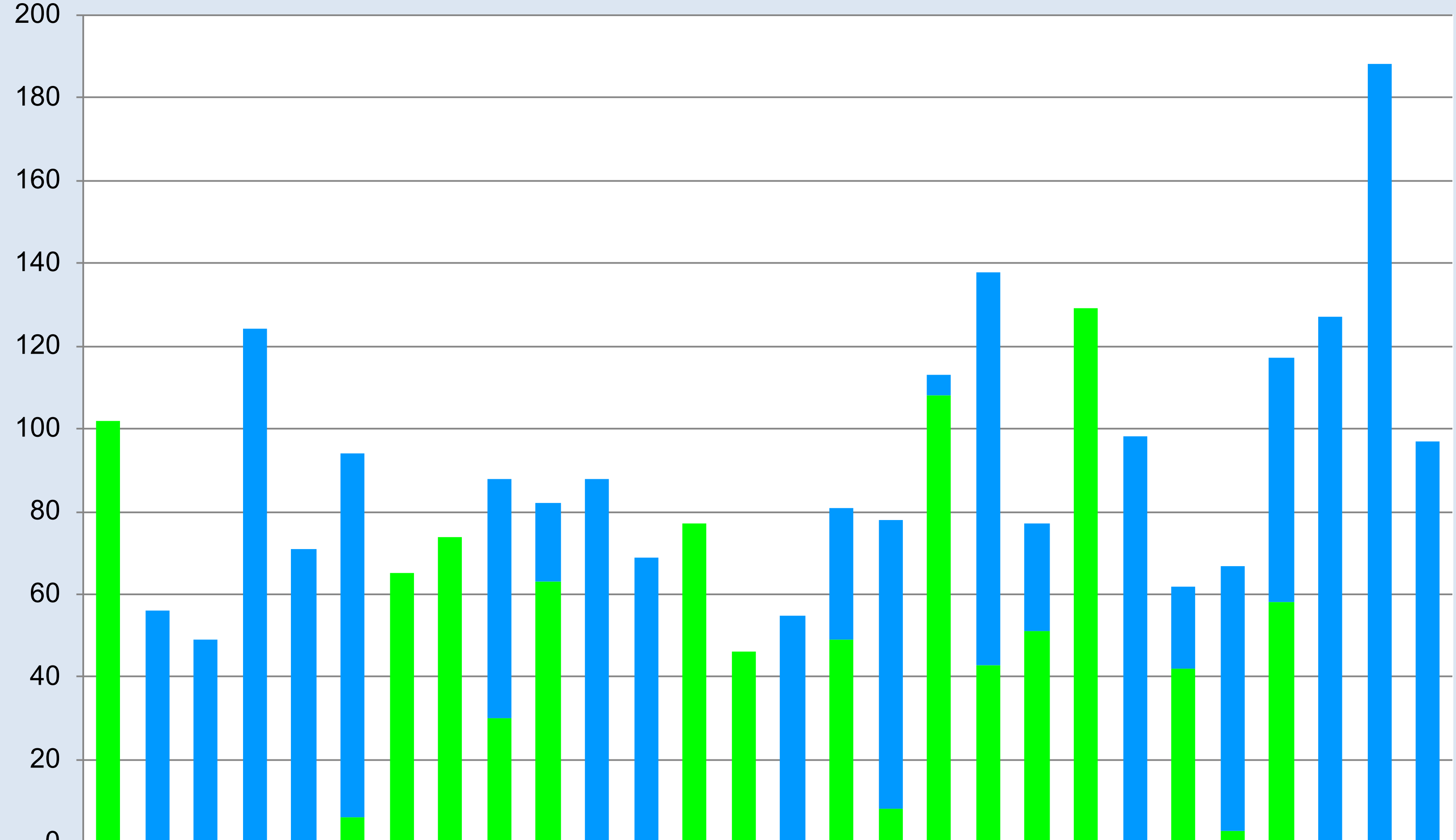
The Market Absorption Study analyzes the projects by market segments; their characteristics are as follows:

Market Segments	**--------------- Projects ---------------**			**--------------- Homes ---------------**		
	Total	**Active**	**Future**	**Total**	**Closed**	**Future**
Detached: Smallest Sq.Ft.	6	3	1	496	108	388
Detached; Smaller Sq.Ft.	6	4	0	466	232	234
Detached: Higher Sq.Ft.	8	5	2	665	382	283
Detached; Highest Sq.Ft.	5	3	1	473	232	241
Attached	3	0	3	412	0	412
Totals	**28**	**15**	**7**	**2,512**	**954**	**1,558**

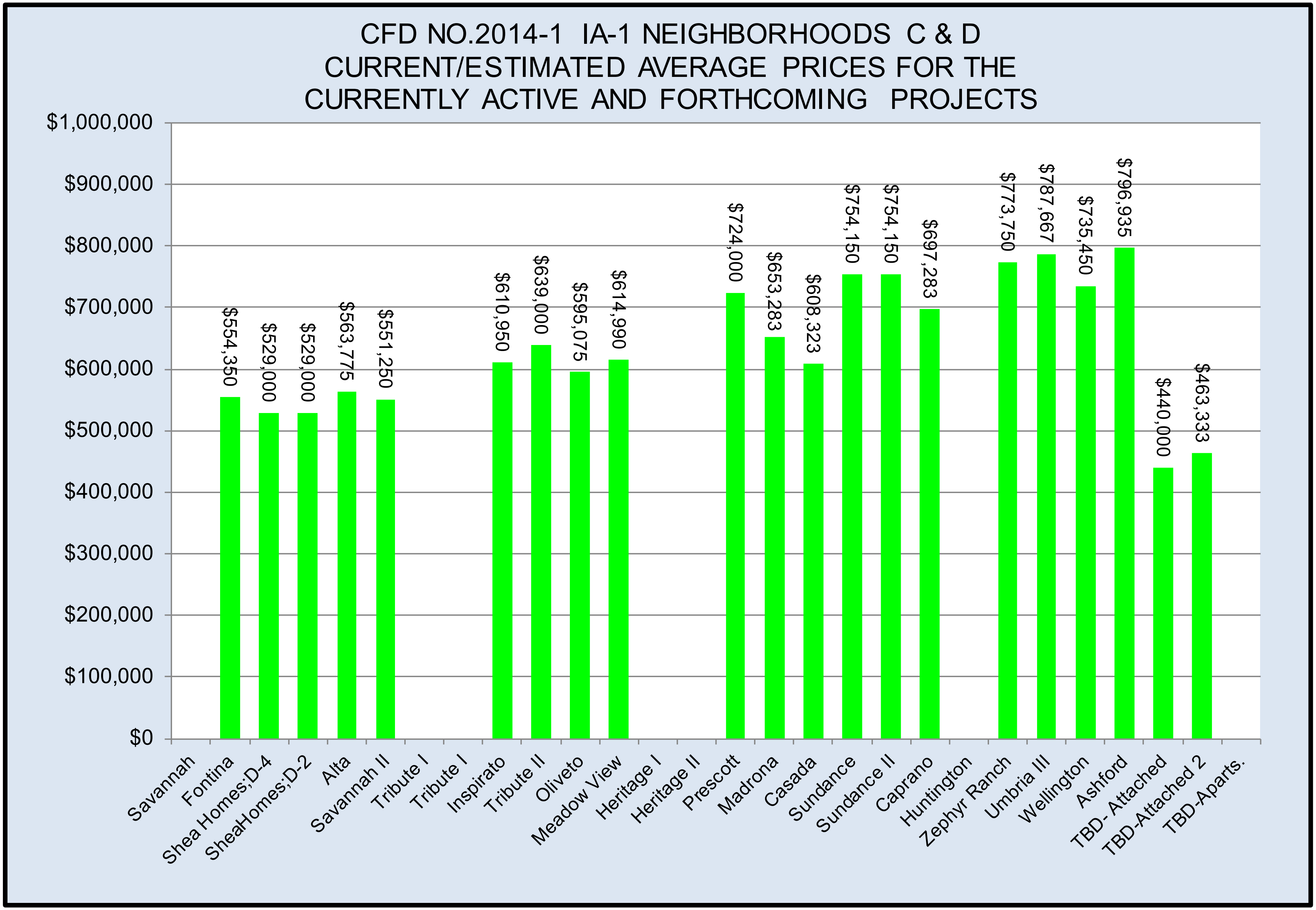
Market Segments	**Base Prices**	**Living Area**	**Value Ratio**
	(Avg.)	**(Avg.)**	**(Price/Sq.Ft.)**
Detached: Smallest Sq.Ft.	$545,475	2,062	$265
Detached; Smaller Sq.Ft.	$615,004	2,373	$259
Detached: Higher Sq.Ft.	$698,532	2,816	$248
Detached; Highest Sq.Ft.	$773,450	3,286	$235
Attached	$451,667	1,883	$240
Averages	**$636,939**	**2,553**	**$249**

For more information on these projects, please refer to the following graphs for their marketing status, prices and living areas, and also the table for more detailed information.

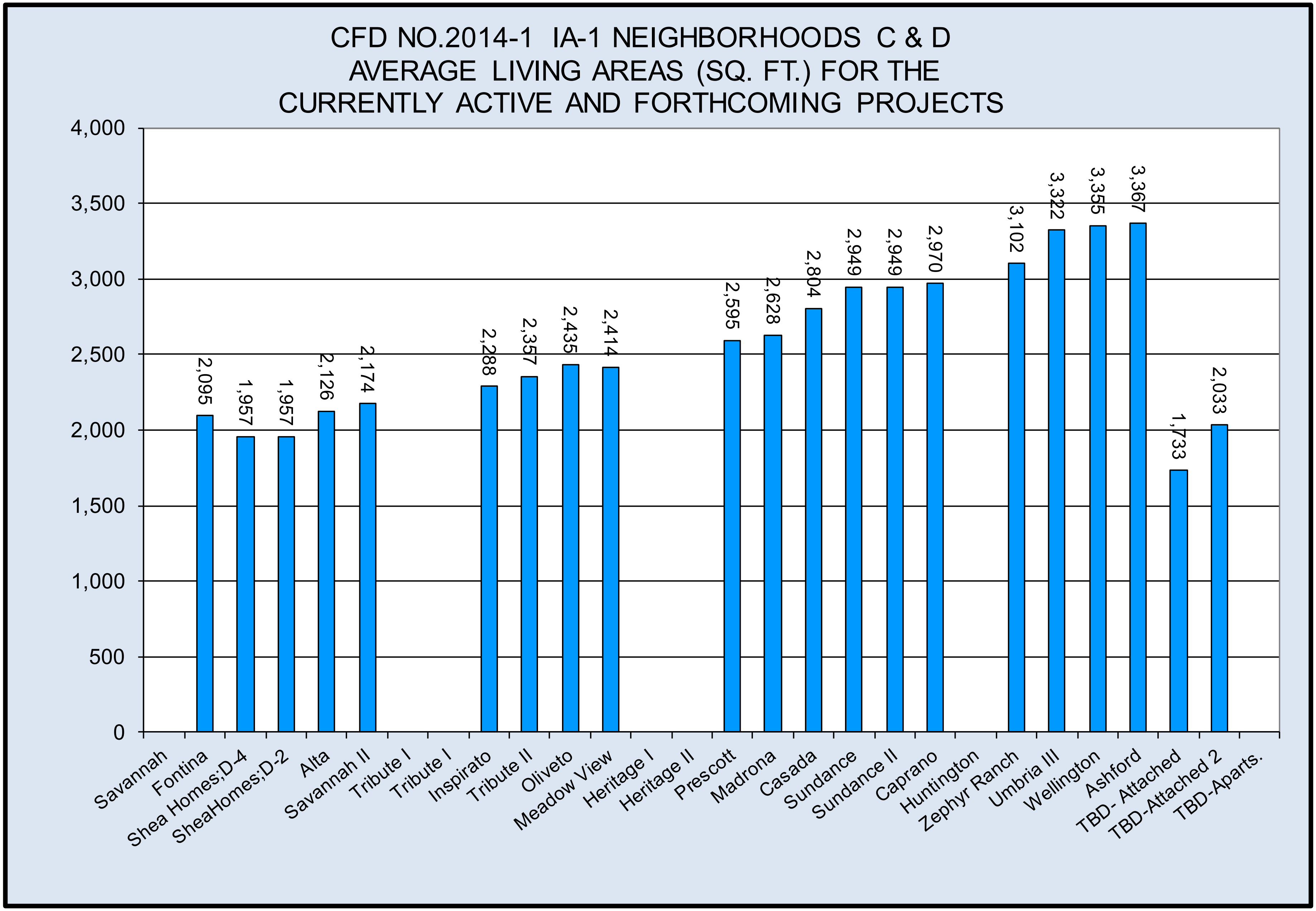
CFD NO.2014-1 IA-1 NEIGHBORHOODS C & D
MARKETING STATUS OF THE PROJECTS BY NUMBER OF UNITS



	Savannah	Fontina	Shea Homes;D-4	SheaHomes; D-2	Alta	Savannah II	Tribute I	Tribute I	Inspirato	Tribute II	Olivieto	Meadow View	Heritage I	Heritage II	Prescott	Madrona	Casada	Sundance	Sundance II	Caprano	Huntington	Zephyr Ranch	Umbria III	Wellington	Ashford	TBD - Attached	TBD - Attached 2	TBD - Aparts.
Future Escrow Closings	0	56	49	124	71	88	0	0	58	19	88	69	0	0	55	32	70	5	95	26	0	98	20	64	59	127	188	97
Escrows Closed	102	0	0	0	0	6	65	74	30	63	0	0	77	46	0	49	8	108	43	51	129	0	42	3	58	0	0	0



NOTE: PROJECTS WITHOUT BASE PRICES ARE CLOSED OUT OR FUTURE WITH BASE PRICES STILL TBD



NOTE: PROJECTS WITHOUT LIVING AREAS ARE CLOSED OUT OR FUTURE WITH LIVING AREAS STILL TBD

EXPECTED PRODUCT MIX CHARACTERISTICS

NEIGHBORHOODS C & D
PART 1 OF 2

Code	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Neighborhood	C	D-3	D-4	D-2	C	D	C	C	D	D	D	D-1	C	C	C
Tract - Parcel	3650	3671	N/A	N/A	3657	3854	3652	3652	3852	3848	3853	3615	3651	3655	3814
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached
Market Segment	---------------- Detached Smallest -------------						--------------------------- Detached Smaller -------------------------								--------------
Project Names	Savannah	Fontina	Shea Homes;D-4	SheaHomes;D-2	Alta	Savannah II	Tribute I	Tribute I	Inspirato	Tribute II	Oliveto	Meadow View	Heritage I	Heritage II	Prescott
Marketing Status	**Closed-Out**	Open	*Future*	*Future*	Open	Open	**Closed-Out**	**Closed-Out**	Open	Open	Open	Open	**Closed-Out**	**Closed-Out**	*Future*
Market-Entry - Est. by Developer	2014	2018	2020	2021	2018	2018	2015	2015	2018	2017	2018	2018	2014	2016	2018
Builder	Signature Homes	Meritage Homes	Shea Homes	Shea Homes	Signature Homes	Signature Homes	Cal Atlantic Homes	N./A	Richmond American	Cal Atlantic Homes	Richmond American	K. Hovnanian	Woodside Homes	Woodside Homes	Shea Homes
Housing Units in Planning Areas															
Totals	102	56	49	124	71	94	65	74	88	82	88	69	77	46	55
Shares; Sum to 100%	4.1%	2.2%	2.0%	4.9%	2.8%	3.7%	2.6%	2.9%	3.5%	3.3%	3.5%	2.7%	3.1%	1.8%	2.2%
Marketing Status: Estimated															
Escrows Closed; September 30, 2018	102	0	0	0	0	6	65	74	30	63	0	0	77	46	0
Future Closings; October 2018+	0	56	49	124	71	88	0	0	58	19	88	69	0	0	55
Living Areas - Square Feet			* Estimated*	*Estimated*				*Estimated*							* Estimated*
Plan # 1	1,997	1,743	1,778	1,778	1,978	1,966	2,217	2,217	2,080	2,217	2,120	2,287	2,575	2,575	2,484
Plan # 2	2,132	2,142	1,851	1,851	2,025	2,132	2,304	2,304	2,160	2,304	2,440	2,339	2,749	2,749	2,706
Plan # 3	2,274	2,147	1,867	1,867	2,150	2,274	2,551	2,551	2,430	2,551	2,560	2,486	2,797	2,797	
Plan # 4	2,324	2,207	1,941	1,941	2,350	2,324			2,480		2,620	2,544	2,996	2,996	
Plan # 5		2,238	2,348	2,348											
Plan # 6															
Averages	**N/A**	**2,095**	**1,957**	**1,957**	**2,126**	**2,174**	**N/A**	**N/A**	**2,288**	**2,357**	**2,435**	**2,414**	**N/A**	**N/A**	**2,595**
Estimated Prices			* Estimated*	*Estimated*											* Estimated*
Plan # 1		$531,950	$517,500	$517,500	$544,076	$525,000			$581,950	$609,000	$561,950	$594,990			$703,000
Plan # 2		$548,950	$525,000	$525,000	$553,816	$545,000			$598,950	$649,000	$589,450	$612,990			$745,000
Plan # 3		$551,950	$527,500	$527,500	$563,184	$565,000			$628,950	$659,000	$614,450	$614,990			
Plan # 4		$571,950	$535,000	$535,000	$594,025	$570,000			$633,950		$614,450	$636,990			
Plan # 5		$566,950	$540,000	$540,000											
Plan # 6															
Averages	**N/A**	**$554,350**	**$529,000**	**$529,000**	**$563,775**	**$551,250**	**N/A**	**N/A**	**$610,950**	**$639,000**	**$595,075**	**$614,990**	**N/A**	**N/A**	**$724,000**
Value Ratios; (Price/Sq.Ft.)	N/A	$265	$270	$270	$265	$254	N/A	N/A	$267	$271	$244	$255	N/A	N/A	$279

EXPECTED PRODUCT MIX CHARACTERISTICS

NEIGHBORHOODS C & D
PART 2 OF 2

														---- Marketing Status ---			Overall - All Projects	
Code	16	17	18	19	20	21	22	23	24	25	26	27	28					
Neighborhood	D-6	D	C	D	D-5	C	C	D	C	C	C	D	C	**Closed-Out**	Currently Active	*Future (Est.)*	Totals	Averages
Tract - Parcel	3617	3851	3649	3850	3616	3648	3656	3849	3654	3653	Parcel E	Parcel Q	Parcel D					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached	Attached	Attached/Apts.					
Market Segment						------------------------------ Detached Largest ----------------------------					----------------- Attached ----------------							
Project Names	Madrona	Casada	Sundance	Sundance II	Caprano	Huntington	Zephyr Ranch	Umbria III	Wellington	Ashford	TBD- Attached	TBD-Attached 2	TBD-Aparts.					
Marketing Status	Open	Open	Open	Open	Open	**Closed-Out**	*Future*	Open	Open	Open	*Future*	*Future*	*Future*					
Market-Entry - Est. by Developer	2018	2018	2015	2017	2017	2016	2019	2017	2018	2017	2020	2020	2022	6	15	7	28	
Builder	Meritage Homes	Woodside Homes	Tri-Pointe Homes	Tri-Pointe Homes	Meritage Homes	Richmond American	Taylor Morrison	Shea Homes	Richmond American	Shea Homes	TBD	TBD	TBD					
Housing Units in Planning Areas																		
Totals	81	78	113	138	77	129	98	62	67	117	127	188	97	493	1,281	738	2,512	
Shares; Sum to 100%	3.2%	3.1%	4.5%	5.5%	3.1%	5.1%	3.9%	2.5%	2.7%	4.7%	5.1%	7.5%	3.9%	19.6%	51.0%	29.4%	100.0%	
Marketing Status: Estimated																		
Escrows Closed; September 30, 2018	49	8	108	43	51	129	0	42	3	58	0	0	0	493	461	0	954	
Future Closings; October 2018+	32	70	5	95	26	0	98	20	64	59	127	188	97	0	820	738	1,558	
Living Areas - Square Feet							*Estimated*											
Plan # 1	2,512	2,551	2,636	2,636	2,794	2,949	2,560	2,488	3,160	3,101	1,500	1,900	TBD					
Plan # 2	2,573	2,809	2,887	2,887	2,994	3,090	2,809	3,570	3,210	3,406	1,700	2,000	TBD					
Plan # 3	2,798	3,053	3,026	3,026	3,122	3,260	3,429	3,907	3,460	3,476	2,000	2,200	TBD					
Plan # 4			3,247	3,247		3,350	3,611		3,590	3,485								
Plan # 5																		
Plan # 6																		
Averages	**2,628**	**2,804**	**2,949**	**2,949**	**2,970**	**N/A**	**3,102**	**3,322**	**3,355**	**3,367**	**1,733**	**2,033**		N/A	2,682	2,230		2,553
Estimated Prices							*Estimated*				*Estimated*	*Estimated*						
Plan # 1	$646,950	$586,990	$694,900	$694,900	$672,950		$680,000	$705,000	$709,950	$738,000	$420,000	$450,000	N/A					
Plan # 2	$647,950	$606,990	$748,900	$748,900	$701,950		$745,000	$773,000	$727,950	$771,000	$440,000	$460,000	N/A					
Plan # 3	$664,950	$630,990	$777,900	$777,900	$716,950		$820,000	$885,000	$751,950	$841,740	$460,000	$480,000	N/A					
Plan # 4			$794,900	$794,900			$850,000		$751,950	$837,000								
Plan # 5																		
Plan # 6																		
Averages	**$653,283**	**$608,323**	**$754,150**	**$754,150**	**$697,283**	**N/A**	**$773,750**	**$787,667**	**$735,450**	**$796,935**	**$440,000**	**$463,333**		N/A	$661,109	$576,514		$636,939
Value Ratios; (Price/Sq.Ft.)	$249	$217	$256	$256	$235	N/A	$249	$237	$219	$237	$254	$228		N/A	$248	$258		$249

A-1 CHARACTERISTICS OF THE EXPECTED PRODUCT MIX

NEIGHBORHOOD C ONLY

The CFD's Neighborhood C has a total of 14 residential planning areas/projects by various builders that are anticipated to have some 1,238 single-family as well as attached homes and apartment units upon build-out; their characteristics are as follows:

- ✓ Marketing status: 6 have closed-out, 4 are active and 4 are forthcoming.
- ✓ These projects have a total of 1,238 homes of which 662 have closed escrows.
- ✓ The projects have prices of $684,009 for 2,747 sq.ft. of living area for value ratio of $249/sq.ft., on the average.

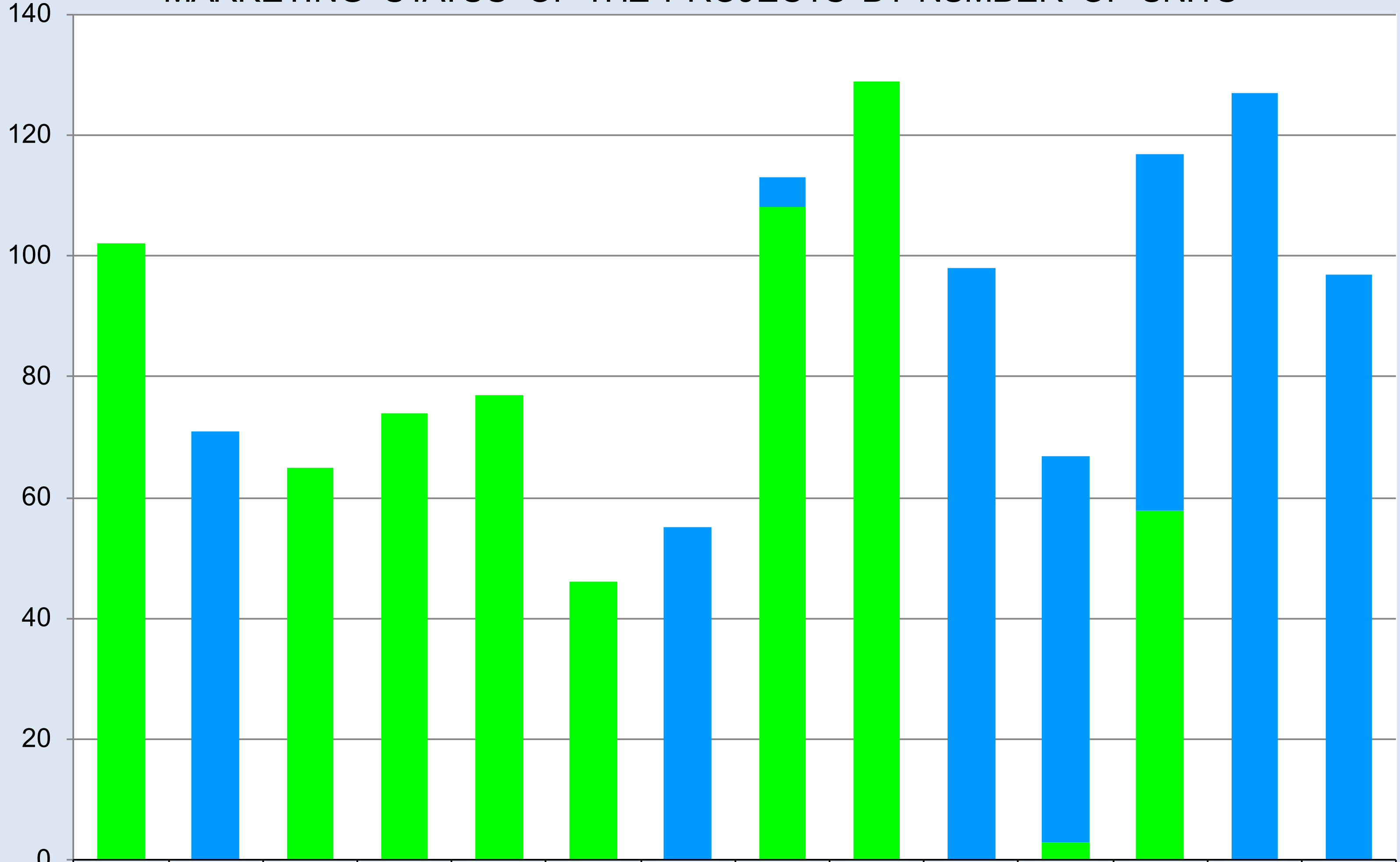
The Market Absorption Study analyzes the projects by market segments; their characteristics are as follows:

Market Segments	--------------- Projects --------------			-------------- Homes ----------------		
	Total	Active	Future	Total	Closed	Future
Detached: Smallest Sq.Ft.	2	1	1	173	102	71
Detached; Smaller Sq.Ft.	2	0	2	139	139	0
Detached: Higher Sq.Ft.	4	1	3	291	231	60
Detached; Highest Sq.Ft.	4	2	2	411	190	221
Attached	2	0	2	224	0	224
Totals	**14**	**4**	**10**	**1,238**	**662**	**576**

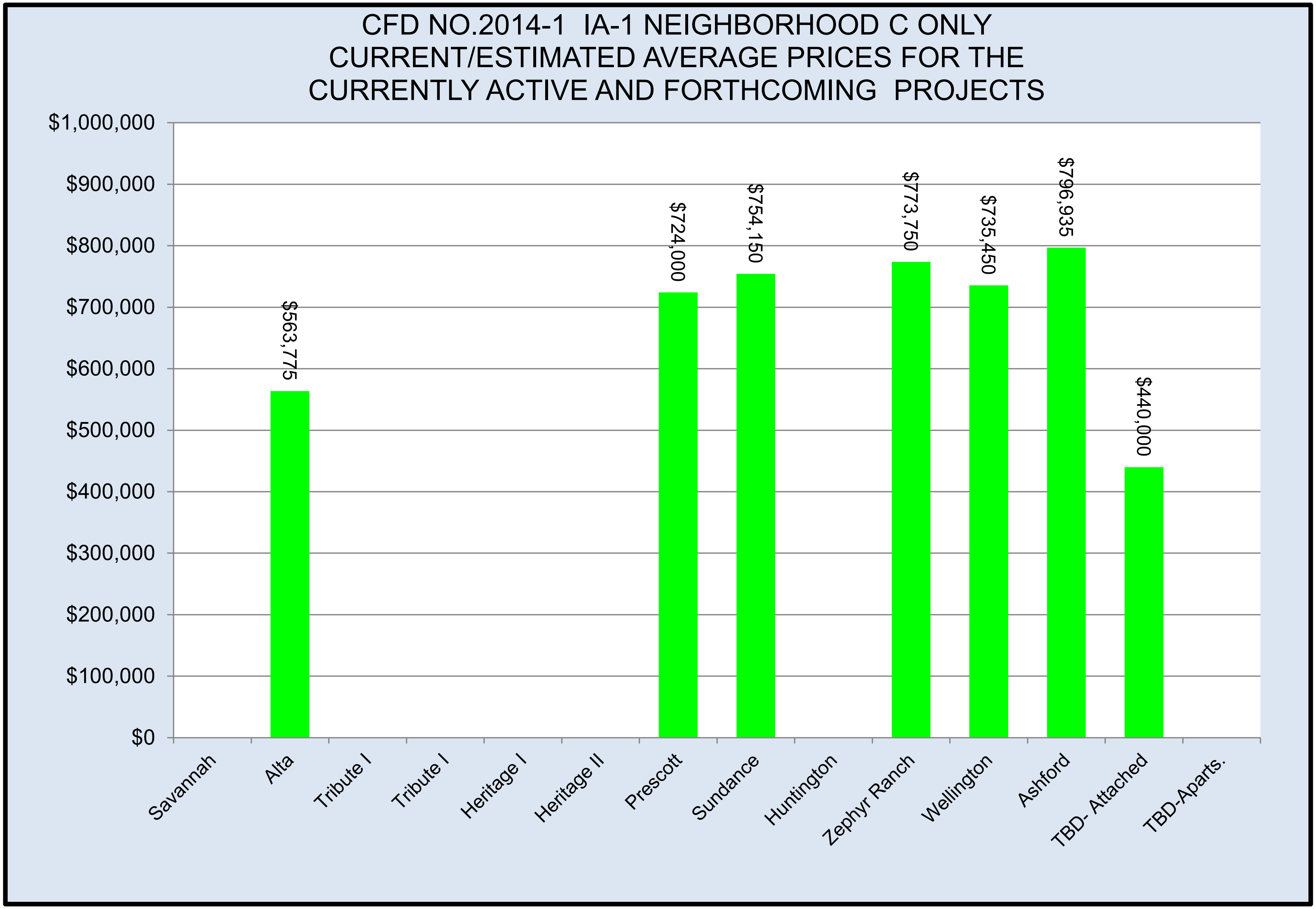
Market Segments	Base Prices	Living Area	Value Ratio
	(Avg.)	(Avg.)	(Price/Sq.Ft.)
Detached: Smallest Sq.Ft.	$563,775	2,126	$265.21
Detached; Smaller Sq.Ft.	N/A	N/A	N/A
Detached: Higher Sq.Ft.	$739,075	2,772	$267
Detached; Highest Sq.Ft.	$768,712	3,275	$235
Attached	$440,000	1,733	$254
Averages	**$684,009**	**2,747**	**$249**

For more information on these projects, please refer to the following graphs for their marketing status, prices and living areas, and also the table for more detailed information.

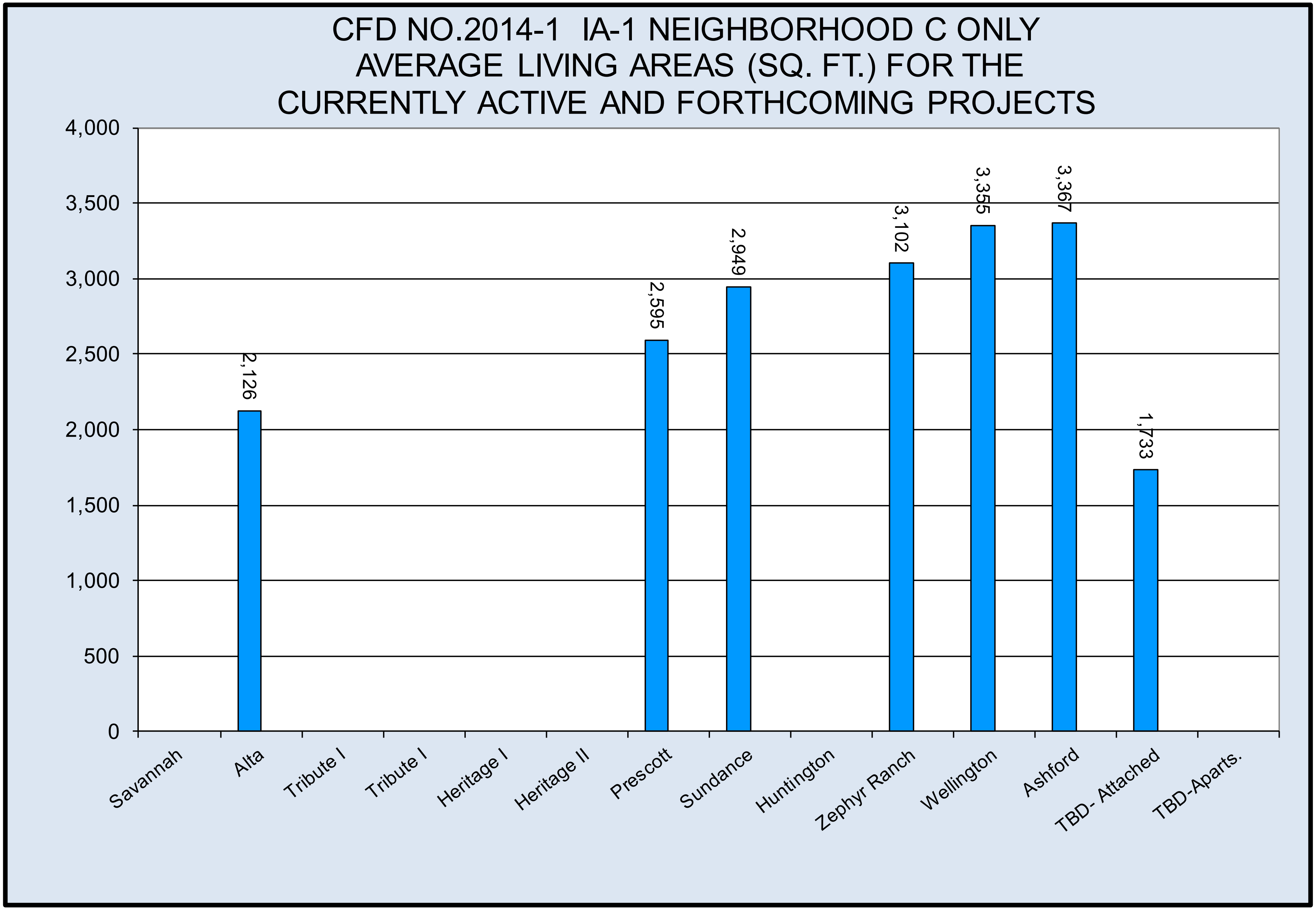
CFD NO.2014-1 IA-1 NEIGHBORHOOD C ONLY
MARKETING STATUS OF THE PROJECTS BY NUMBER OF UNITS



	Savannah	Alta	Tribute I	Tribute I	Heritage I	Heritage II	Prescott	Sundance	Huntington	Zephyr Ranch	Wellington	Ashford	TBD-Attached	TBD-Aparts.
Future Escrow Closings	0	71	0	0	0	0	55	5	0	98	64	59	127	97
Escrows Closed	102	0	65	74	77	46	0	108	129	0	3	58	0	0



NOTE: PROJECTS WITHOUT BASE PRICES ARE CLOSED OUT OR FUTURE WITH BASE PRICES STILL TBD



NOTE: PROJECTS WITHOUT LIVING AREAS ARE CLOSED OUT OR FUTURE WITH LIVING AREAS STILL TBD

EXPECTED PRODUCT MIX CHARACTERISTICS
THE CFD

NEIGHBORHOOD C ONLY

															---- **Marketing Status** ---			**Overall - All Projects**	
Code	1	5	7	8	13	14	15	18	21	22	24	25	26	28					
Neighborhood	C	C	C	C	C	C	C	C	C	C	C	C	C	C	**Closed-Out**	Currently Active	*Future (Est.)*	Totals	Averages
Tract - Parcel	3650	3657	3652	3652	3651	3655	3814	3649	3648	3656	3654	3653	Parcel E	Parcel D					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached	Attached/Apts.					
Market Segment	--------- Detached Smallest -----		------- Detached Smaller ------		---------------------- Detached Larger ---------------------				------------------- Detached Largest --------------------				------- Attached -------						
Project Names	Savannah	Alta	Tribute I	Tribute I	Heritage I	Heritage II	Prescott	Sundance	Huntington	Zephyr Ranch	Wellington	Ashford	TBD- Attached	TBD-Aparts.					
Marketing Status	**Closed-Out**	Open	**Closed-Out**	**Closed-Out**	**Closed-Out**	**Closed-Out**	*Future*	Open	**Closed-Out**	*Future*	Open	Open	*Future*	*Future*					
Market-Entry - Est. by Developer	2014	2018	2015	2015	2014	2016	2018	2015	2016	2019	2018	2017	2020	2022	6	4	4	14	
Builder	Signature Homes	Signature Homes	Cal Atlantic Homes	N./A	Woodside Homes	Woodside Homes	Shea Homes	Tri-Pointe Homes	Richmond American	Taylor Morrison	Richmond American	Shea Homes	TBD	TBD					
Housing Units in Planning Areas																			
Totals	102	71	65	74	77	46	55	113	129	98	67	117	127	97	493	368	377	1,238	
Shares; Sum to 100%	8.2%	5.7%	5.3%	6.0%	6.2%	3.7%	4.4%	9.1%	10.4%	7.9%	5.4%	9.5%	10.3%	7.8%	39.8%	29.7%	30.5%	100.0%	
Marketing Status: Estimated																			
Escrows Closed; September 30, 2018	102	0	65	74	77	46	0	108	129	0	3	58	0	0	493	169	0	662	
Future Closings; October 2018+	0	71	0	0	0	0	55	5	0	98	64	59	127	97	0	199	377	576	
Living Areas - Square Feet				*Estimated*			* Estimated*			*Estimated*									
Plan # 1	1,997	1,978	2,217	2,217	2,575	2,575	2,484	2,636	2,949	2,560	3,160	3,101	1,500	TBD					
Plan # 2	2,132	2,025	2,304	2,304	2,749	2,749	2,706	2,887	3,090	2,809	3,210	3,406	1,700	TBD					
Plan # 3	2,274	2,150	2,551	2,551	2,797	2,797		3,026	3,260	3,429	3,460	3,476	2,000	TBD					
Plan # 4	2,324	2,350			2,996	2,996		3,247	3,350	3,611	3,590	3,485							
Plan # 5																			
Plan # 6																			
Averages	**N/A**	**2,126**	**N/A**	**N/A**	**N/A**	**N/A**	**2,595**	**2,949**	**N/A**	**3,102**	**3,355**	**3,367**	**1,733**		0	2,949	2,477		2,747
Estimated Prices							* Estimated*			*Estimated*			*Estimated*						
Plan # 1		$544,076					$703,000	$694,900		$680,000	$709,950	$738,000	$420,000	N/A					
Plan # 2		$553,816					$745,000	$748,900		$745,000	$727,950	$771,000	$440,000	N/A					
Plan # 3		$563,184						$777,900		$820,000	$751,950	$841,740	$460,000	N/A					
Plan # 4		$594,025						$794,900		$850,000	$751,950	$837,000							
Plan # 5																			
Plan # 6																			
Averages	**N/A**	**$563,775**	**N/A**	**N/A**	**N/A**	**N/A**	**$724,000**	**$754,150**	**N/A**	**$773,750**	**$735,450**	**$796,935**	**$440,000**		N/A	$712,578	$645,917		$684,009
Value Ratios; (Price/Sq.Ft.)	N/A	$265	N/A	N/A	N/A	N/A	$279	$256	N/A	$249	$219	$237	$254		N/A	$244	$261		$249

A-2 CHARACTERISTICS OF THE EXPECTED PRODUCT MIX

NEIGHBORHOOD D ONLY

The CFD's Neighborhood D has a total of 14 residential planning areas/projects by various builders that are anticipated to have some 1,274 single-family and attached homes upon build-out; their characteristics are as follows:

- ✓ Marketing status: 0 have closed-out, 11 are active and 3 are forthcoming.
- ✓ The projects have a total of 1,274 homes of which 292 have closed escrows.
- ✓ The active projects have prices of $613,404 for 2,456 sq.ft. of living area for value ratio of $250/sq.ft., on the average.

The Market Absorption Study analyzes the projects by market segments; their characteristics are as follows:

Market Segments	--------------- Projects ---------------			--------------- Homes ---------------		
	Total	Active	Future	Total	Closed	Future
Detached: Smallest Sq.Ft.	4	2	2	323	6	317
Detached; Smaller Sq.Ft.	4	4	0	327	93	234
Detached: Higher Sq.Ft.	4	4	0	374	151	223
Detached; Highest Sq.Ft.	1	1	0	62	42	20
Attached	1	0	1	188	0	188
Totals	**14**	**11**	**3**	**1,274**	**292**	**982**

Market Segments	Base Prices	Living Area	Value Ratio
	(Avg.)	(Avg.)	(Price/Sq.Ft.)
Detached: Smallest Sq.Ft.	$540,900	2,046	$264
Detached; Smaller Sq.Ft.	$615,004	2,373	$259
Detached: Higher Sq.Ft.	$678,260	2,838	$239
Detached; Highest Sq.Ft.	$787,667	3,322	$237
Attached	$463,333	2,033	$228
Averages	**$613,404**	**2,456**	**$250**

For more information on these projects, please refer to the following graphs for their marketing status, prices and living areas, and also the table for more detailed information.

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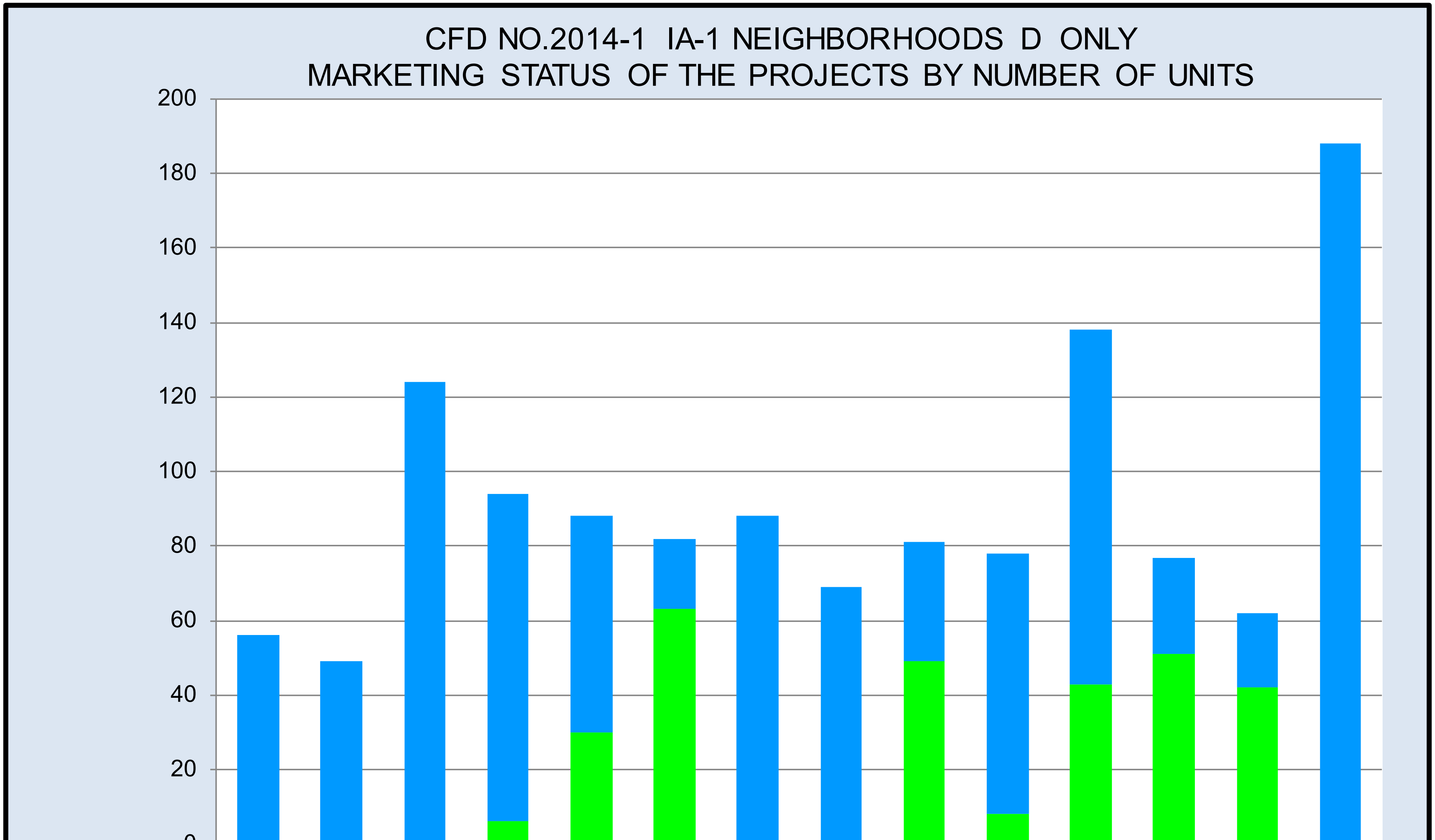
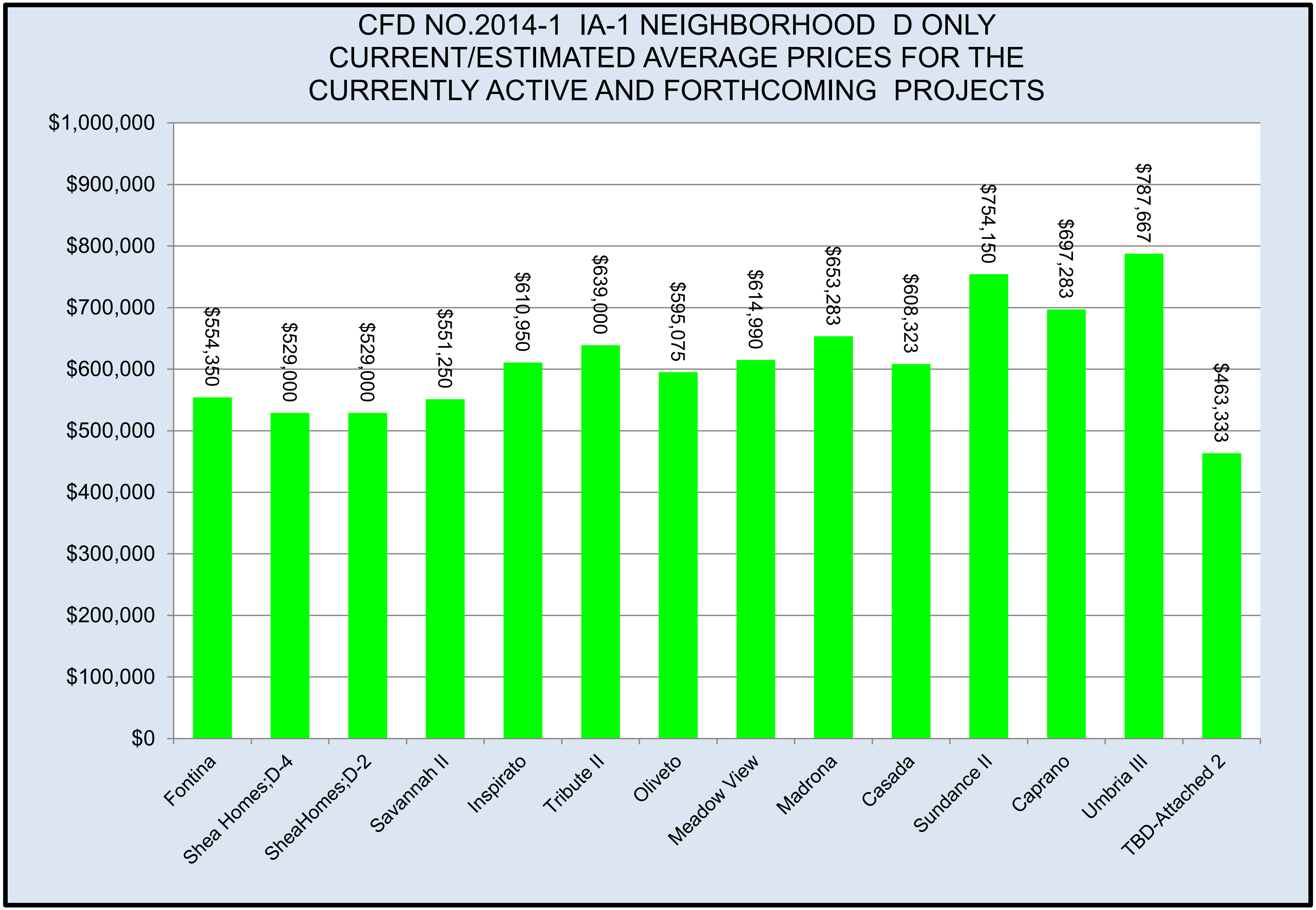
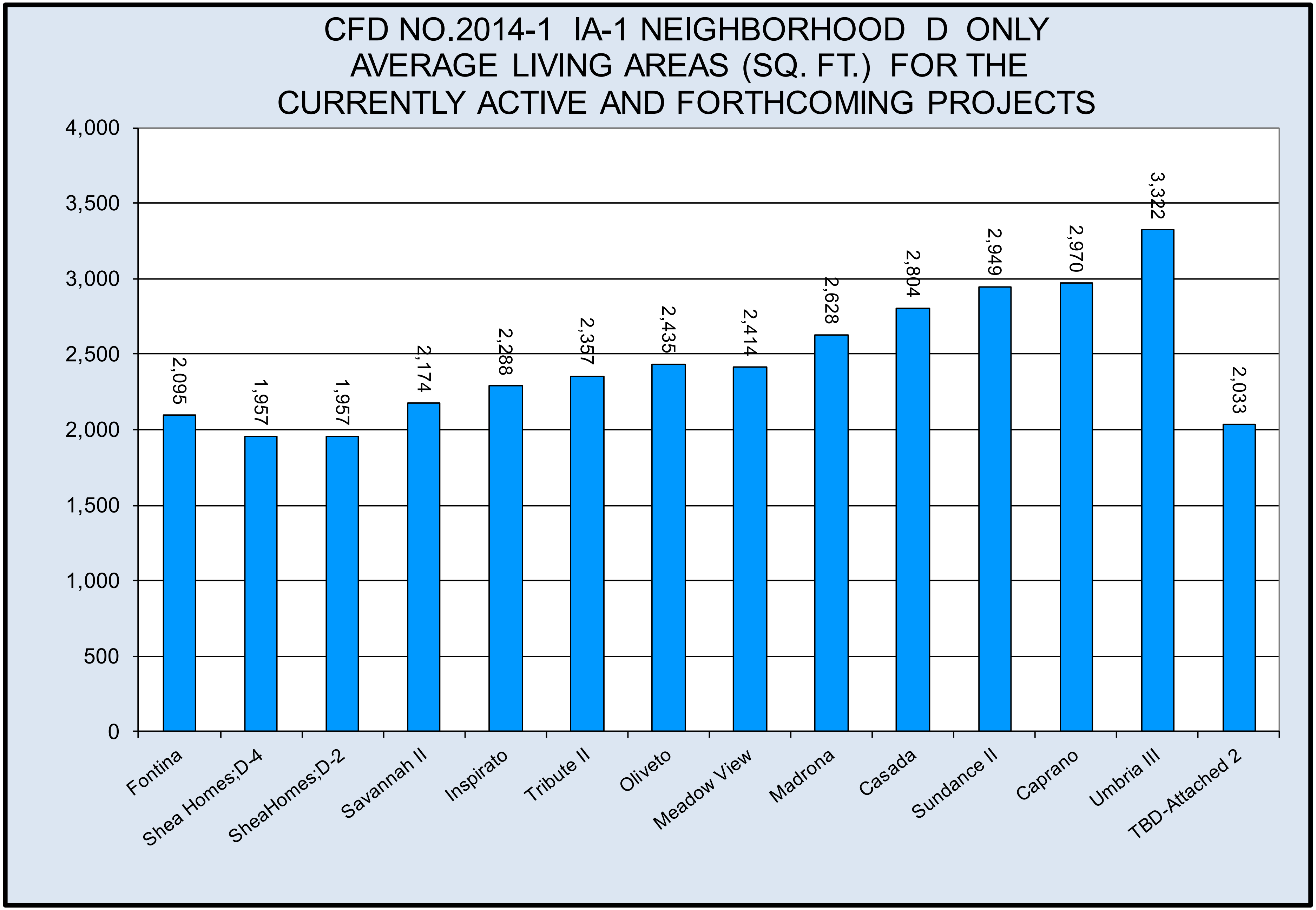


	Fontina	Shea Homes;D-4	SheaHomes;D-2	Savannah II	Inspirato	Tribute II	Oliveto	Meadow View	Madrona	Casada	Sundance II	Caprano	Umbria III	TBD-Attached 2
Future Escrow Closings	56	49	124	88	58	19	88	69	32	70	95	26	20	188
Escrows Closed	0	0	0	6	30	63	0	0	49	8	43	51	42	0


CFD NO.2014-1 IA-1 NEIGHBORHOOD D ONLY
CURRENT/ESTIMATED AVERAGE PRICES FOR THE
CURRENTLY ACTIVE AND FORTHCOMING PROJECTS
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
$554,350
$529,000
$529,000
$551,250
$610,950
$639,000
$595,075
$614,990
$653,283
$608,323
$754,150
$697,283
$787,667
$463,333
Fontina
Shea Homes;D-4
SheaHomes;D-2
Savannah II
Inspirato
Tribute II
Oliveto
Meadow View
Madrona
Casada
Sundance II
Caprano
Umbria III
TBD-Attached 2



CFD NO.2014-1 IA-1 NEIGHBORHOOD D ONLY
AVERAGE LIVING AREAS (SQ. FT.) FOR THE
CURRENTLY ACTIVE AND FORTHCOMING PROJECTS
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2,095
1,957
1,957
2,174
2,288
2,357
2,435
2,414
2,628
2,804
2,949
2,970
3,322
2,033
Fontina
Shea Homes;D-4
SheaHomes;D-2
Savannah II
Inspirato
Tribute II
Oliveto
Meadow View
Madrona
Casada
Sundance II
Caprano
Umbria III
TBD-Attached 2

EXPECTED PRODUCT MIX CHARACTERISTICS
THE CFD

NEIGHBORHOOD D ONLY

															---- Marketing Status ---			Overall - All Projects	
Code	2	3	4	6	9	10	11	12	16	17	19	20	23	27					
Neighborhood	D-3	D-4	D-2	D	D	D	D	D-1	D-6	D	D	D-5	D	D	**Closed-**	Currently	*Future*	Totals	Averages
															Out	Active	*(Est.)*		
Tract - Parcel	3671	N/A	N/A	3854	3852	3848	3853	3615	3617	3851	3850	3616	3849	Parcel Q					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached					
Market Segment	--------------- Detached Smallest ------------				-------------------------- Detached Smaller -------------------------				----------- Detached Larger --------------				Largest	Attached					
Project Names	Fontina	Shea Homes;D-4	SheaHomes;D-2	Savannah II	Inspirato	Tribute II	Oliveto	Meadow View	Madrona	Casada	Sundance II	Caprano	Umbria III	TBD-Attached 2					
Marketing Status	Open	*Future*	*Future*	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	*Future*					
Market-Entry - Est. by Developer	2018	2020	2021	2018	2018	2017	2018	2018	2018	2018	2017	2017	2017	2020	0	11	3	14	
Builder	Meritage	Shea	Shea	Signature	Richmond	Cal Atlantic	Richmond	K. Hovnanian	Meritage	Woodside	Tri-Pointe	Meritage	Shea	TBD					
	Homes	Homes	Homes	Homes	American	Homes	American		Homes	Homes	Homes	Homes	Homes						
Housing Units in Planning Areas																			
Totals	56	49	124	94	88	82	88	69	81	78	138	77	62	188	0	913	361	1,274	
Shares; Sum to 100%	4.4%	3.8%	9.7%	7.4%	6.9%	6.4%	6.9%	5.4%	6.4%	6.1%	10.8%	6.0%	4.9%	14.8%	0.0%	71.7%	28.3%	100.0%	
Marketing Status: Estimated																			
Escrows Closed; September 30, 2018	0	0	0	6	30	63	0	0	49	8	43	51	42	0	0	292	0	292	
Future Closings; October 2018+	56	49	124	88	58	19	88	69	32	70	95	26	20	188	0	621	361	982	
Living Areas - Square Feet		* Estimated*	*Estimated*																
Plan # 1	1,743	1,778	1,778	1,966	2,080	2,217	2,120	2,287	2,512	2,551	2,636	2,794	2,488	1,900					
Plan # 2	2,142	1,851	1,851	2,132	2,160	2,304	2,440	2,339	2,573	2,809	2,887	2,994	3,570	2,000					
Plan # 3	2,147	1,867	1,867	2,274	2,430	2,551	2,560	2,486	2,798	3,053	3,026	3,122	3,907	2,200					
Plan # 4	2,207	1,941	1,941	2,324	2,480		2,620	2,544			3,247								
Plan # 5	2,238	2,348	2,348																
Plan # 6																			
Averages	**2,095**	**1,957**	**1,957**	**2,174**	**2,288**	**2,357**	**2,435**	**2,414**	**2,628**	**2,804**	**2,949**	**2,970**	**3,322**	**2,033**	N/A	2,585	1,982		2,456
Estimated Prices		* Estimated*	*Estimated*											*Estimated*					
Plan # 1	$531,950	$517,500	$517,500	$525,000	$581,950	$609,000	$561,950	$594,990	$646,950	$586,990	$694,900	$672,950	$705,000	$450,000					
Plan # 2	$548,950	$525,000	$525,000	$545,000	$598,950	$649,000	$589,450	$612,990	$647,950	$606,990	$748,900	$701,950	$773,000	$460,000					
Plan # 3	$551,950	$527,500	$527,500	$565,000	$628,950	$659,000	$614,450	$614,990	$664,950	$630,990	$777,900	$716,950	$885,000	$480,000					
Plan # 4	$571,950	$535,000	$535,000	$570,000	$633,950		$614,450	$636,990			$794,900								
Plan # 5	$566,950	$540,000	$540,000																
Plan # 6																			
Averages	**$554,350**	**$529,000**	**$529,000**	**$551,250**	**$610,950**	**$639,000**	**$595,075**	**$614,990**	**$653,283**	**$608,323**	**$754,150**	**$697,283**	**$787,667**	**$463,333**	N/A	$642,393	$507,111		$613,404
Value Ratios; (Price/Sq.Ft.)	$265	$270	$270	$254	$267	$271	$244	$255	$249	$217	$256	$235	$237	$228	N/A	$250	$256		$250

SECTION II: MACROECONOMIC ANALYSIS

DESIGNATED ECONOMIC AND REAL-ESTATE FORECASTING SCENARIO UNDERLYING THE ABSORPTION FORECASTS

A. SYNOPSIS OF THE PRIMARY FINDINGS

This section describes the Economic and Real Estate Model underlying the forecasts for the absorption of the currently active/forthcoming projects in the CFD during the foreseeable future; accordingly, the primary conclusions are as follows:

California's Employment and Housing Development Patterns:

- The primary factors generating the demand for new homes is employment growth. Since 2012, the San Francisco (SF) Market Region's strong employment growth has supported a housing market recovery.
- However, due to millennials, there has been a major shift from single-family homes to apartments.
- As a result, geographical development patterns have experienced a structural change from the typical spillover from urban coastal to suburban areas for single-family homes to more apartment units in the urbanized/coastal areas.
- Specifically, millennials, those in the age group of 18 to 36, have exhibited a very strong preference for apartments in urbanized areas due to their cultural preferences as well as financial conditions.
- Secondary factors, such as low-moderate levels of mortgage rates, moderation in lending standards and relatively low gas prices supported the housing market recovery; however, since early 2018, mortgage rates and gas prices have increased.

San Joaquin County Market Region's Employment and Housing Development Patterns:

- Since 2000, employment growth has amounted to 20% for California, 18% for San Francisco/San Mateo and 32 % for San Joaquin County.
- Millennials, based upon their housing preferences for apartments in urbanized areas, have resulted in lower levels of new single-family homes than long-term averages, especially for San Joaquin County. While recent levels of new apartment units have been generally above their long-term averages in urban/coastal areas, but less so for San Joaquin County due to its suburban location.

- Comparing housing price trends in the San Francisco region to the United States as a whole reveals that the San Francisco region has a significantly higher degree of volatility both on the upside as well as the downside.

- Since 2009, housing price appreciation for the San Francisco area has significantly outperformed that of the United States.

- Recent unemployment rates are relatively low for the San Francisco coastal urbanized areas (2.3% - 2.4%), slightly higher for the San Francisco East Bay areas (2.9%-3.2%) and significantly higher for San Joaquin County (5.6%).

- However, it is critical to note that San Joaquin County covers an expansive geographical area, and the cities that are in closer proximity to San Francisco have somewhat lower unemployment rates, such as Tracy (4.2%), which is in close proximity to Mountain House.

- San Joaquin County's housing market benefits from strong employment in the adjoining counties of Alameda and Contra Costa which have significant employment in the information/technology and financial sectors.

- Considering the significant number of households that commute from San Joaquin County to Alameda County, based upon the proximity of Mountain House to Alameda County, Alameda County is regarded as being a primary driver of new housing in San Joaquin County.

Therefore, the strong employment growth in the greater San Francisco Bay Area generates a substantial demand for homes, and this has resulted in significant rates of housing price appreciation.

Based upon the CFD's location in close proximity to these growth areas, these strong macroeconomic factors are generating a very strong demand for the residential projects in the CFD.

However, Empire takes into consideration how the structural shift of more millennials residing in apartments in urbanized areas as well as recent increases in mortgage rates and gas prices may moderate the demand for housing.

B. OVERVIEW OF THE RECENT/EXPECTED HOUSING MARKET CONDITIONS FOR THE CFD MARKET AREA

RECENT EXPECTED REAL ESTATE MARKET TRENDS / PATTERNS IN SAN JOAQUIN COUNTY AND MOUNTAIN HOUSE

IMPACT OF EMPLOYMENT: PRIMARY DRIVER

STRONGER THAN ANTICIPATED EMPLOYMENT GROWTH ACCELERATES THE REAL ESTATE RECOVERY

EMPLOYMENT CHANGES, WHICH DEPEND UPON THE OVERALL ECONOMY, MAY SHIFT THIS PARADIGM

LOWER THAN ANTICIPATED EMPLOYMENT GROWTH ELONGATES THE REAL ESTATE RECOVERY

PHASE 1: PRICE DECLINES 2007 TO 2009

HOUSING PRICES ADJUST FROM PEAK LEVELS BACK TO EQUILIBRIUM, BASED UPON HOUSEHOLD INCOMES AND CONVENTIONAL FINANCING TECHNIQUES

PRICES DECLINE SIGNIFICANTLY DUE INITIALLY TO MORTGAGE RESETS AND THEN PRICE DECLINES CONTINUE DUE TO NEGATIVE EQUITY FOR HOMEOWNERS

PHASE 2: PRICES STABILIZE 2010 TO 2012

FORECLOSURE AND SHORT-SALES DOMINATE THE MARKET

FORECLOSURE/SHORT SALES ARE A SIGNIFICANT COMPONENT OF THE MARKET
MARKET SALES OF EXISTING HOMES ARE MODERATE
SALES OF NEW HOMES ARE MINIMAL – DISPLACED BY FORECLOSURE SALES

MOST OF THE HOMES THAT HAVE SIGNIFICANT LEVELS OF NEGATIVE EQUITY ARE CLEARED IN THE MARKETPLACE

PHASE 3: HOUSING MARKET RECOVERY 2013-2018+

STRONG EMPLOYMENT GROWTH DRIVES HOUSING DEMAND/PRICES INCREASES

THIS WILL SUPPORT NEW DEVELOPMENT IN THE PLANNED COMMUNITY OF MOUNTAIN HOUSE

POTENTIAL MACRO CHALLENGES: FEDERAL DEFICITS AND THE FEDERAL RESERVE BOARD REBALANCING ITS FINANCIAL ACCOUNTS

IMPACT OF MORTGAGE RATES: SECONDARY DRIVER

LOWER THAN ANTICIPATED MORTGAGE RATES ACCELERATE THE REAL ESTATE RECOVERY

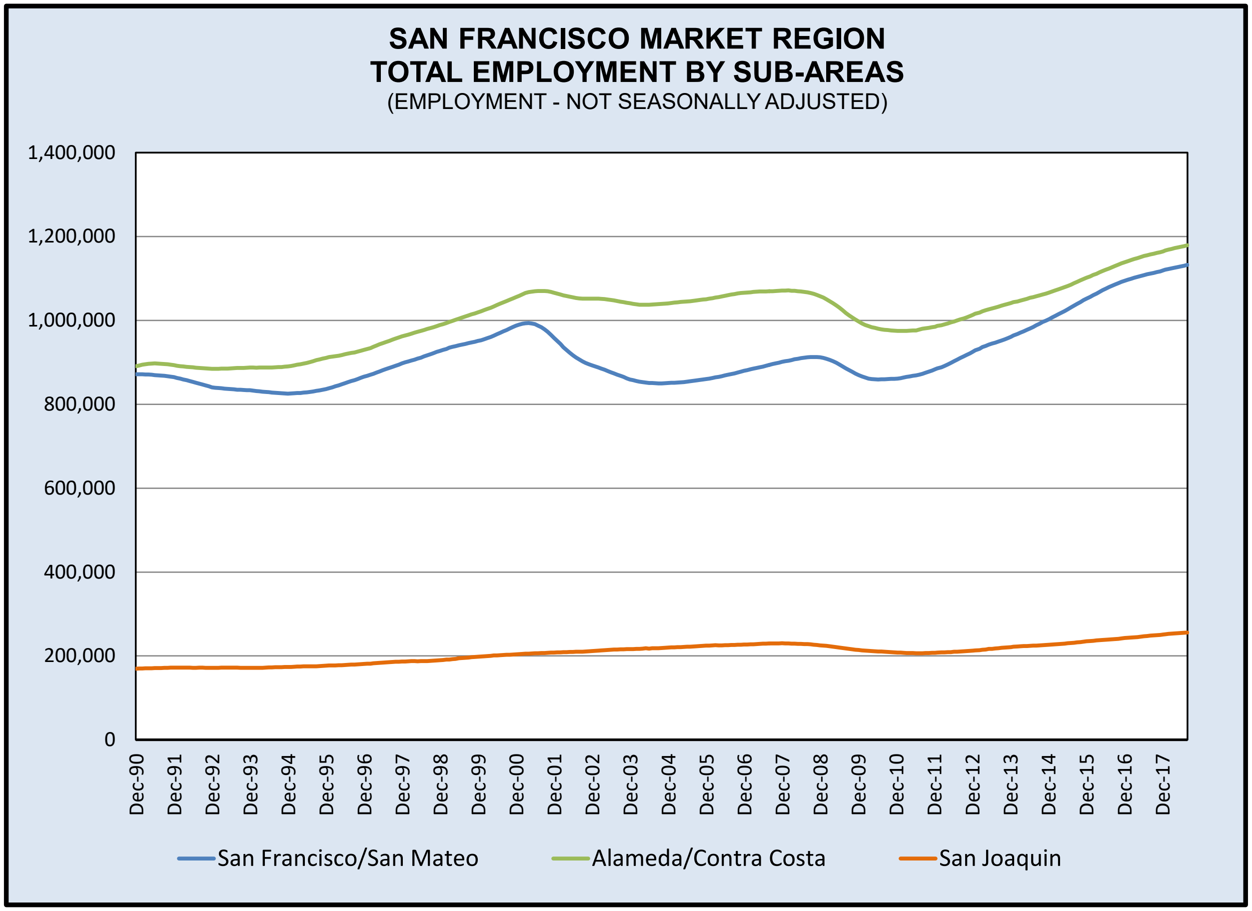
THE LEVEL OF MORTGAGE RATES, WHICH DEPEND UPON THE RATE OF INFLATION, MAY SHIFT THIS PARADIGM

HIGHER THAN ANTICIPATED MORTGAGE RATES ELONGATE THE REAL ESTATE RECOVERY

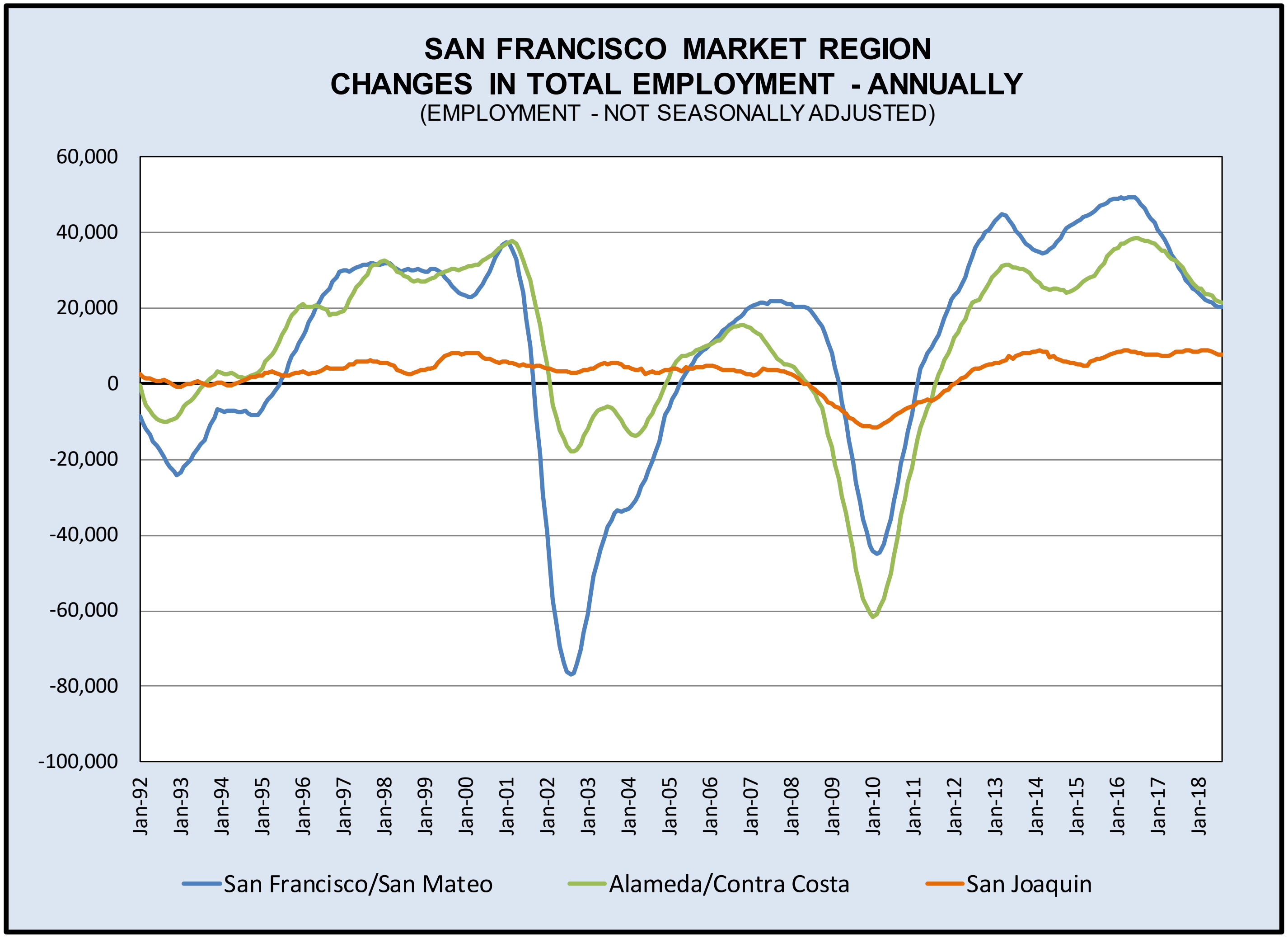
C. CRITICAL COMPONENTS OF THE ECONOMIC FORECASTING MODEL

EMPLOYMENT IS THE PRIMARY ECONOMIC DRIVER OF HOUSING DEMAND
EMPLOYMENT GROWTH (*DECLINES*) DRIVES HOUSING DEMAND & PRICE INCREASES (*DECREASES*)

THE MAJOR EMPLOYMENT CENTERS ARE
COASTAL/URBAN: SAN FRANCISCO/SAN MATEO
BAY AREA: ALAMEDA/CONTRA COSTA



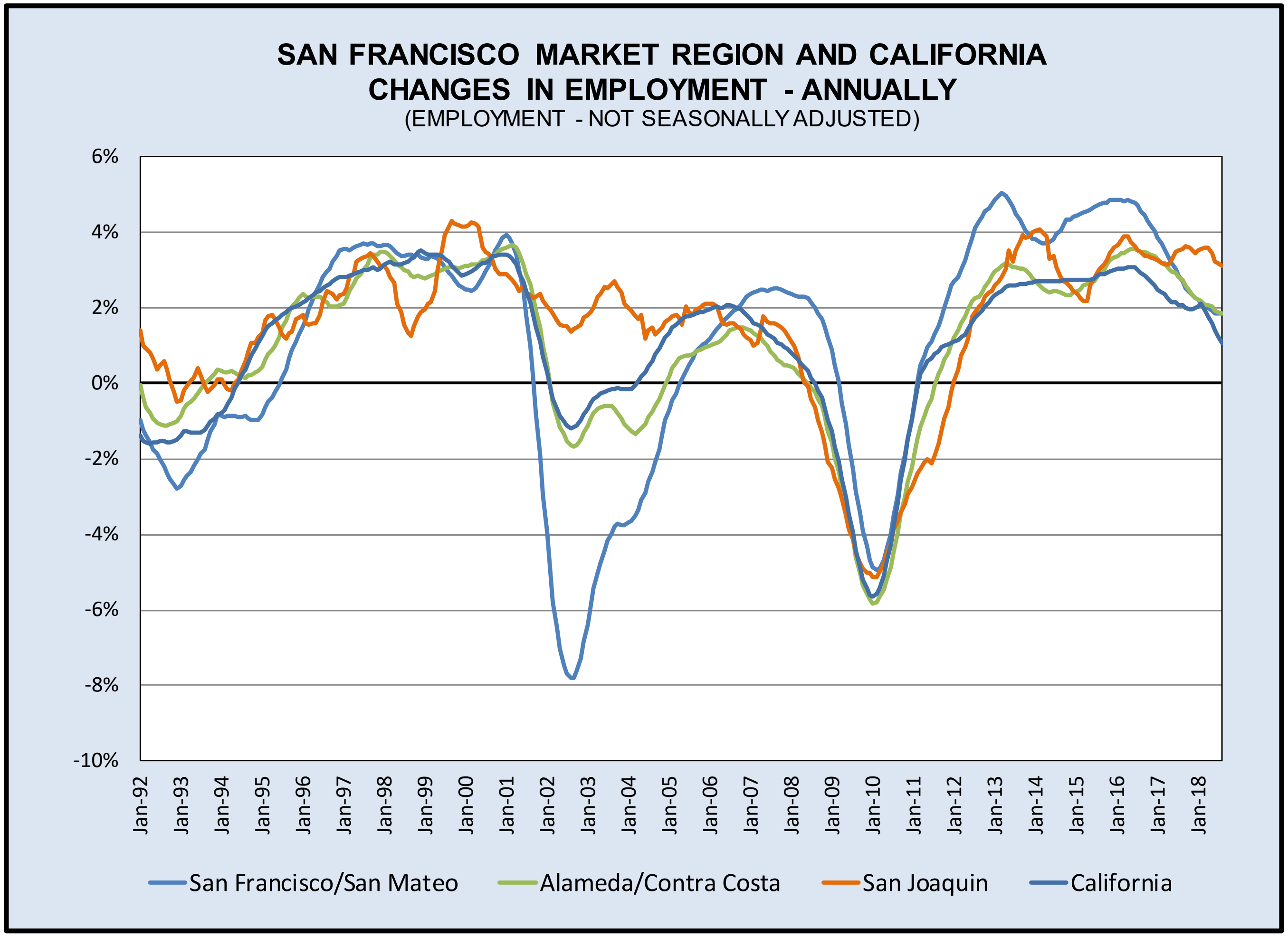
AMOUNTS OF EMPLOYMENT CHANGES, MEASURED NUMERICALLY, ARE MUCH LARGER FOR SAN FRANCISCO/SAN MATEO AND ALAMEDA/CONTRA COSTA AS COMPARED TO SAN JOAQUIN



EMPLOYMENT CHANGES, MEASURED IN PERCENTAGE TERMS, OCCUR FOR ALL OF THE COUNTIES, USING CALIFORNIA AS A BENCHMARK,

THE DEGREE OF THE CHANGES ARE MORE PRONOUNCED FOR SAN FRANCISCO/SAN MATEO

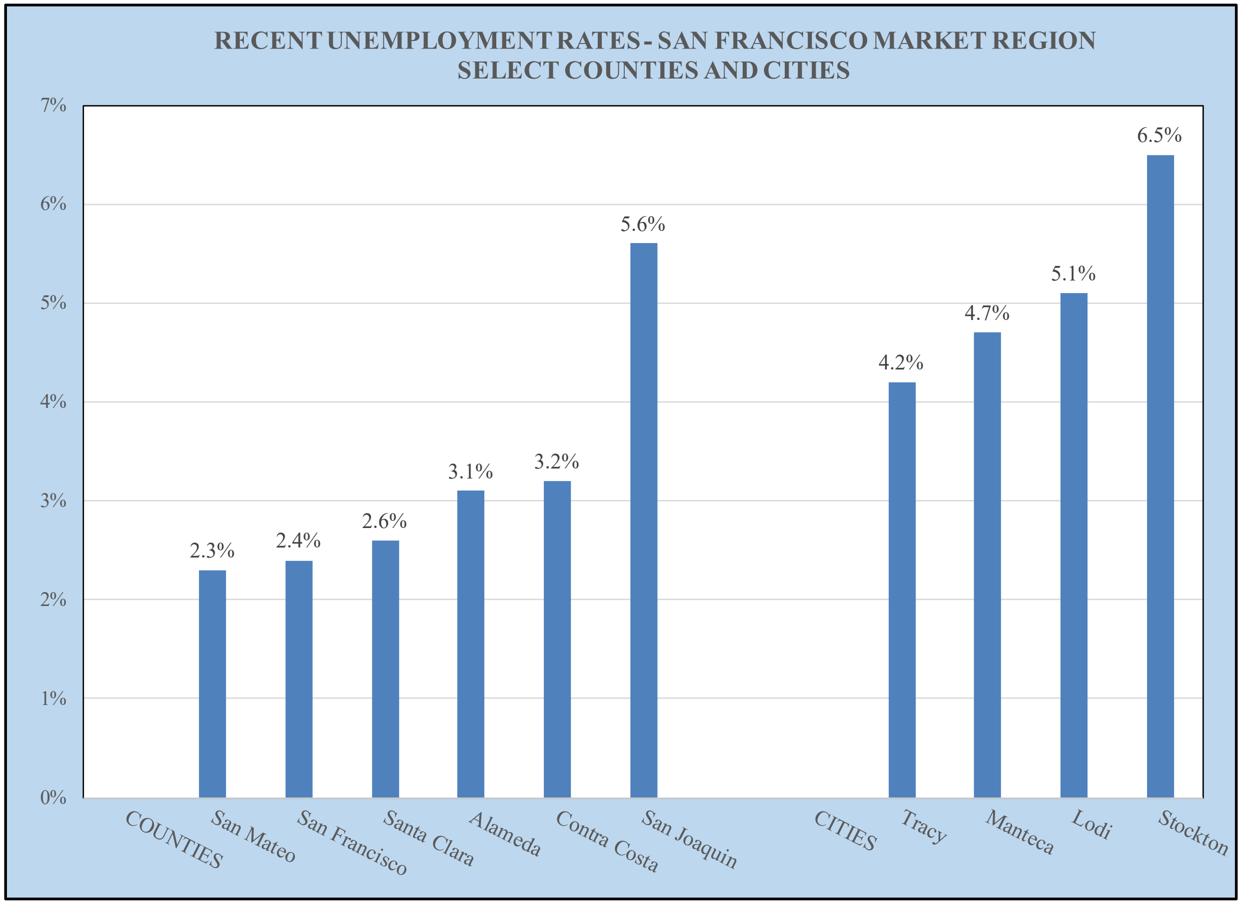
THERE HAVE BEEN THREE CONTRACTIONARY PHASES: 1992-1995, 2001-2005 AND 2009-2011



RECENT UNEMPLOYMENT RATES FOR THE SF URBAN/COASTAL – AND BAY AREAS ARE VERY LOW, 2.3%–3.2%.

FOR SAN JOAQUIN COUNTY, AS A WHOLE, THE UNEMPLOYMENT RATE IS 5.6%.

HOWEVER, FOR CITIES LOCATED IN THE SOUTHWESTERLY PART OF THE COUNTY IN CLOSER PROXIMITY TO THE SF REGION UNEMPLOYMENT RATES ARE LOWER: THE CLOSEST CITY, TRACY, HAS AN UNEMPLOYMENT RATE OF 4.2%.



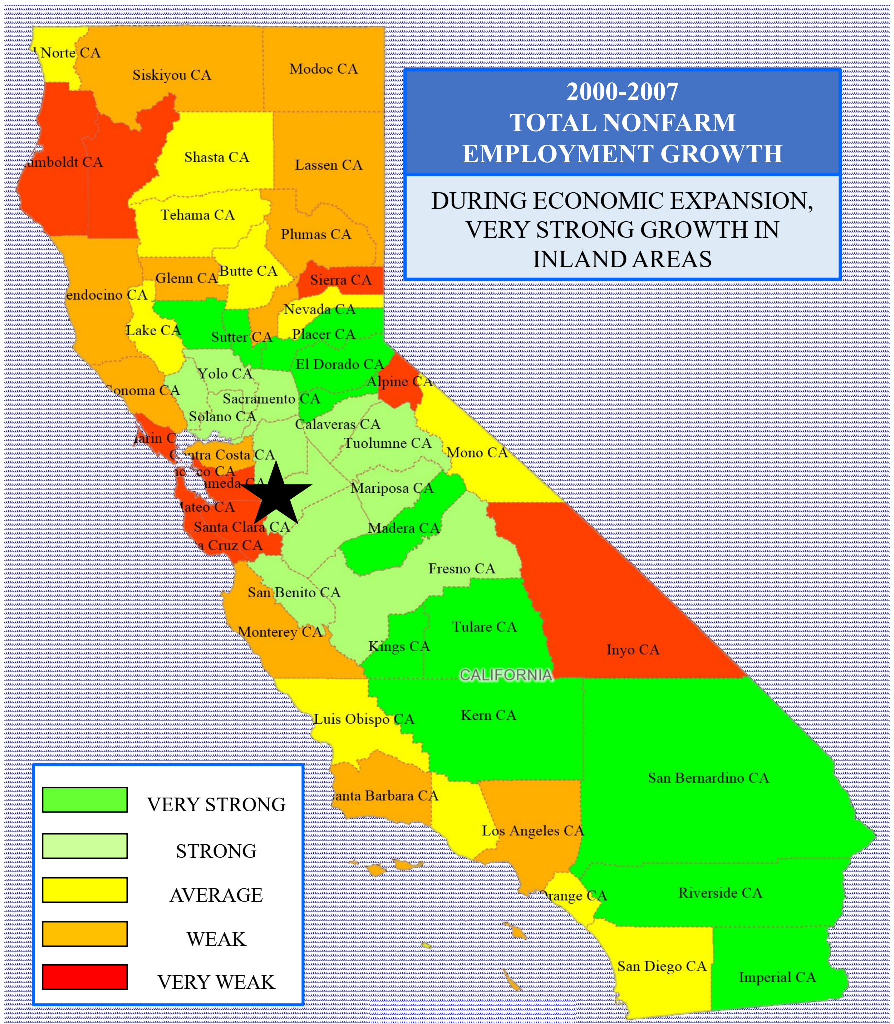
D. OVERVIEW OF ECONOMIC-EMPLOYMENT CONDITIONS

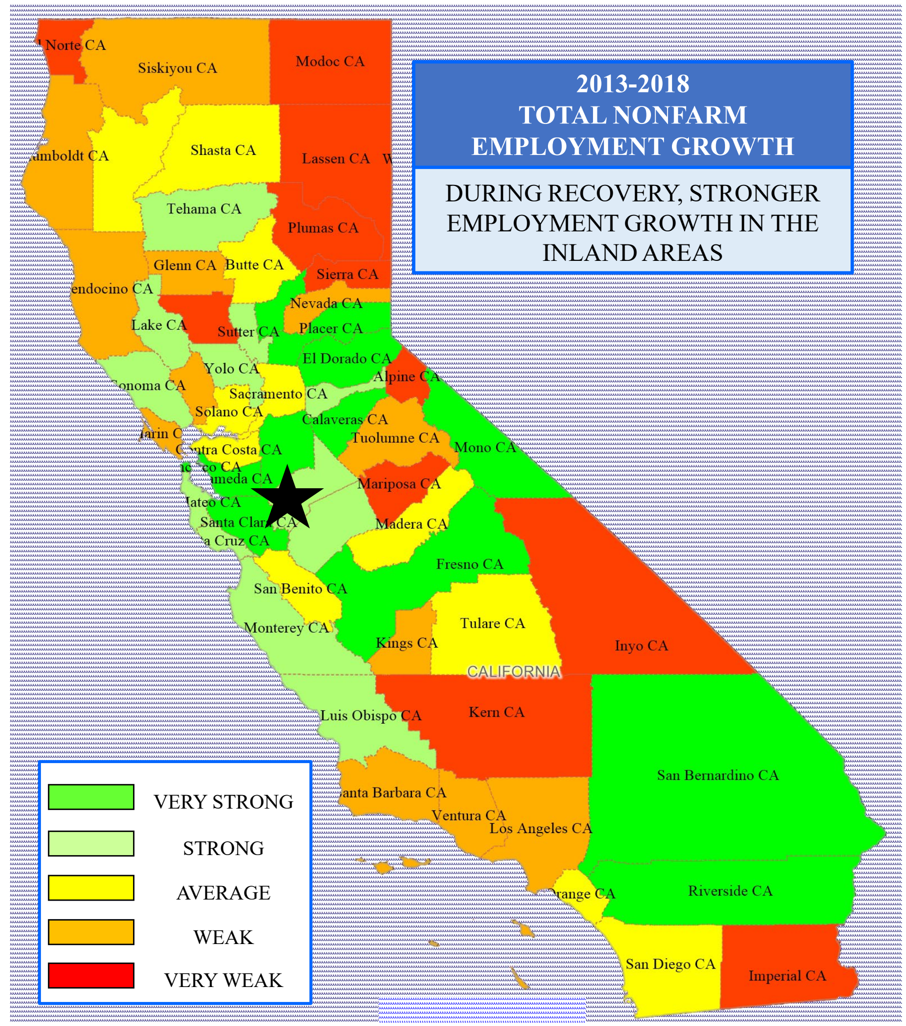
2000–2007: RELATIVELY STRONGER EMPLOYMENT GROWTH IN INLAND AREAS

2013–2018: ALSO RELATIVELY STRONGER EMPLOYMENT GROWTH IN INLAND AREAS

SAN JOAQUIN COUNTY EXPERIENCED STRONG EMPLOYMENT GROWTH IN BOTH TIME PERIODS

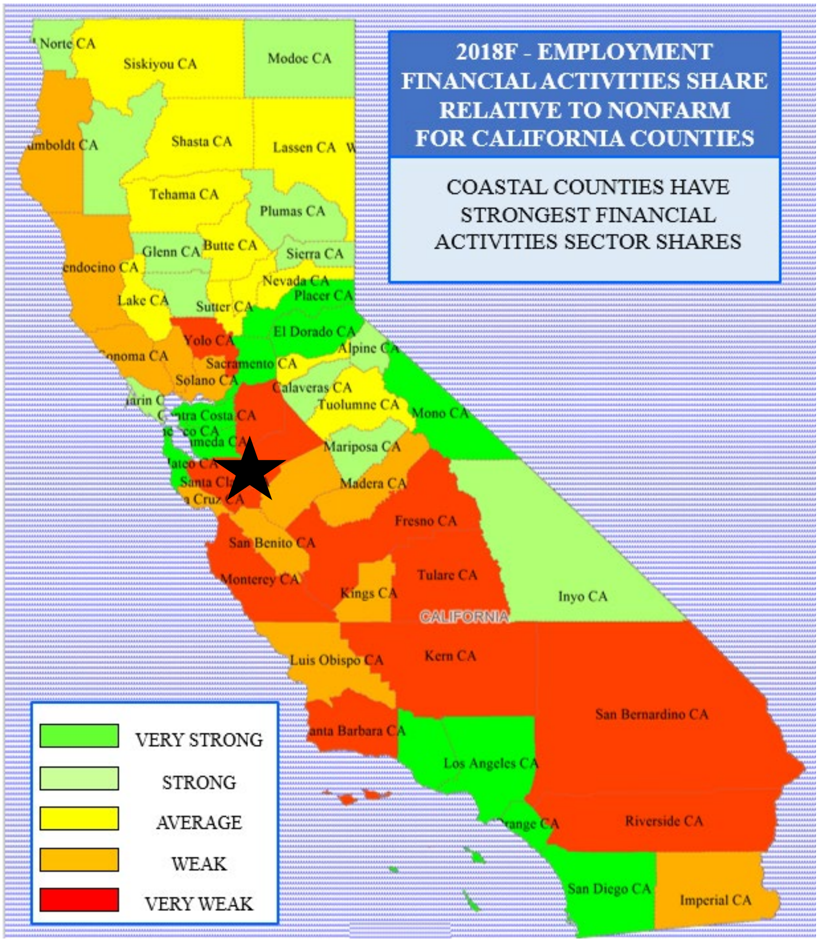
EMPLOYMENT GROWTH IN URBAN/COASTAL COUNTIES VARIED: PREVIOUSLY LOW BUT RECENTLY STRONG

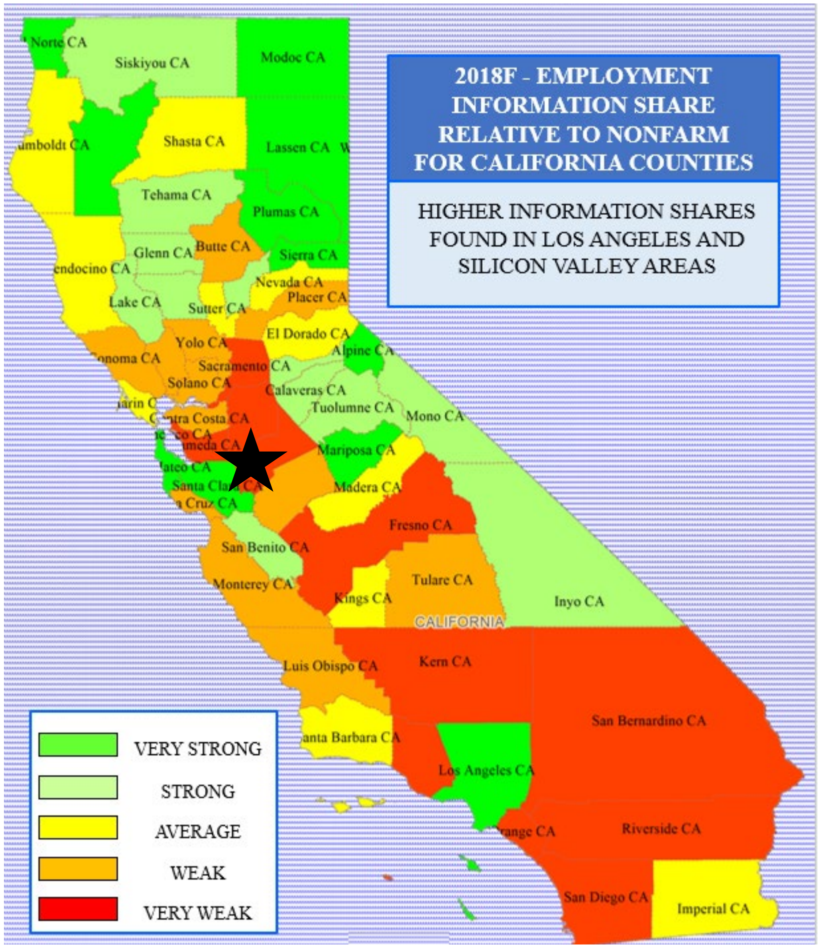




RECENT EMPLOYMENT CONDITIONS (2018-FORECAST – 2018F)
FINANCIAL ACTIVITIES: COASTAL COUNTIES STRONGEST
INFORMATION: COASTAL COUNTIES ALSO STRONGEST

SAN JOAQUIN COUNTY HAS VERY WEAK GROWTH IN FINANCIAL AND INFORMATION SECTORS



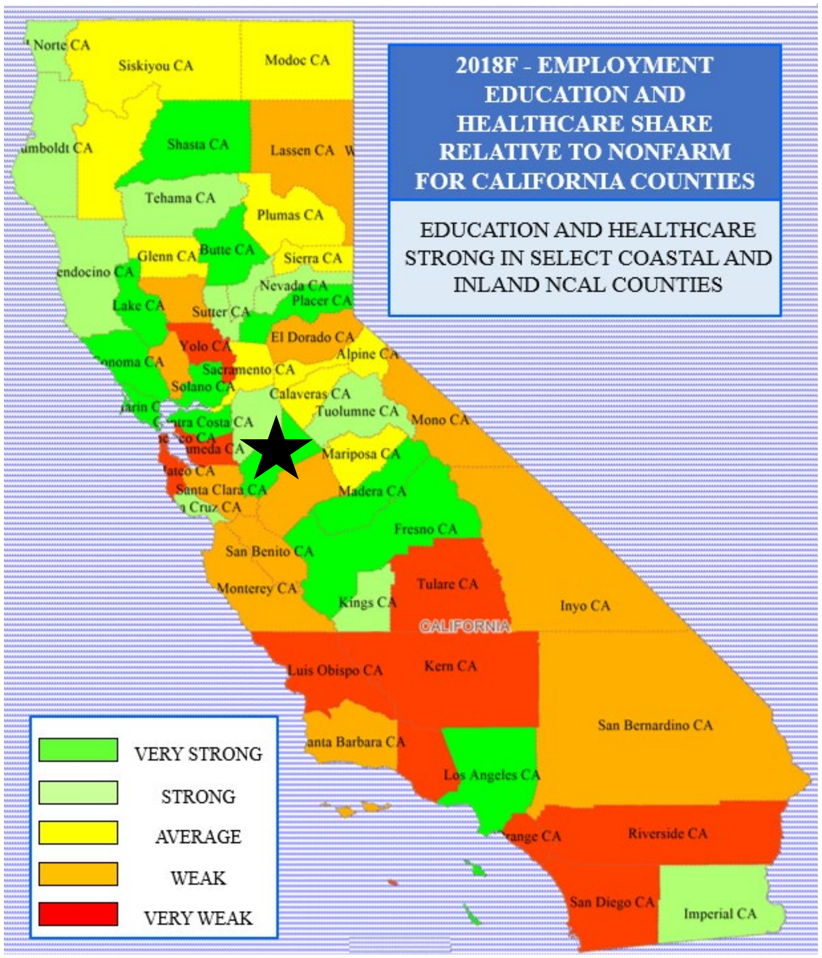


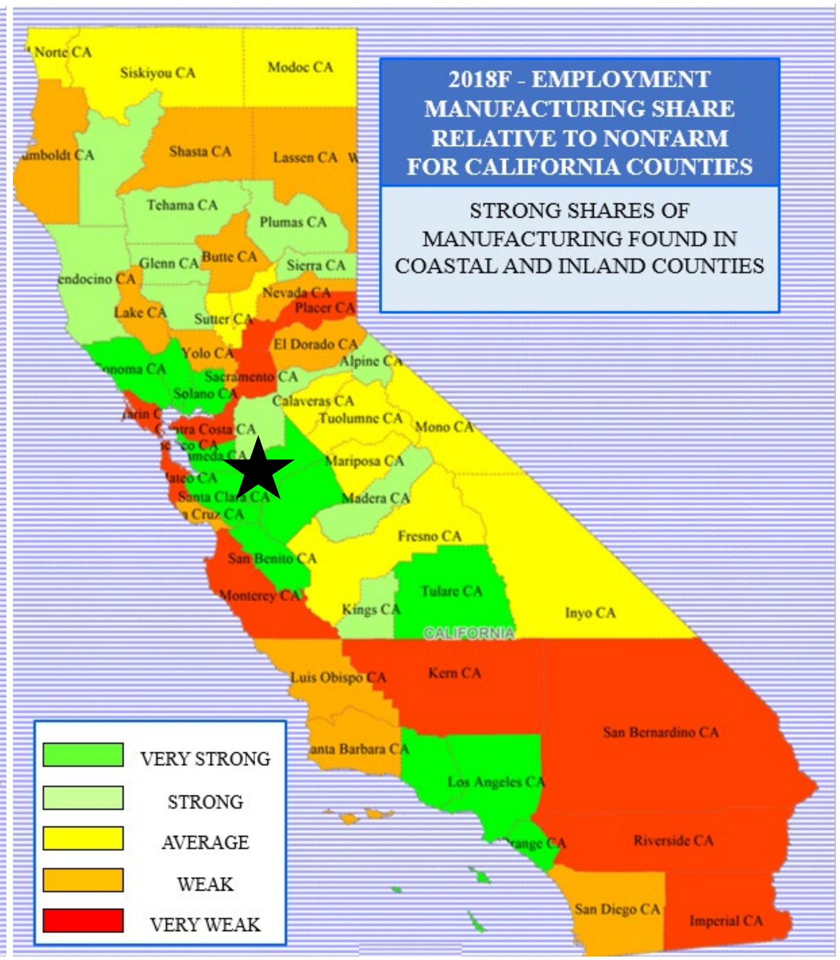
RECENT EMPLOYMENT CONDITIONS (2018-F)

EDUCATION AND HEALTHCARE: STRONG / VERY STRONG FOR CENTRAL VALLEY/INLAND AREAS

MANUFACTURING: VERY STRONG FOR INLAND AREAS

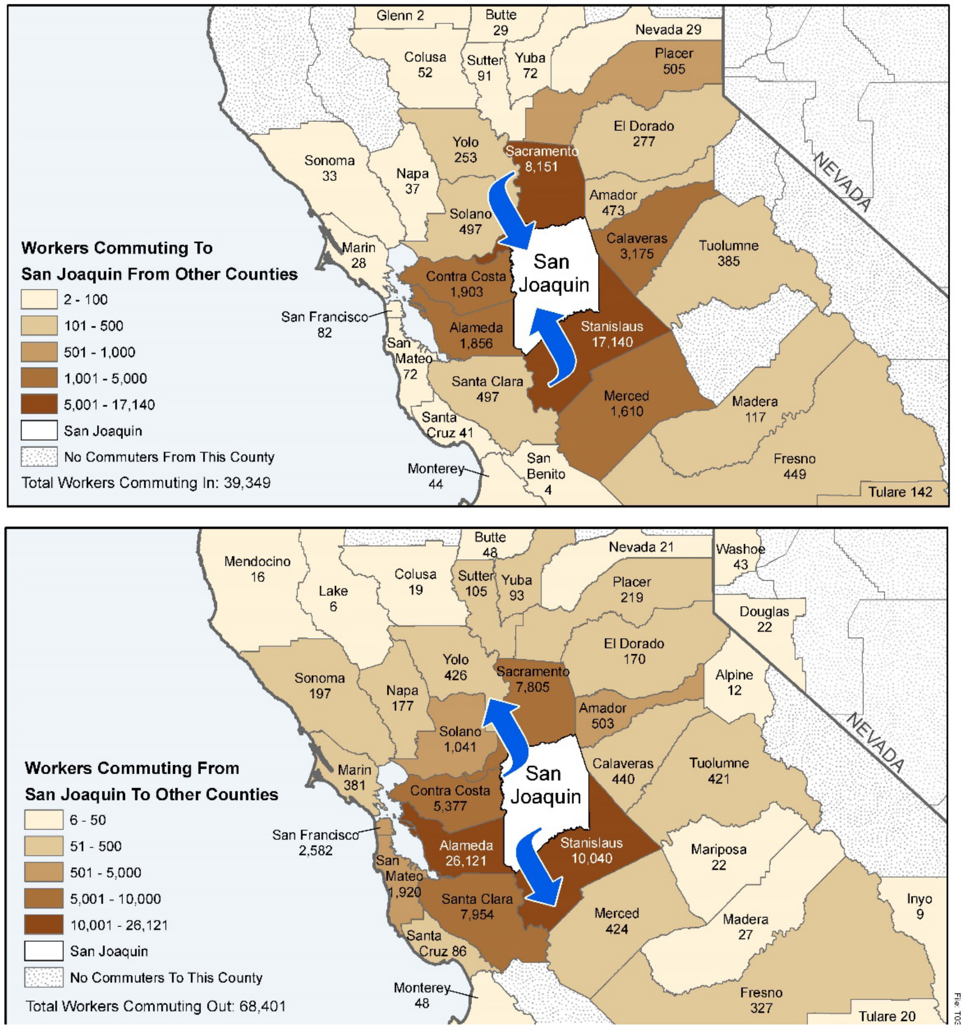
- SAN JOAQUIN COUNTY HAS STRONG EMPLOYMENT IN THE EDUCATION AND HEALTHCARE SECTORS
- MANUFACTURING IS ANOTHER AREA OF STRENGTH FOR SAN JOAQUIN COUNTY





SAN JOAQUIN COUNTY HAS A SIGNIFICANT NUMBER OF HOUSEHOLDS THAT COMMUTE TO ALAMEDA COUNTY WHICH HAS A STRONG EMPLOYMENT CENTER.

San Joaquin
County to County Commuting Estimates



Considering the significant number of households that commute from San Joaquin County to Alameda County, and the proximity of Mountain House to Alameda County, employment in Alameda County is regarded as being a primary driver of new housing in San Joaquin County.

- An estimated 39,349 workers, on average, commuted into San Joaquin County, with the majority from Stanislaus (17,140) and Sacramento (8,151) counties.

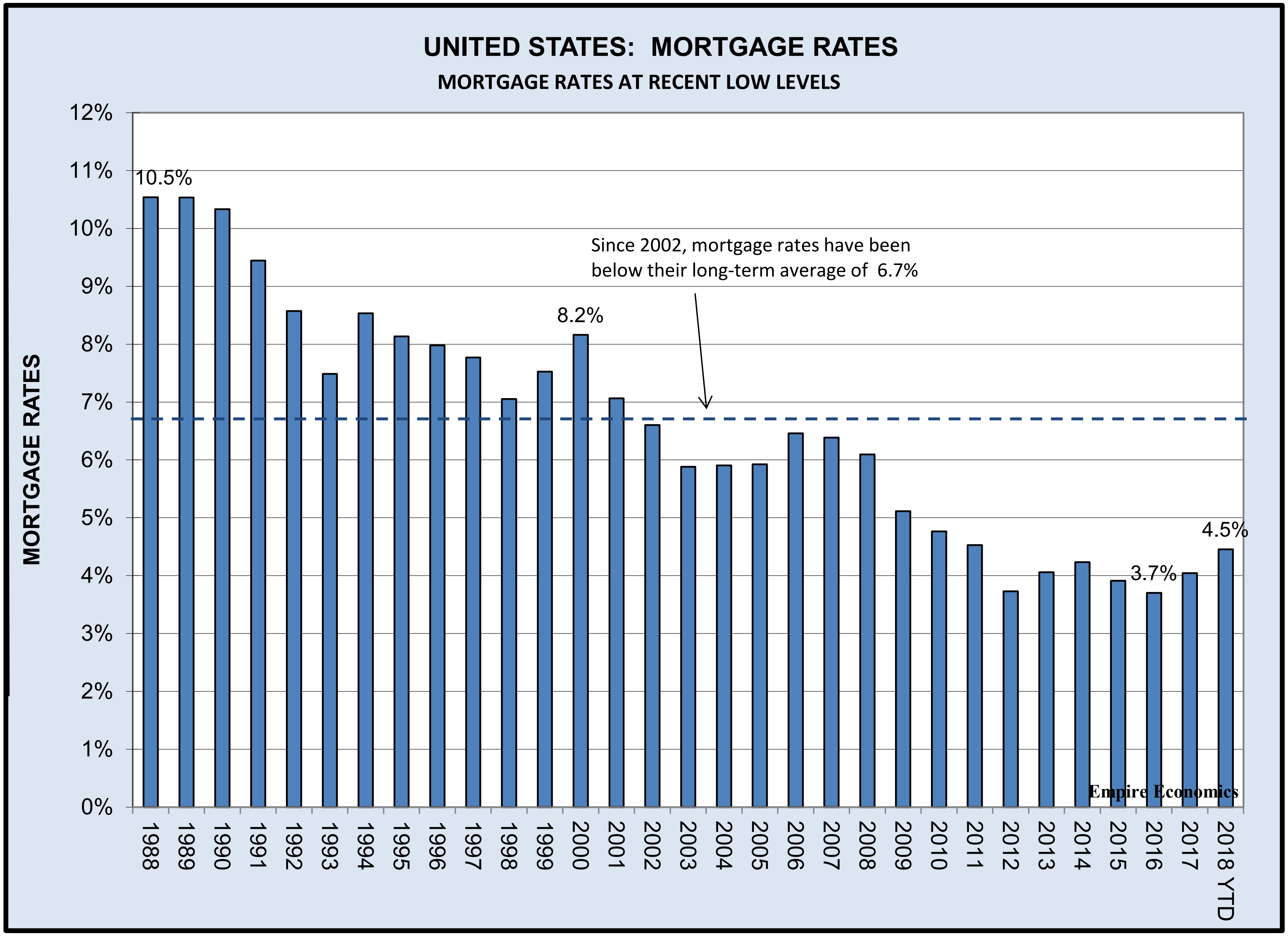
- An estimated 68,401 workers, on average, commuted from San Joaquin County to other counties the vast majority to Alameda (26,121) and Stanislaus (10,040) counties.

- 193,718 people, on average, both live and work in San Joaquin County.

Data Source: Employment Development Department, 2006-2010 most recent available.

MORTGAGE RATES ARE A SECONDARY DRIVER OF NEW HOUSING DEMAND

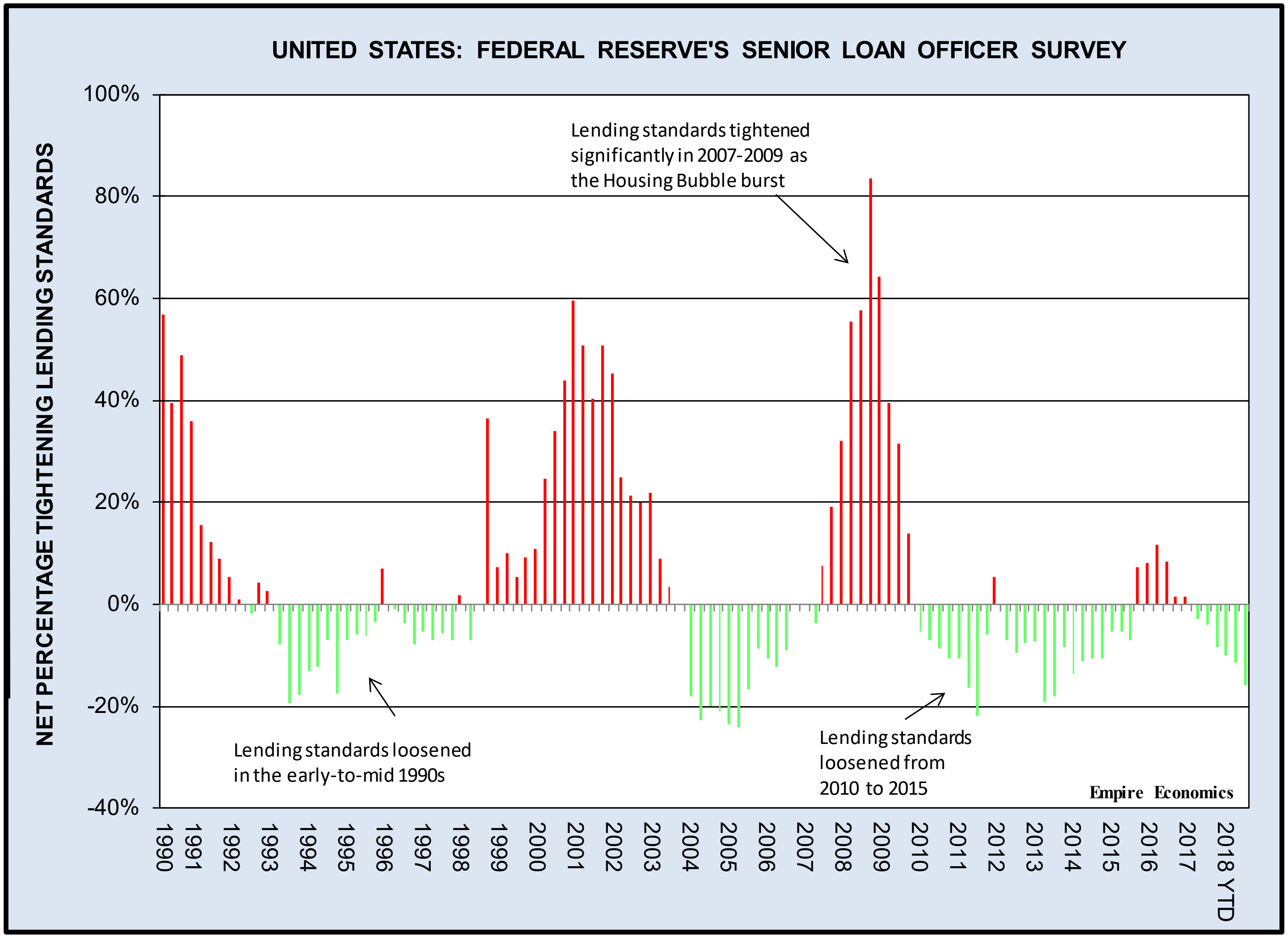
MORTGAGE RATES, RECENTLY AT HISTORICALLY LOW LEVELS, HAVE INCREASED SINCE EARLY 2018



LENDING STANDARDS ARE ALSO A SECONDARY DRIVER OF HOUSING DEMAND

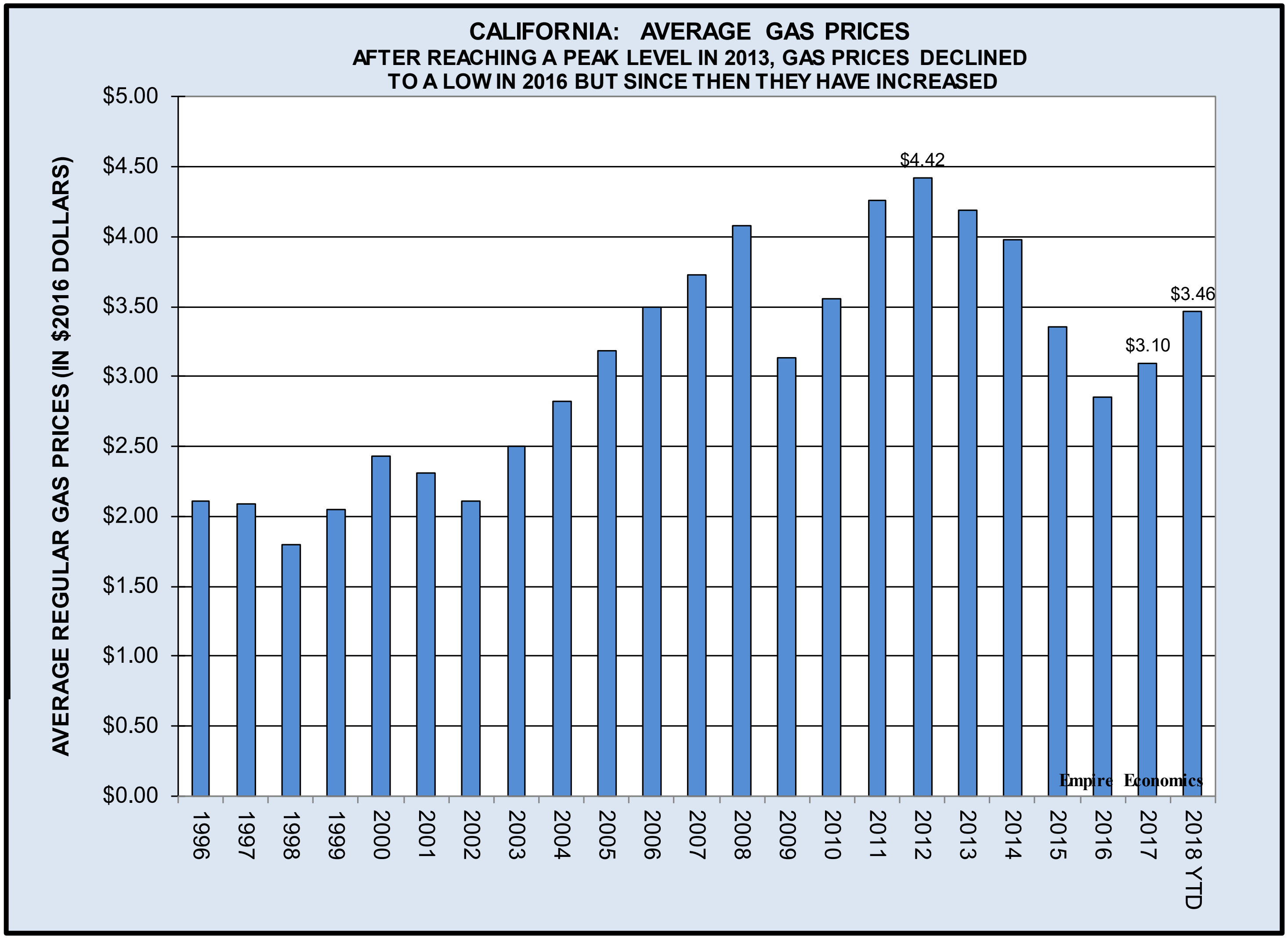
SINCE 2010, LENDING INSTITUTIONS HAVE LOOSENED THEIR STANDARDS FOR MORTGAGE QUALIFICATIONS

ALTHOUGH THERE WAS A SLIGHT TIGHTENING DURING 2016, SINCE THEN THE CRITERIA HAVE RECENTLY BEEN LOOSENING (DATA ARE REPORTED QUARTERLY)



A CONTRIBUTING FACTOR TO HOUSING DEMAND, ESPECIALLY FOR HOUSEHOLDS COMMUTING TO THE SUBURBS FOR MODERATELY PRICED SINGLE-FAMILY HOMES, HAS BEEN THE PRICE OF GAS, SINCE THIS IMPACTS COMMUTING COSTS.

AFTER REACHING A PEAK LEVEL IN 2012, GAS PRICES DECLINED TO A LOW IN 2016 BUT SINCE THEN HAVE INCREASED

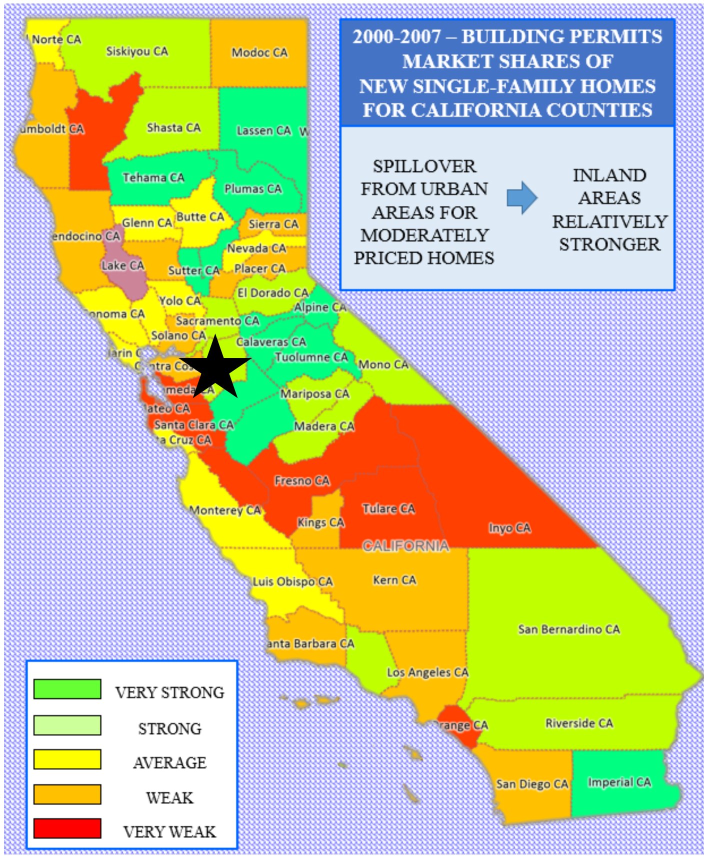


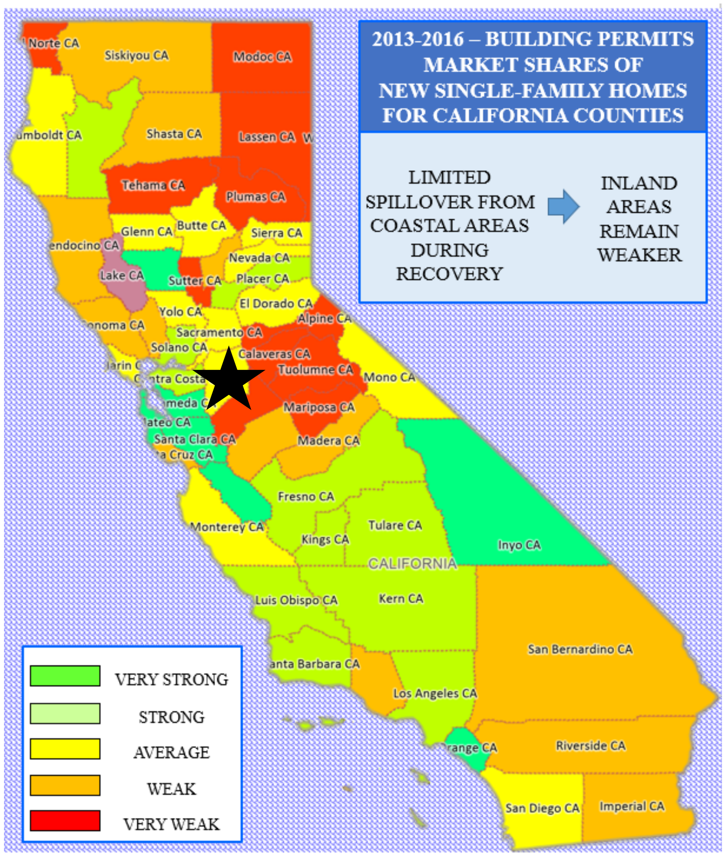
E. RECENT TRENDS/PATTERNS FOR NEW CONSTRUCTION ACTIVITY

NEW SINGLE FAMILY HOMES OVER TIME

2000-2007: WITH URBAN SPILLOVER, INLAND AREAS RELATIVELY STRONGER

2013-2016: WITH LIMITED URBAN SPILLOVER, INLAND AREAS REMAIN WEAKER

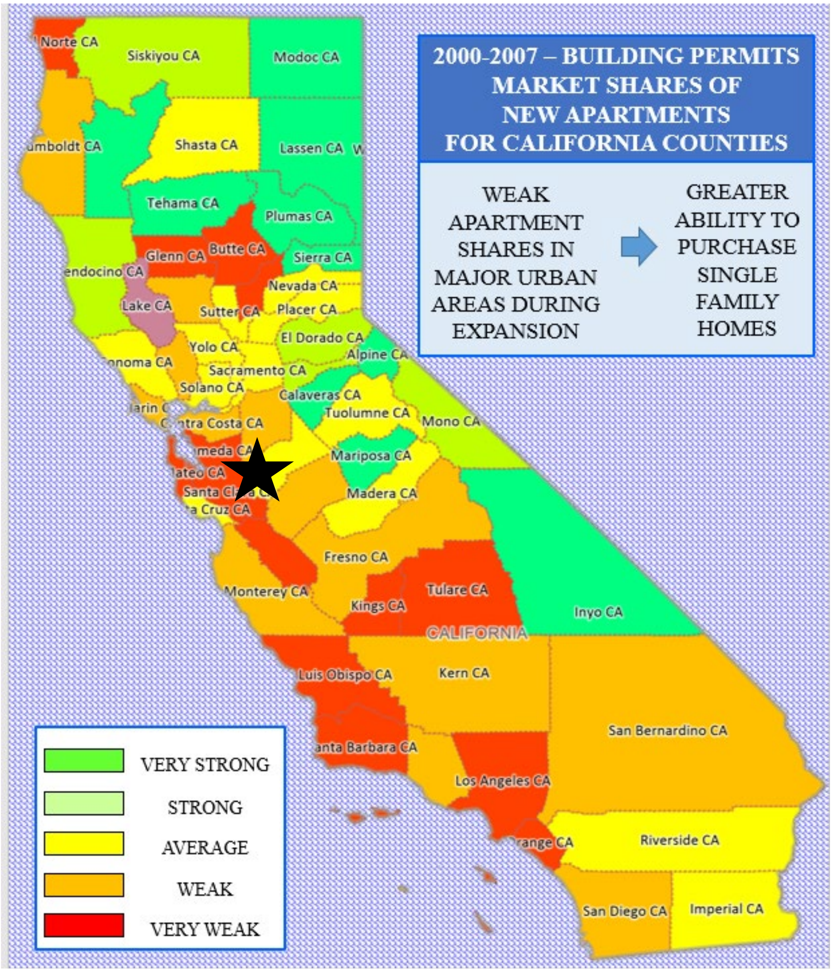


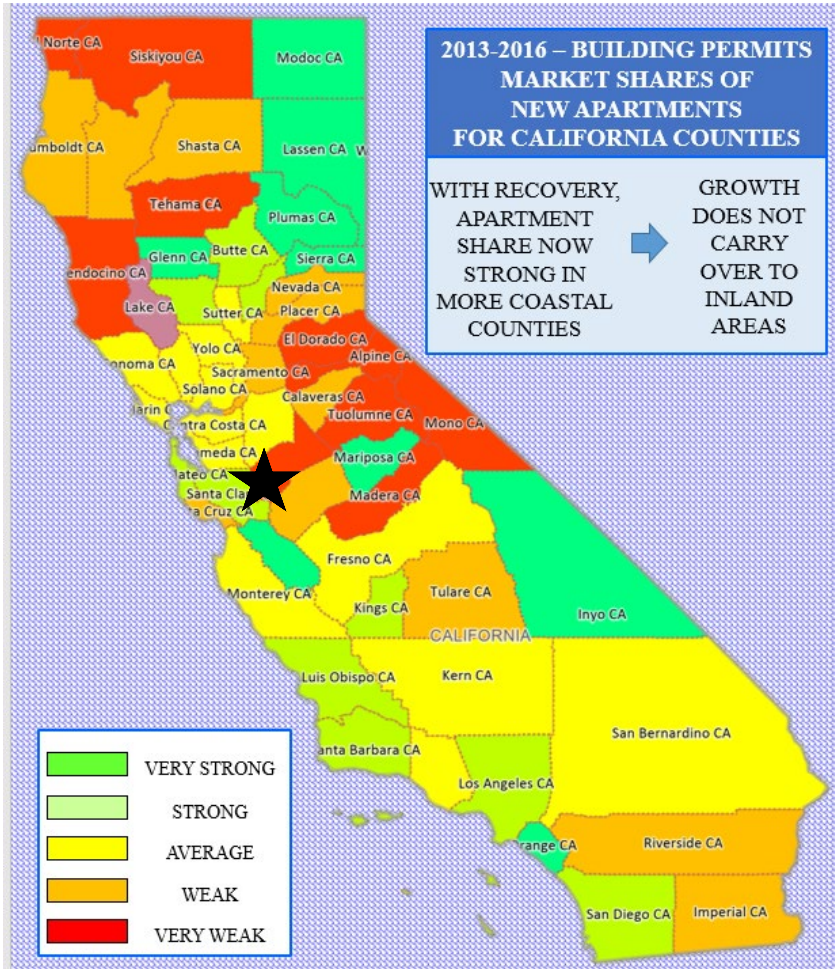


NEW APARTMENTS OVER TIME

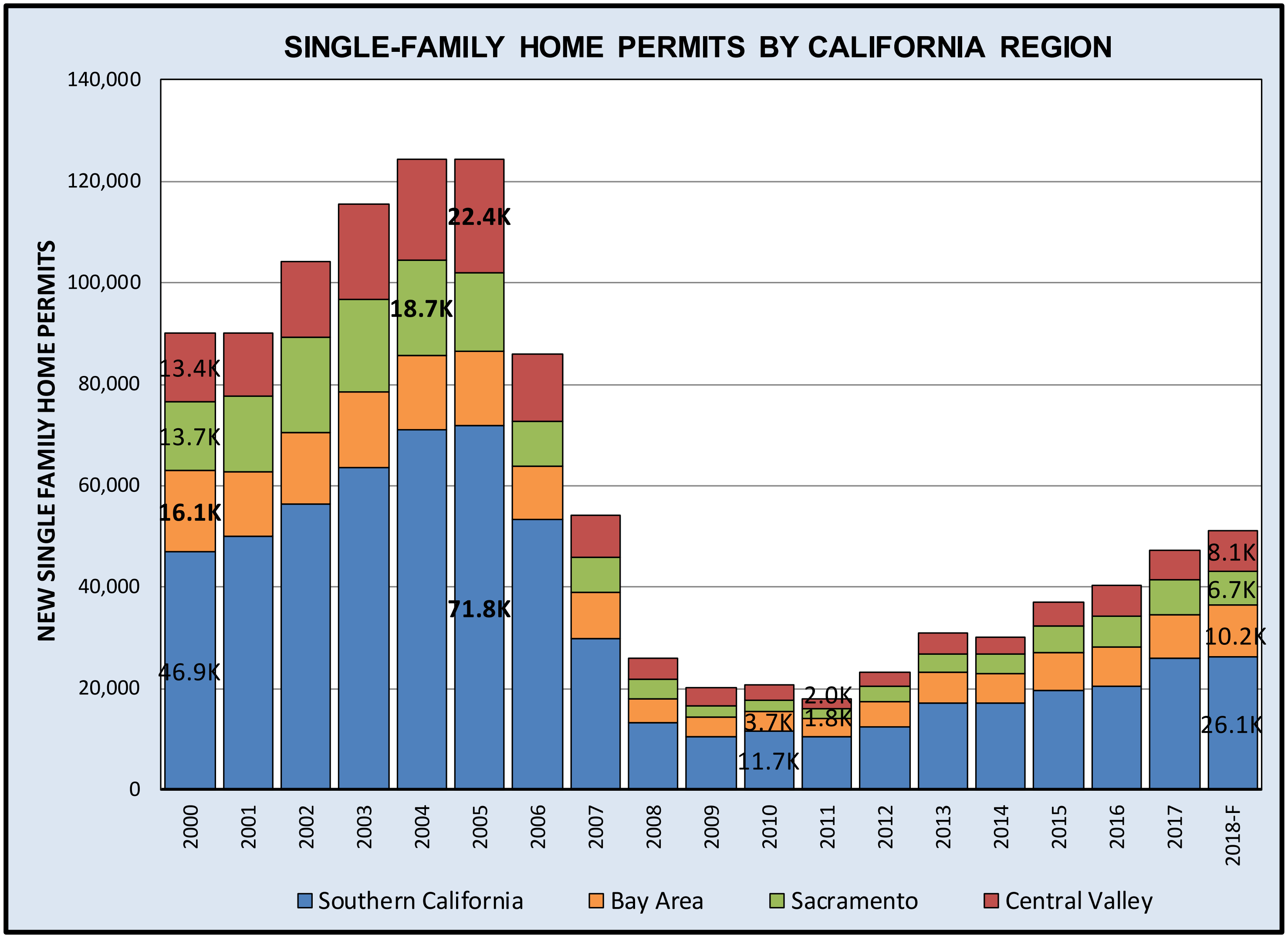
2000-2007: WEAK APARTMENT SHARES IN URBAN AREAS
2013-2016: COASTAL APARTMENT SHARE STRONG IN COASTAL BUT NOT INLAND

- SAN JOAQUIN COUNTY PREVIOUSLY HAD AND AN AVERAGE APARTMENT SHARE, BUT RECENTLY ITS SHARE WAS MINIMAL



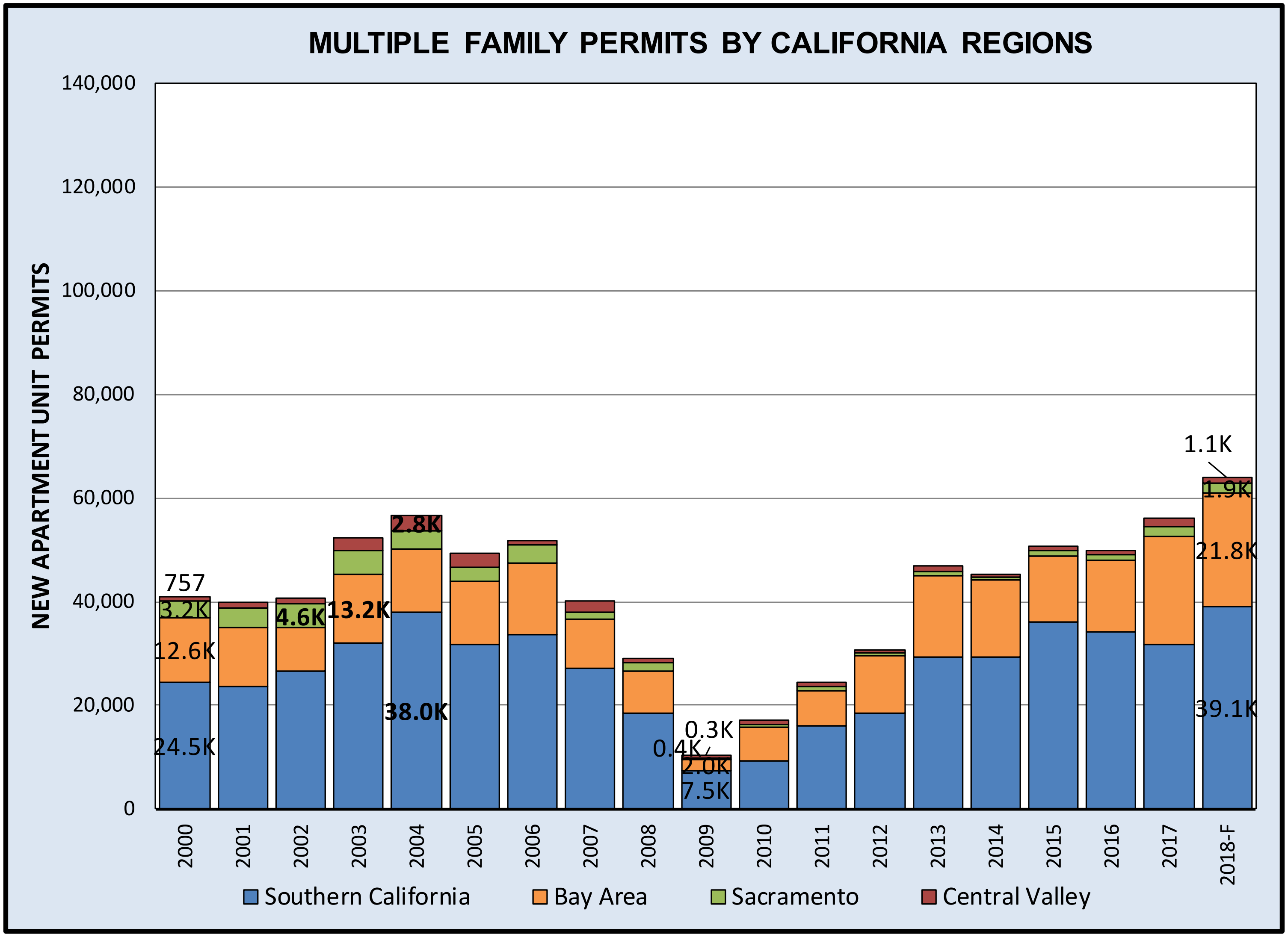


SINCE 2009, CALIFORNIA'S LEVEL OF NEW SINGLE-FAMILY HOMEBUILDING HAS HAD ONLY A MODERATE RECOVERY STATEWIDE AND IN EACH OF THE VARIOUS REGIONS.



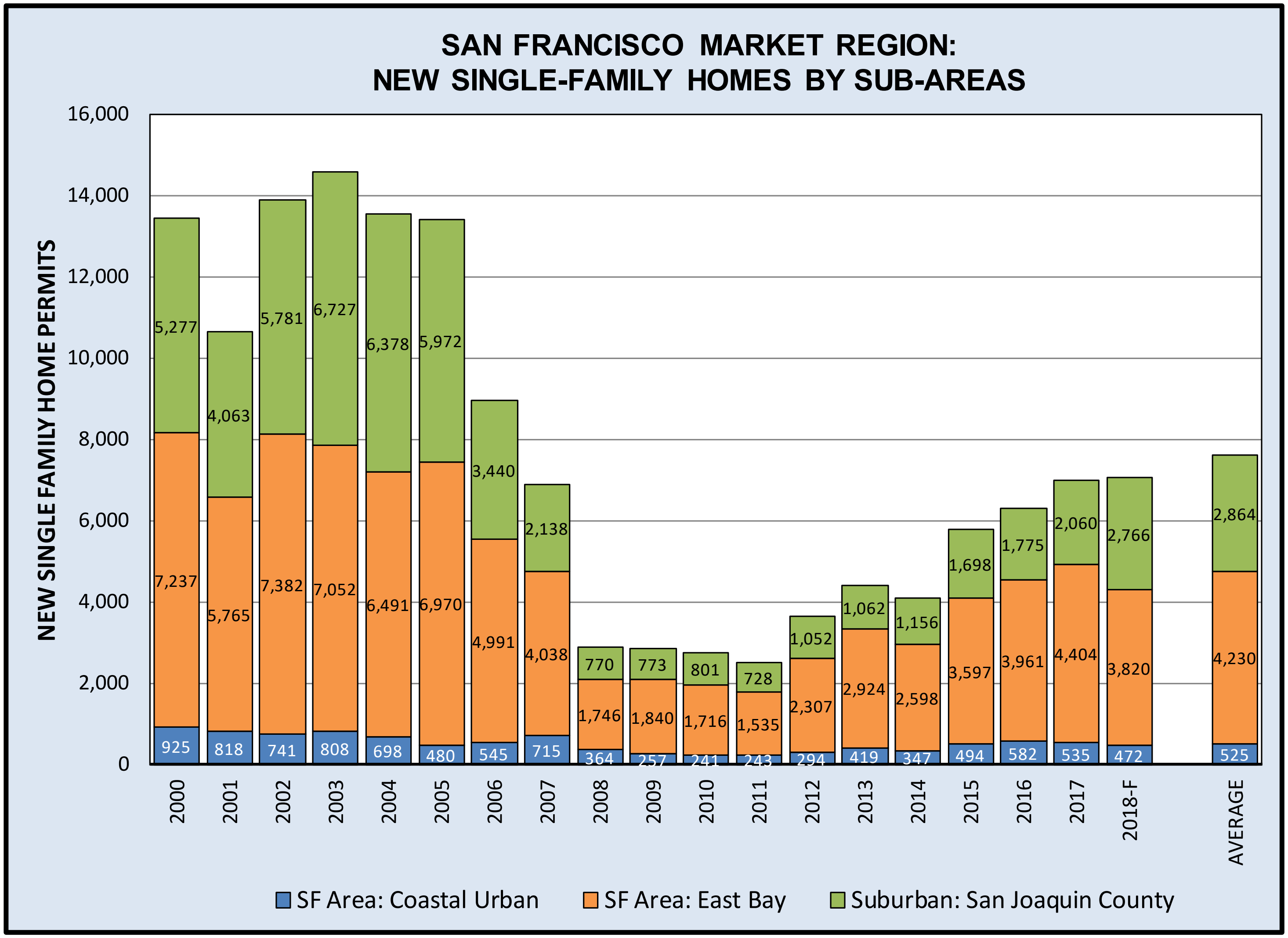
SINCE 2009, CALIFORNIA'S LEVEL OF NEW MULTI FAMILY APARTMENT UNITS HAVE APPROACHED THEIR PRIOR PEAK LEVEL

THE DEGREE OF RECOVERIES HAS RECENTLY BEEN THE STRONGEST FOR THE BAY AREA AND SOUTHERN CALIFORNIA AS COMPARED TO THE OTHER CENTRAL VALLEY AREAS



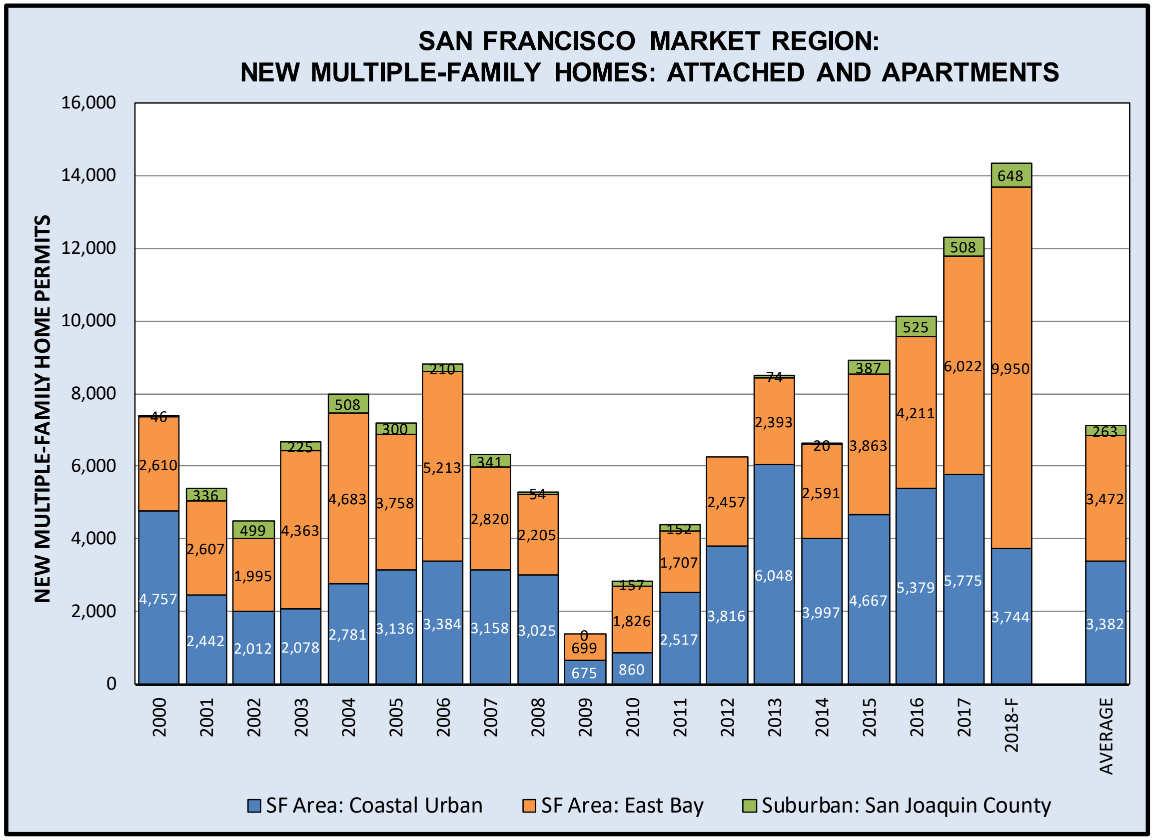
NEW SINGLE-FAMILY HOUSING ACTIVITY IN THE SAN FRANCISCO MARKET REGION WAS ROBUST DURING 2000–2007, DEPRESSED FROM 2008-2012, AND THEN EXPERIENCED A MODERATE RECOVERY SINCE 2013.

THE SAN FRANCISCO AND EAST BAY AREAS HAVE APPROACHED THEIR LONG-TERM AVERAGES HOWEVER, SAN JOAQUIN COUNTY IS STILL BELOW ITS LONG-TERM AVERAGE.



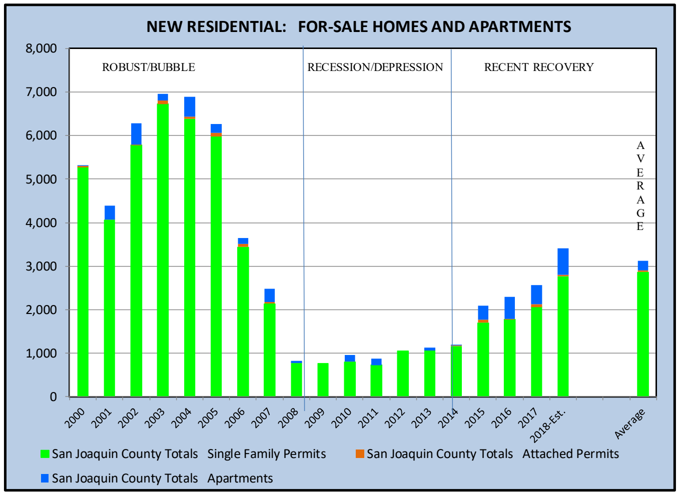
NEW APARTMENT ACTIVITY WAS STRONG IN THE SAN FRANCISCO MARKET REGION DURING 2000-2008, RELATIVELY LOW DURING 2009 TO 2011,
AND THEN STRONG SINCE 2012, WITH NEW PEAK LEVELS IN 2016-2018

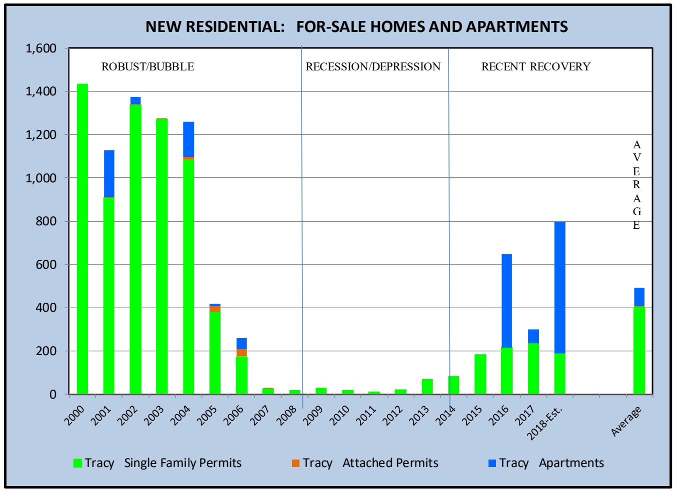
THE SF AREA COASTAL/URBAN AND THE EAST BAY AREAS ARE ABOVE THEIR LONG-TERM AVERAGES.
WHILE SAN JOAQUIN COUNTY IN RECENT YEARS EXCEEDED ITS LONG-TERM AVERAGE.

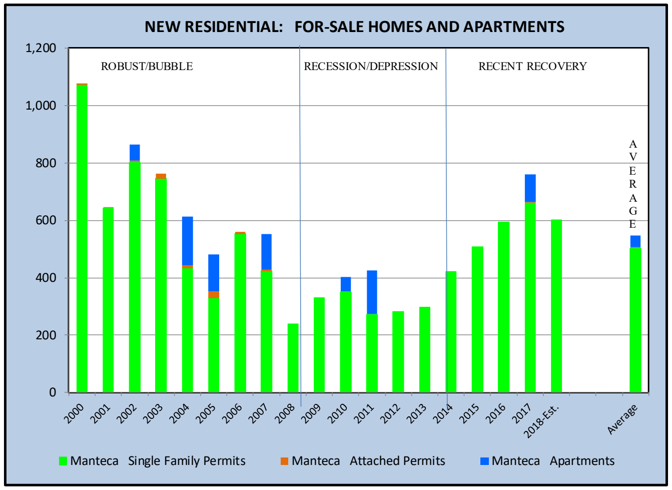


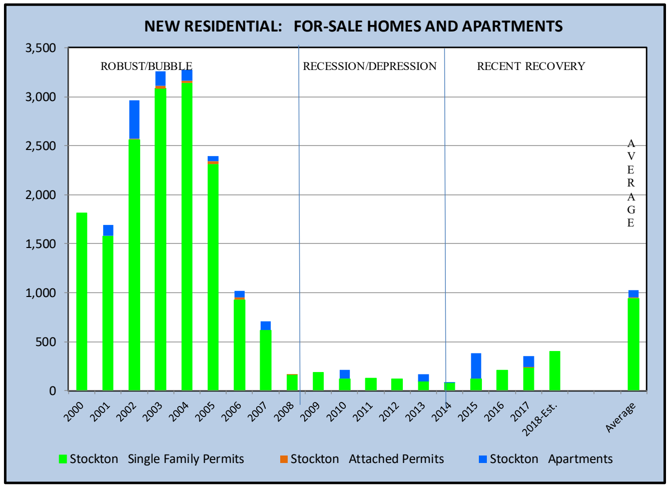
RESIDENTIAL DEVELOPMENT ACTIVITY IN SAN JOAQUIN COUNTY AND SELECT CITIES

FOR SINGLE-FAMILY HOMES, SAN JOAQUIN IS SIMILAR TO ITS LONG TERM AVERAGE
MANTECA IS SLIGHTLY ABOVE ITS LONG-TERM AVERAGE
TRACY AND STOCKTON ARE SIGNIFICANTLY BELOW THEIR LONG TERM AVERAGES

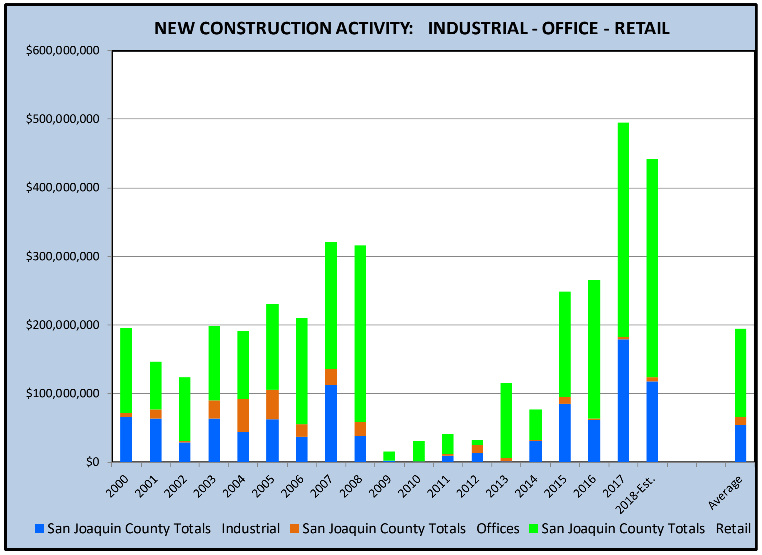

NEW RESIDENTIAL: FOR-SALE HOMES AND APARTMENTS
ROBUST/BUBBLE
RECESSION/DEPRESSION
RECENT RECOVERY
AVERAGE
San Joaquin County Totals Single Family Permits
San Joaquin County Totals Attached Permits
San Joaquin County Totals Apartments

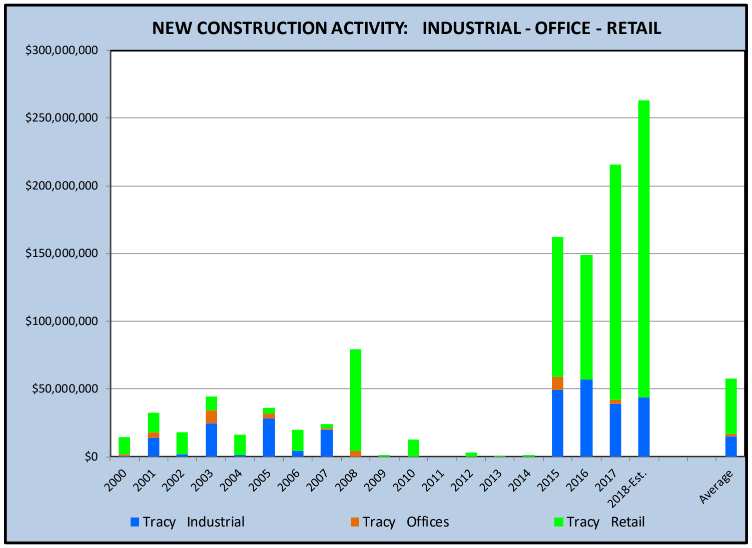

NEW RESIDENTIAL: FOR-SALE HOMES AND APARTMENTS
ROBUST/BUBBLE
RECESSION/DEPRESSION
RECENT RECOVERY
AVERAGE
Tracy Single Family Permits
Tracy Attached Permits
Tracy Apartments

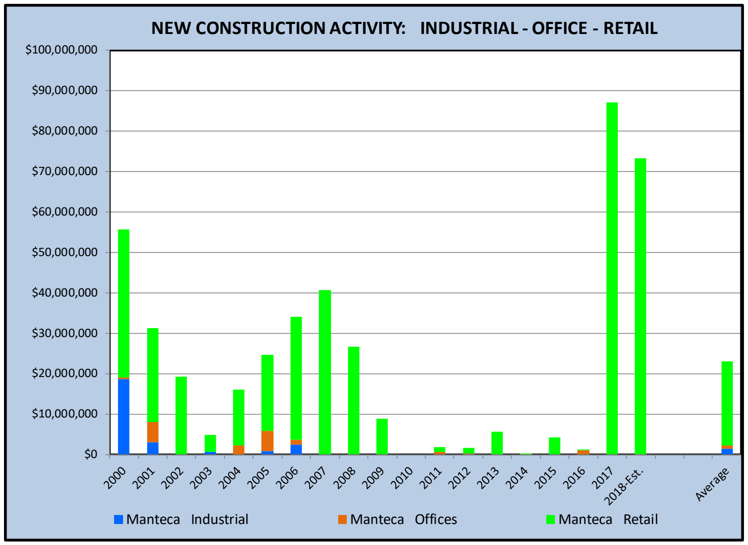

NEW RESIDENTIAL: FOR-SALE HOMES AND APARTMENTS
ROBUST/BUBBLE
RECESSION/DEPRESSION
RECENT RECOVERY
AVERAGE
Manteca Single Family Permits
Manteca Attached Permits
Manteca Apartments

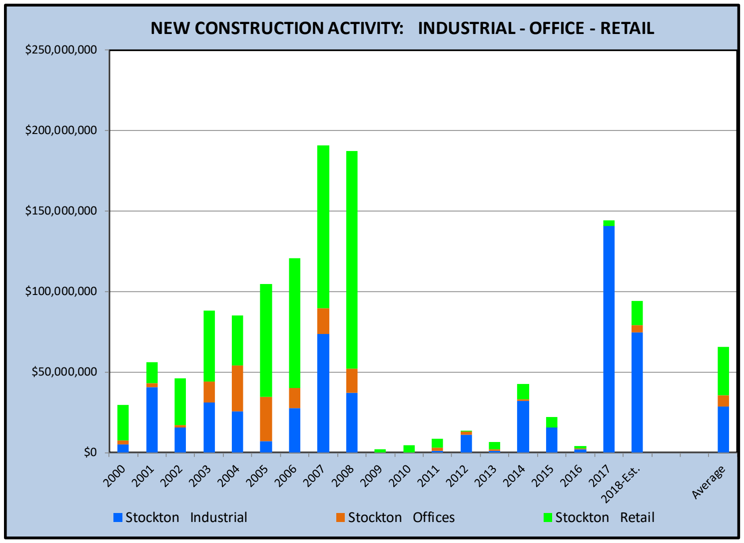

NEW RESIDENTIAL: FOR-SALE HOMES AND APARTMENTS
ROBUST/BUBBLE
RECESSION/DEPRESSION
RECENT RECOVERY
AVERAGE
Stockton Single Family Permits
Stockton Attached Permits
Stockton Apartments

NON-RESIDENTIAL DEVELOPMENT ACTIVITY IN SAN JOAQUIN COUNTY HAS RECENTLY BEEN STRONG
TRACY HAD SIGNIFICANT RETAIL/INDUSTRIAL ACTIVITY DURING 2015-2018
MANTECA SIGNIFICANT RETAIL IN 2017-2018 AND STOCKTON SIGNIFICANT INDUSTRIAL ACTIVITY IN 2017-2018



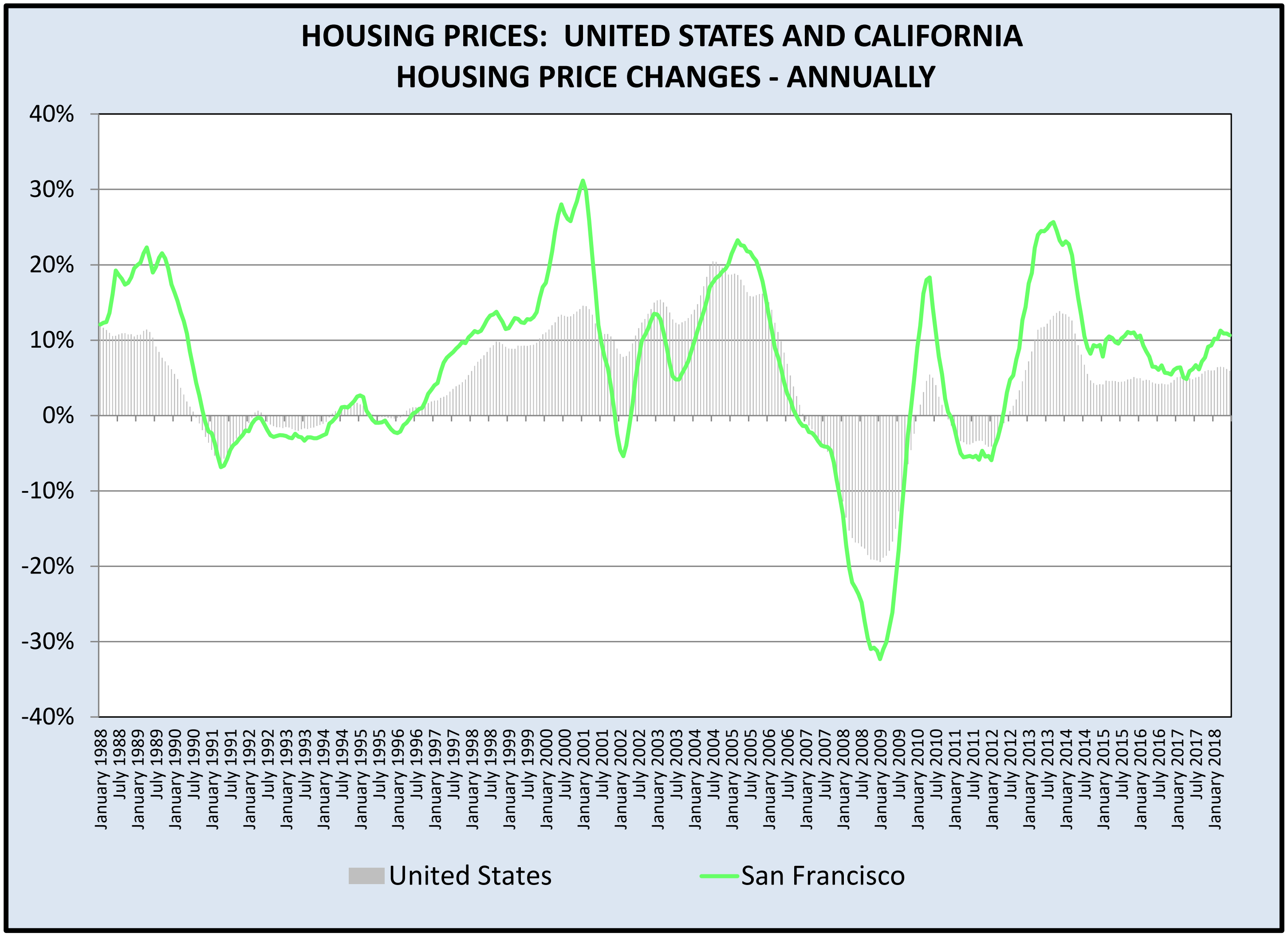




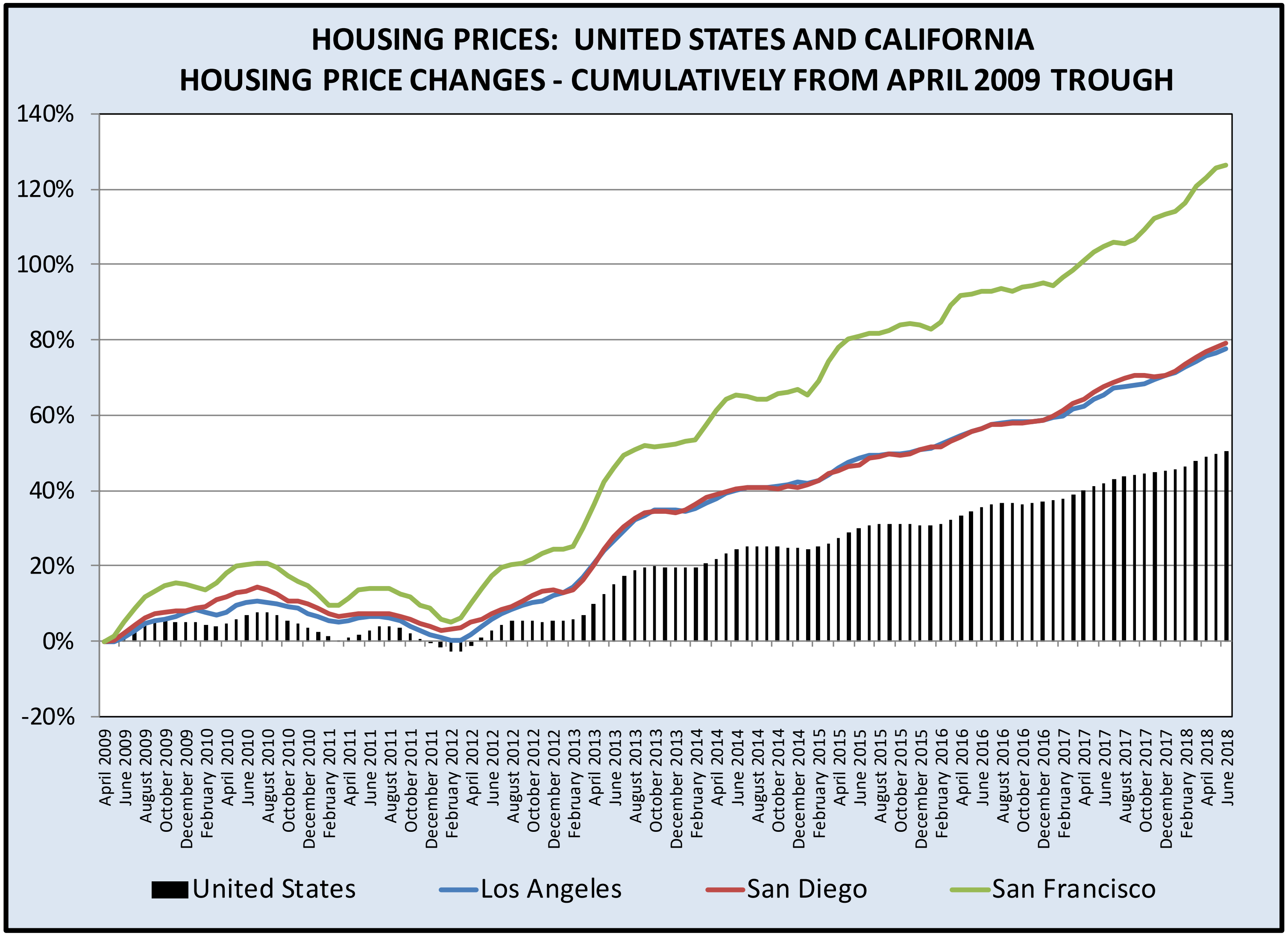


F. RECENT HOUSING MARKET PRICE TRENDS/PATTERNS

COMPARING THE RATES OF HOUSING PRICE CHANGES SINCE 1988 FOR THE UNITED STATES AND THE SAN FRANCISCO REGION REVEALS THAT THE SAN FRANCISCO REGION HAS EXPERIENCED A MUCH HIGHER DEGREE OF VOLATILITY, BOTH ON THE UPSIDE AS WELL AS THE DOWNSIDE.



SINCE THE 2009 TROUGH, HOUSING PRICES FOR THE UNITED STATES HAVE INCREASED BY APPROXIMATELY 50%. BY COMPARISON HOUSING PRICES IN THE SAN FRANCISCO REGION HAVE INCREASED BY ABOUT 126%.

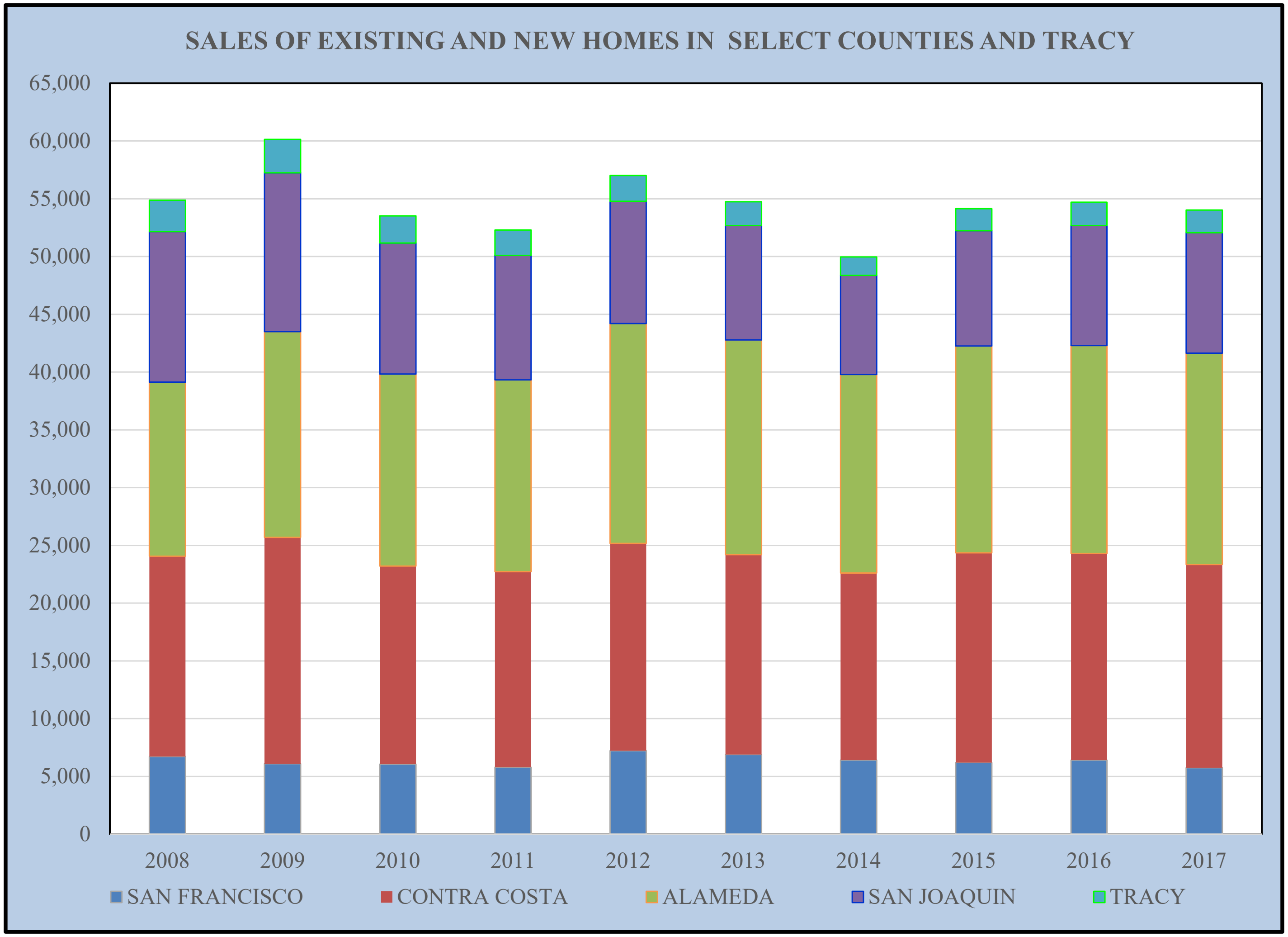


OVERALL, SALES OF EXISTING/NEW HOMES IN THE SAN FRANCISCO AND EAST BAY AREAS HAVE BEEN RELATIVELY STABLE DURING 2008-2017

SALES OF EXISTING/NEW HOMES SALES ARE HIGHEST IN CONTRA COSTA AND ALAMEDA COUNTIES

SAN JOAQUIN HAS A MODERATE SHARE OF HOUSING SALES

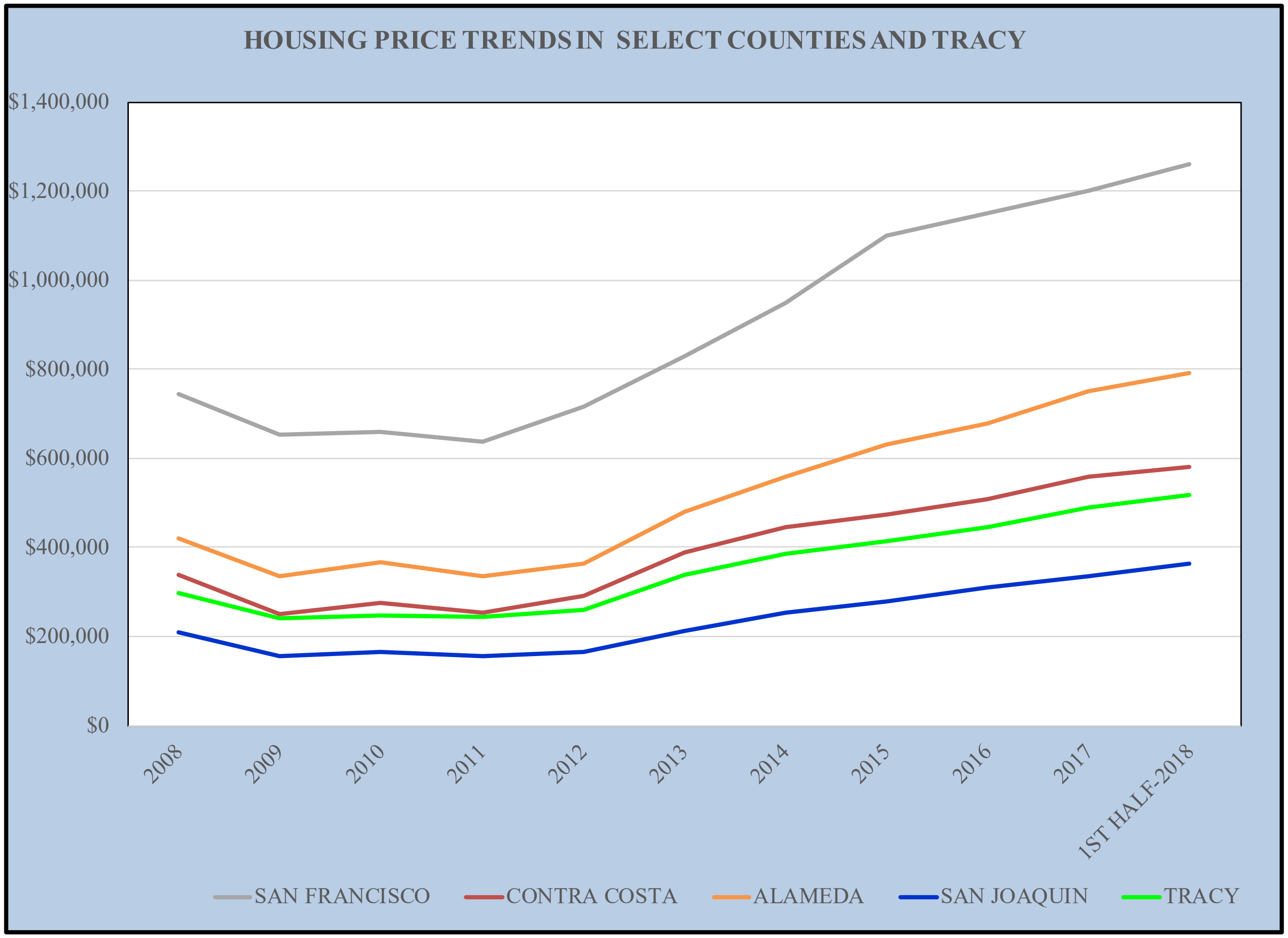
(DATA ARE AVAILABLE BY CITY AREAS; TRACY IS THE CLOSEST CITY TO MOUNTAIN HOUSE)



THE HIGHEST HOUSING PRICES IN THE SAN FRANCISCO AND EAST BAY AREAS ARE FOR SAN FRANCISCO

ALAMEDA AND CONTRA COSTA HAVE MUCH LOWER PRICES
SAN JOAQUIN COUNTY AS A WHOLE HAS THE LOWEST PRICES
BUT TRACY (NEAR MOUNTAIN HOUSE) IS HIGHER THAN SAN JOAQUIN DUE TO ITS WESTERLY LOCATION

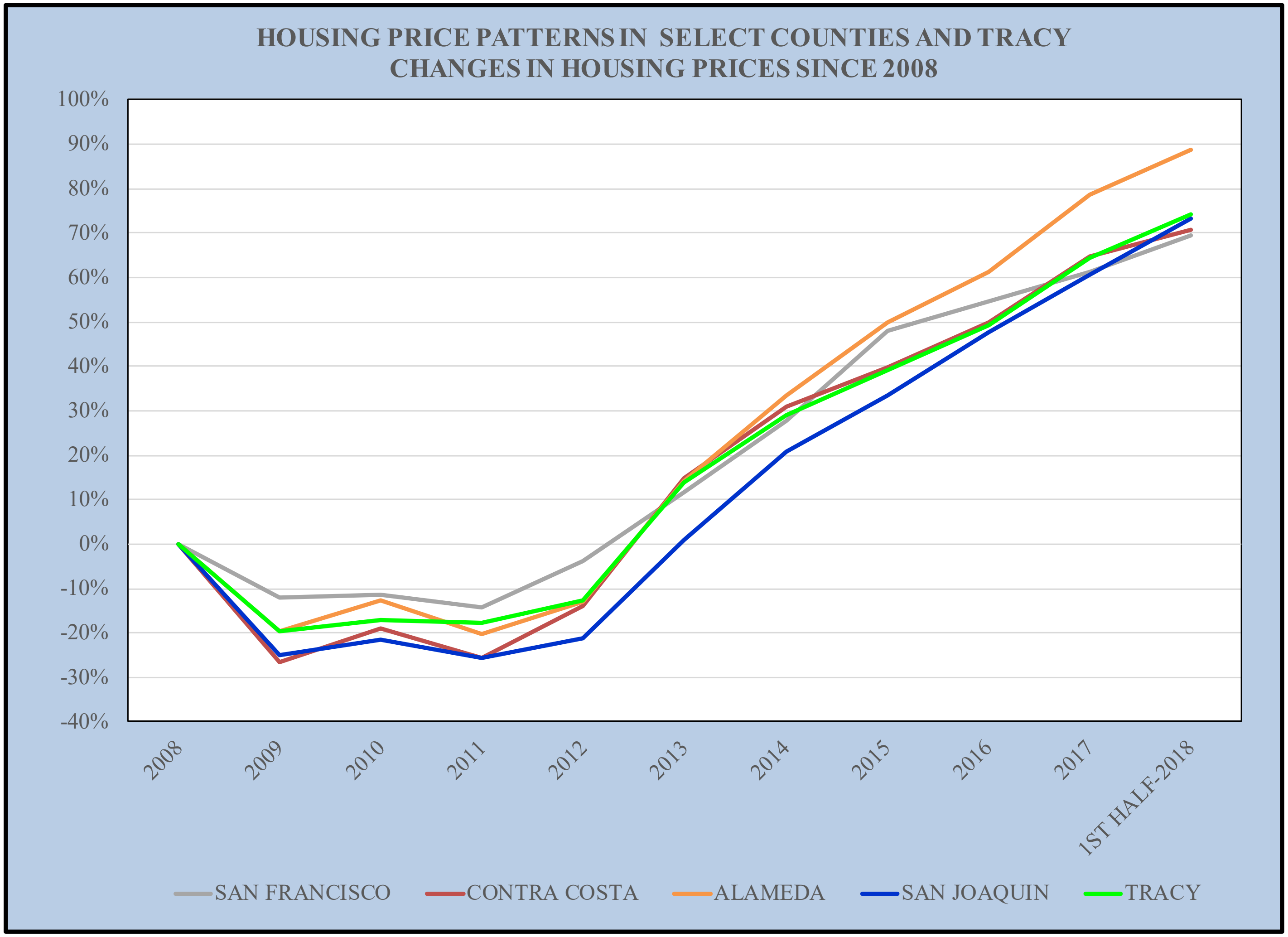
(DATA ARE AVAILABLE BY CITY AREAS; TRACY IS THE CLOSEST CITY TO MOUNTAIN HOUSE)



USING 2008 AS A BENCHMARK, PRICES WERE LOWER UNTIL 2012
PRICES THEN ROSE FROM 2013 TO 2ND- QTR. 2018, BY MORE THAN 70%

HIGHEST PRICE INCREASE WAS FOR ALAMEDA (+89%), WHILE THE OTHER COUNTIES AND TRACY WERE SIMILAR (70%)

(DATA ARE AVAILABLE BY CITY AREAS; TRACY IS THE CLOSEST CITY TO MOUNTAIN HOUSE)



F. RECENT SHIFTS IN THE HOUSING MARKET: PRODUCT TYPES AND GEOGRAPHICAL AREAS

MILLENNIALS' PREFERENCES AND FINANCES → HIGHER-DENSITY / URBANIZED HOUSING

PARENTS: GENERATION X (AGES 37-53) IMPACTED BY IMPLOSION OF HOUSING PRICE BUBBLE

STRONG PREFERENCE FOR RESIDING IN URBANIZED AREAS:

- CLOSE PROXIMITY TO EMPLOYMENT
- STRONG/DIVERSIFIED URBAN EMPLOYMENT PROVIDES MANY OPTIONS
- MINIMIZES COMMUTING TIME
- ABUNDANCE OF DINING, ENTERTAINMENT AND CULTURAL EXPERIENCES

ACCEPTANCE OF APARTMENTS-RENTALS VS. HOMEOWNERSHIP

- COMFORTABLE RENTING VS OWNING (HOUSING AND OTHER SERVICES) – PERSONAL FLEXIBILITY
- DELAYING MARRIAGE AND HAVING CHILDREN COMPARED TO PRIOR GENERATIONS (ABOUT 5 YRS.)
- MANY NEW APARTMENT COMPLEXES WITH RESORT LIKE FEATURES AND MINIMAL MAINTENANCE
- RENTING SOLVES HOUSING AFFORDABILITY - CANNOT AFFORD A HOME IN THE URBAN AREA

MILLENNIALS' CURRENT HOME OWNERSHIP STATUS AND FUTURE EXPECTATIONS

MILLENNIALS CURRENT HOUSING STATUS – ACTUAL MARKET BEHAVIOR VS. PRIOR GENERATIONS

➢CURRENTLY ~32% OF MILLENNIALS OWN HOMES, COMPARED TO ~40% OF GENXERS (NOW 37-50) AND BABY BOOMERS (NOW 51-69) AT SAME AGE (-8%)

CHALLENGES FOR MILLENNIALS BECOMING HOMEOWNERS

➢SAVING FOR A DOWN PAYMENT, A MAJOR CONCERN BY ~55%

➢QUALIFYING FOR A MORTGAGE, A CONCERN BY ~25%

➢MORE STUDENT DEBT THEN PRIOR GENERATIONS

➢ACCEPTING A MOVE TO A SUBURBAN/RURAL AREA NECESSARY TO FIND MODERATELY PRICED HOUSING

•MAJOR LIFESTYLE CHANGE FROM AN URBAN TO A SUBURBAN ENVIRONMENT

•UNDERTAKING A MAJOR COMMUTE BETWEEN THE URBAN/EMPLOYMENT AND SUBURBAN/HOUSING

EXPECTATIONS OF MILLENNIALS – TIME HORIZONS FOR PURCHASING A HOME: SURVEY DATA

➢ WITHIN 2 YEARS: 25% WITHIN 3-5 YEARS: 38% MORE THAN 5 YEARS: 31%

SECTION III: MICROECONOMIC ANALYSIS

A. METHODOLOGY UNDERLYING THE MICROECONOMIC ANALYSIS OF THE RESIDENTIAL PROJECTS IN THE CFD

The microeconomic analysis focuses upon the competitiveness of the residential projects in the CFD with regards to the regional geographic development patterns within the greater San Francisco Bay Area and also the currently active comparable projects within the Market Area.

Competitiveness from a Geographical Regional Perspective

* Location of the CFD
Relative to Competing Planned Communities,
Retail Centers and Business Parks

Characteristics of Households – Census Data

* Socioeconomic Characteristics: School Quality

The existing/active/forthcoming Planned Communities, Retail Centers and Business Parks, in conjunction with the transportation system, determine the locations of the employment centers and residential areas along with retail centers; accordingly, these patterns can then be utilized to gauge the marketing potential of the CFD from a geographic regional perspective.

Competitive Market Analysis of the Projects in the CFD

Identification of the Currently Active Residential Projects in the CFD
Market Area and Selection of the Comparable Projects

Recent Housing Sale Trends and Price Patterns for Housing in the
Competitive Market Area

Competitive Market Analysis of the Projects in the CFD
Statistical Analysis of the Prices, Living Areas and Special Taxes

The Competitive Market Analysis evaluates the competitiveness of the residential projects, in the CFD relative to the currently active comparable projects, with regards to price, size of living areas, and the amount of their annual special tax obligations.

B. DEVELOPMENT TRENDS/PATTERNS IN THE CFD MARKET AREA

From a regional perspective, the competitiveness of the CFD Market Area, Mountain House, is influenced by the geographic development patterns for employment and housing within the greater San Francisco Bay Area.

Specifically, Business Parks generate industrial-office development while Planned Communities generate residential development which, in turn, generates a demand for Retail Centers; additionally, the flow of traffic between them is facilitated by the freeways and transportation corridors.

- **Expansion of Employment Centers and Business Parks**

  The currently established nearby major employment centers are Contra Costa, Alameda, and Santa Clara counties; these represent the Urban Core. There are Business Parks situated between Oakland and San Jose primarily along Interstates 880, a major north-south freeway, also Interstate 580, a major west-east freeway, that link the cities and communities within this major Urban Core.

- **Commuting Patterns: Employment Centers to Residential Areas**

  The CFD Market Area provides homes at more moderate price points as compared with homes in the Urban Core (Contra Costa, Alameda, and Santa Clara counties), and this, in turn, generates a substantial demand for housing in the Market Area.

Therefore, the CFD Market Area, Mountain House, is strategically situated in close proximity to the Urban Core and since it offers moderately priced housing opportunities, many households employed in the Urban Core commute from the CFD Market Area.

For additional information on the regional development patterns, please refer to the following exhibit.

ECONOMIC BASES SUPPORTING DEVELOPMENT FOR CFD NO. 2014-1 IA-1

C. CHARACTERISTICS OF HOUSEHOLDS IN MOUNTAIN HOUSE 2016 CENSUS – MOST RECENT DATA AVAILABLE

Empire compiled information on the characteristic of the households in Mountain House from the 2016 American Community Survey which utilizes Census Data; accordingly, some of the primary features are as follows:

> (Note: There are often time lags with respect to the availability of Census Data, due to the time required for the Census Bureau to compile and publish the data; however, the breath of detail does provide some worthwhile insights on the characteristics of the households.)

- The Mountain House population level was about 14,009, which comprise 3,788 households

- Median Age: 34

- The number of residents with civilian jobs amounts to 5,394, and their employment by category industry is as follows:

  - Professional, scientific and management: 1,043
  - Retail trade: 867
  - Educational and health care services: 854

  - Manufacturing: 508
  - Transportation and warehousing: 466
  - Finance, insurance and real estate: 426

- The major occupations for employees are as follows:
  - Management, business and science: 2,658
  - Sales and office: 1,428

- There are a total of 3,917 housing units.

- Household Income – Median: $118,149

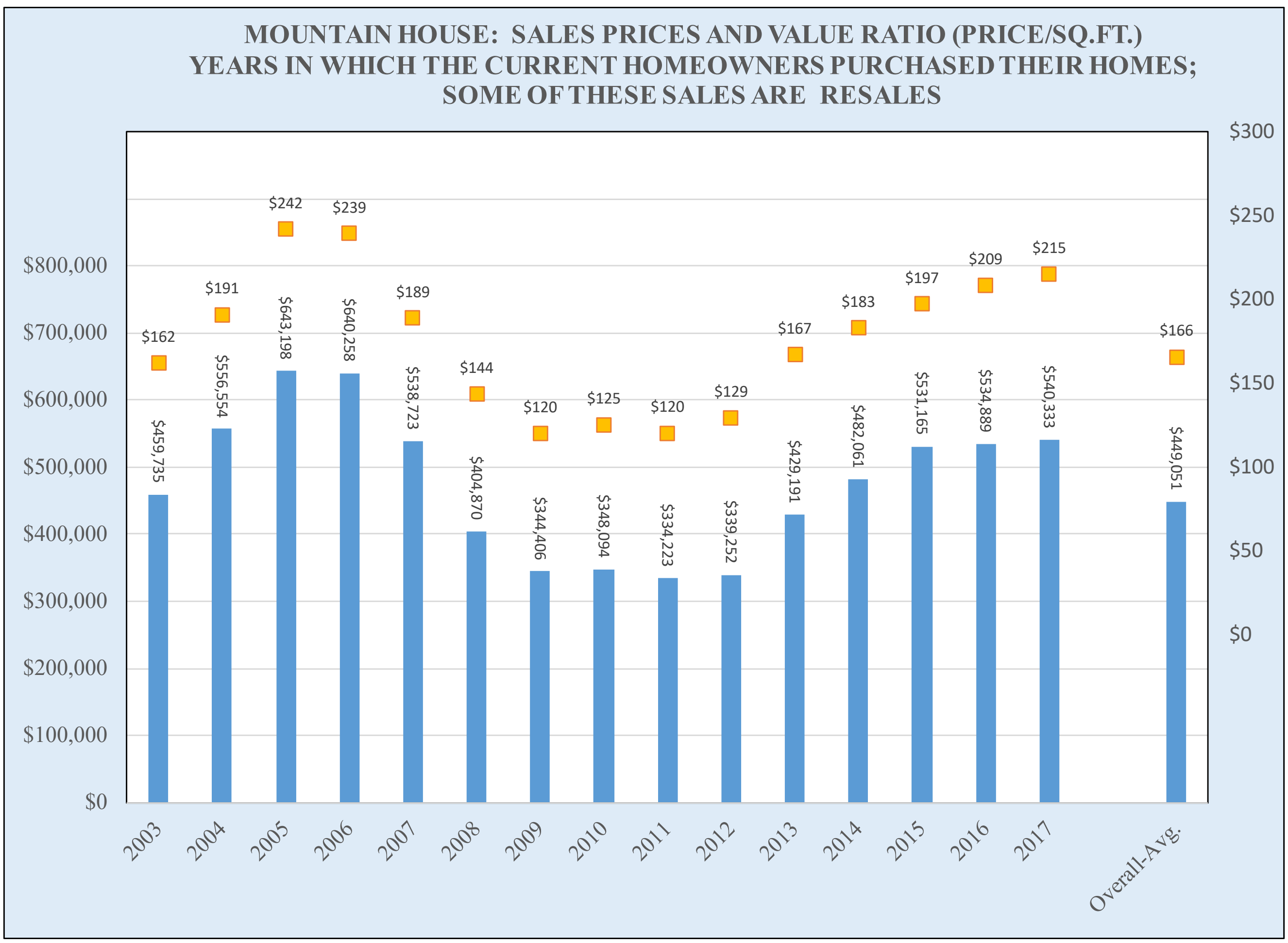
- Median Travel Time to Work: 54 minutes

Recent Housing Price Patterns for Existing/New Homes in Mountain House

Since 2003, there has been a considerable amount of fluctuation with respect to housing prices as well as value ratios (price/living area). For the 2003 to 2017 time period, as a whole, housing prices averaged some $449,000 while the value ratio amounted to $166/sq.ft.

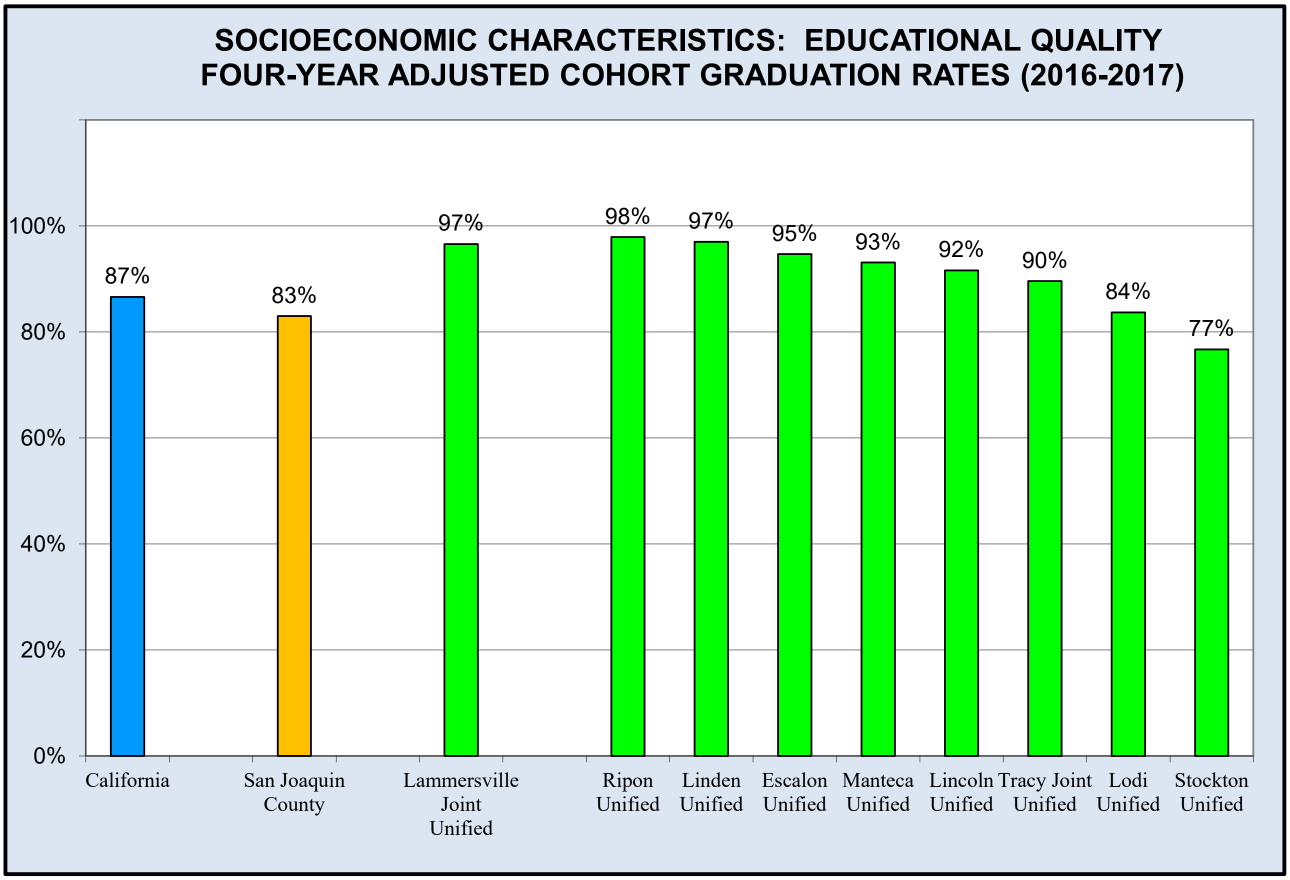
- Housing prices rose from about $460,000 in 2003 to a peak level of some $643,000 in 2005. However, due to the implosion of the housing market bubble, housing prices then declined to a low of $334,000 in 2011. Since then housing prices have increased to a level of about $540,000 as of January 2017. So housing prices are still below their prior peak level by some -$103,000 or -16% .

- Value ratios (the price of a home divided by its living area) followed a similar pattern, but by adjusting for changes in the sizes of homes sold over time, a more accurate measure. The value ratio rose from $162/sq.ft. in 2003 to a high of $242/sq.ft. in 2005, the peak of the price bubble. The following price implosion caused the value ratio to decline to a low of $120 in 2011. Since then, the value ratio has increased, reaching a level of $215 in January 2017. However, this is still below its prior peak of $242/sq.ft. by $-27 or -11%.



D. SOCIOECONOMIC CHARACTERISTICS: QUALITY OF SCHOOLS

To gauge the quality of schools in the CFD Market Area and its vicinity, information was compiled on educational achievement, utilizing the Four-Year Adjusted Cohort Graduation Rates, published by the California Department of Education in a report dated 2016-2017.



Accordingly, the high school graduation rate in the Lammersville Joint Unified School District far exceeds the average in San Joaquin County of 83% and is among the highest of any district at 97%.

So, from a socioeconomic perspective, the CFD Market Area has a significantly higher educational achievement level than for California and San Joaquin County, on the average; accordingly, this is a positive socioeconomic factor that supports the demand for homes in the CFD .

E. COMPETITIVE MARKET ANALYSIS OF THE PROJECTS IN THE CFD

A Competitive Market Analysis of the projects in the CFD is now performed by analyzing the characteristics of the currently active projects.

Note: The ONLY currently active projects in Mountain House are those in the CFD; there are not any other nearby currently active residential projects in Mountain House.

1. Currently Active Comparable Projects

Empire Economics, based upon its market surveys, identified 15 currently active residential projects; their characteristics are as follows.

To perform an appropriate analysis, these projects were partitioned into four sub-groups, based upon the size of their living areas:

(Note: A fifth category for attached product does not have any currently active projects).

Detached: Lowest Priced	Fontina	Meritage Homes
Detached: Lowest Priced	Alta	Signature Homes
Detached: Lowest Priced	Savannah II	Signature Homes
Detached: Lower Prices	Inspirato	Richmond American
Detached: Lower Prices	Tribute II	Cal Atlantic Homes
Detached: Lower Prices	Oliveto	Richmond American
Detached: Lower Prices	Meadow View	K. Hovnanian
Detached: Higher Prices	Madrona	Meritage Homes
Detached: Higher Prices	Casada	Woodside Homes
Detached: Higher Prices	Sundance	Tri-Pointe Homes
Detached: Higher Prices	Sundance II	Tri-Pointe Homes
Detached: Higher Prices	Caprano	Meritage Homes
Detached: Highest Priced	Umbria III	Shea Homes
Detached: Highest Priced	Wellington	Richmond American
Detached: Highest Priced	Ashford	Shea Homes

2. Competitive Market Analysis of the Projects in The CFD

The fifteen currently active projects in the CFD are expected to have a total of 1,281 homes; these projects have thus far closed escrows on an estimated 461 homes; their marketing status by market segments are as follows:

- **Detached Lowest Priced:** 3 active projects with 221 homes; 6 closed escrows.

- **Detached Lower Prices:** 4 active projects with 327 homes; 93 closed escrows.

- **Detached Higher Prices:** 5 active projects with 487 homes; 259 closed escrows.

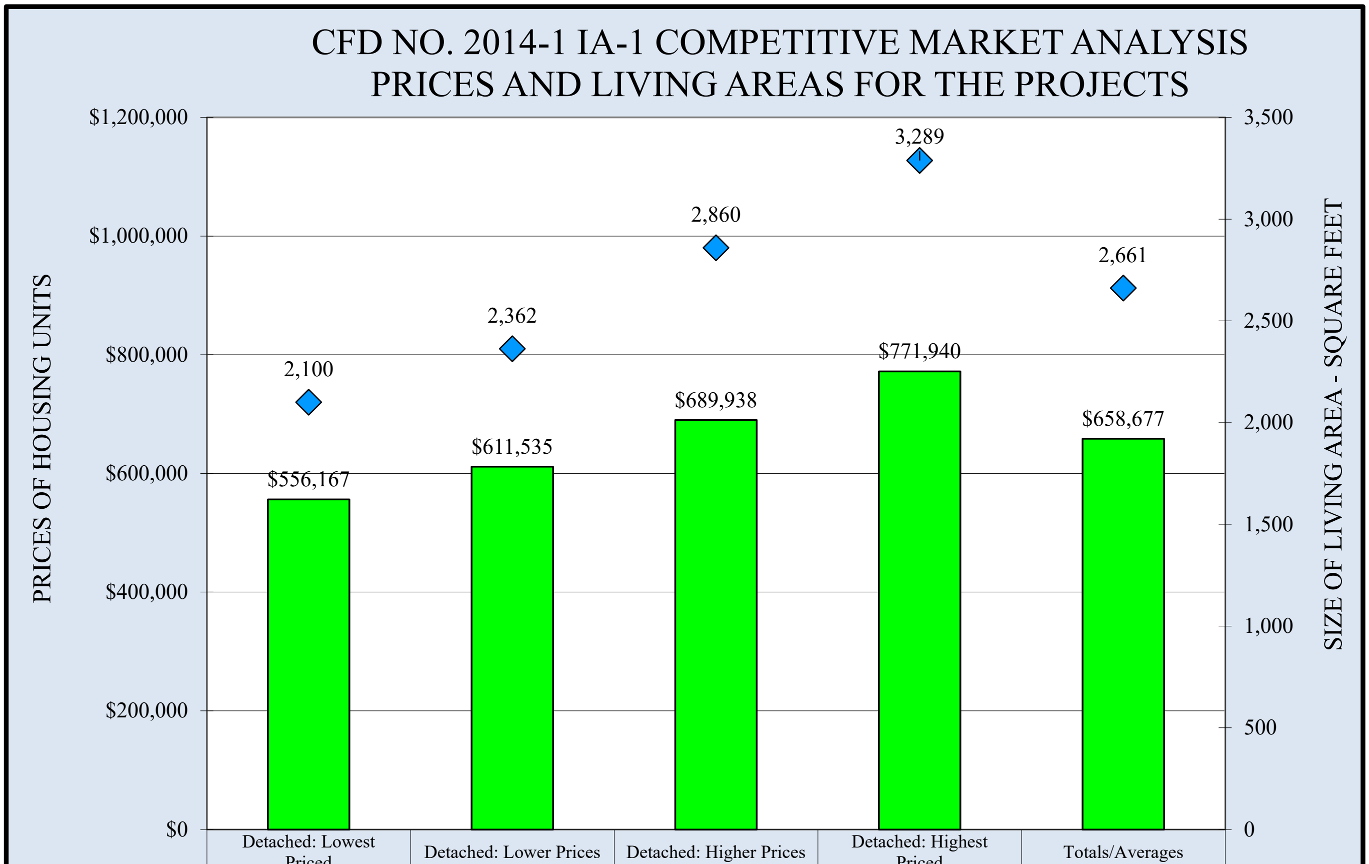
- **Detached Highest Priced:** 3 active projects with 246 homes; 103 closed escrows.

- **Attached:** no currently active projects.

For all of the projects in the CFD , their average price is $658,677 while their average living area is 2,661 sq.ft.

- **Detached Lowest Priced:** Base prices average $556,167 with 2,100 sq.ft. of living area.
- **Detached Lower Prices:** Base prices average $611,535 with 2,362 sq.ft. of living area.
- **Detached Higher Prices:** Base prices average $689,938 with 2,860 sq.ft. of living area.
- **Detached Highest Priced:** Base prices average $771,940 with 3,289 sq.ft. of living area.

Finally, none of the currently active projects are offering builder incentives to purchasers.



	Detached: Lowest Priced	Detached: Lower Prices	Detached: Higher Prices	Detached: Highest Priced	Totals/Averages
LEFT: Price	$556,167	$611,535	$689,938	$771,940	$658,677
RIGHT: Living Area	2,100	2,362	2,860	3,289	2,661

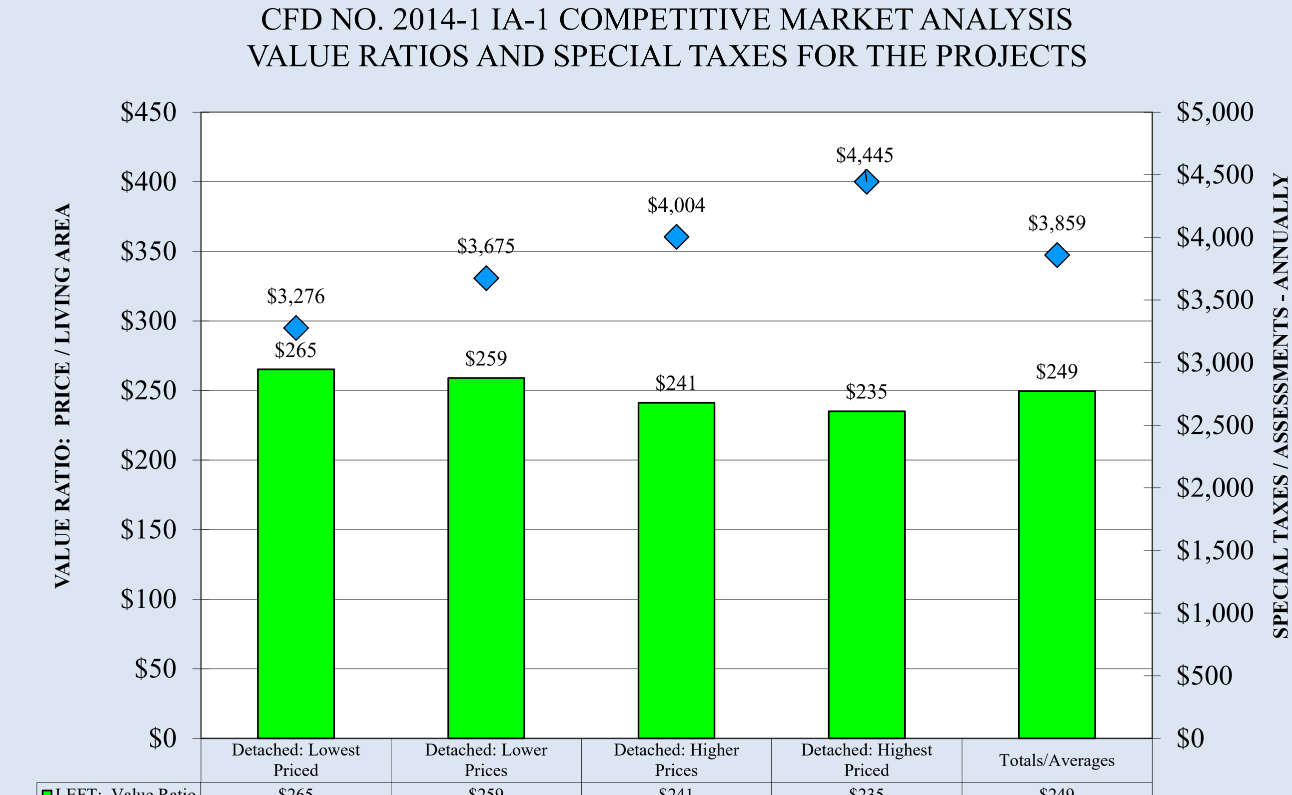
For the currently active projects in the CFD, their value ratios were calculated, since this metric effectively makes adjustments for differences in the sizes of their living areas.

Value Ratio = Housing Price "divided by" Living Area

Accordingly, the value ratios average $249 per sq.ft. and their Special Taxes/Assessments (excluding ad valorem) average some $3,859/yr. (0.59% as a ratio to the average housing prices):

- **Detached Lowest Priced:** Value Ratio of $265 and Special Taxes of $3,276/yr. (0.59%/price).
- **Detached Lower Prices:** Value Ratio of $259 and Special Taxes of $3,675/yr. (0.60%/price).
- **Detached Higher Prices:** Value Ratio of $241 and Special Taxes of $4,004/yr. (0.58%/price).
- **Detached Highest Priced:** Value Ratio of $235 and Special Taxes of $4,445/yr. (0.58%/price).

The value ratios for the projects follow the typical pattern: in general, the larger the size of the home, the lower the value ratio; this reflects economies of scale that builders experience when they build larger sized homes.



	Detached: Lowest Priced	Detached: Lower Prices	Detached: Higher Prices	Detached: Highest Priced	Totals/Averages
LEFT: Value Ratio	$265	$259	$241	$235	$249
RIGHT: Special Assmt/Tax	$3,276	$3,675	$4,004	$4,445	$3,859

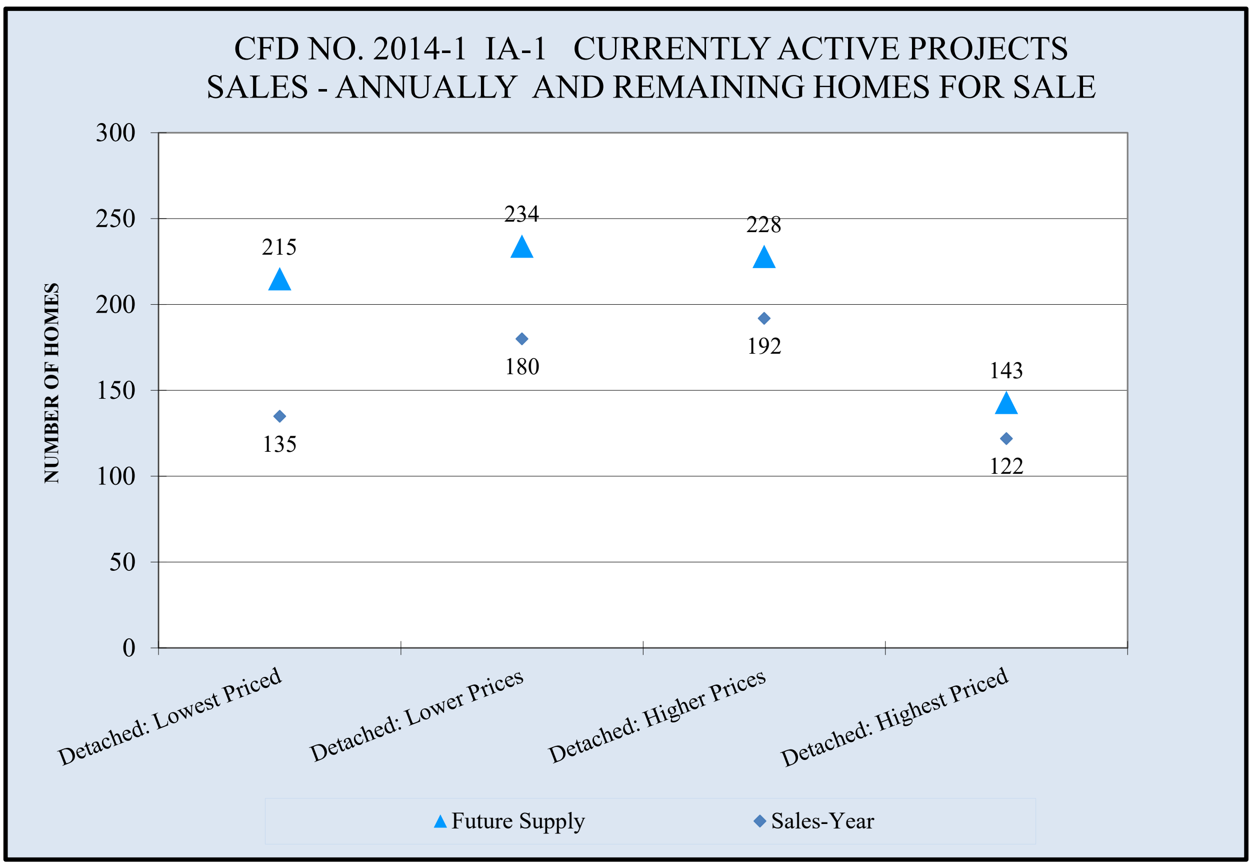
The 15 currently active projects have an estimated sales rate of some 629 homes per year, for an average of some 42 homes per project per year.

- **Detached Lowest Priced:** 3 projects with sales of 135 homes annually, 45 sales on average.
  Future Escrow Closings: 215

- **Detached Lower Prices:** 4 projects with sales of 180 homes annually, 45 sales on average.
  Future Escrow Closings: 234

- **Detached Higher Prices:** 5 projects with sales of 192 homes annually, 38 sales on average.
  Future Escrow Closings: 192

- **Detached Highest Priced:** 3 projects with sales of 122 homes annually, 41 sales on average.
  Future Escrow Closings: 122

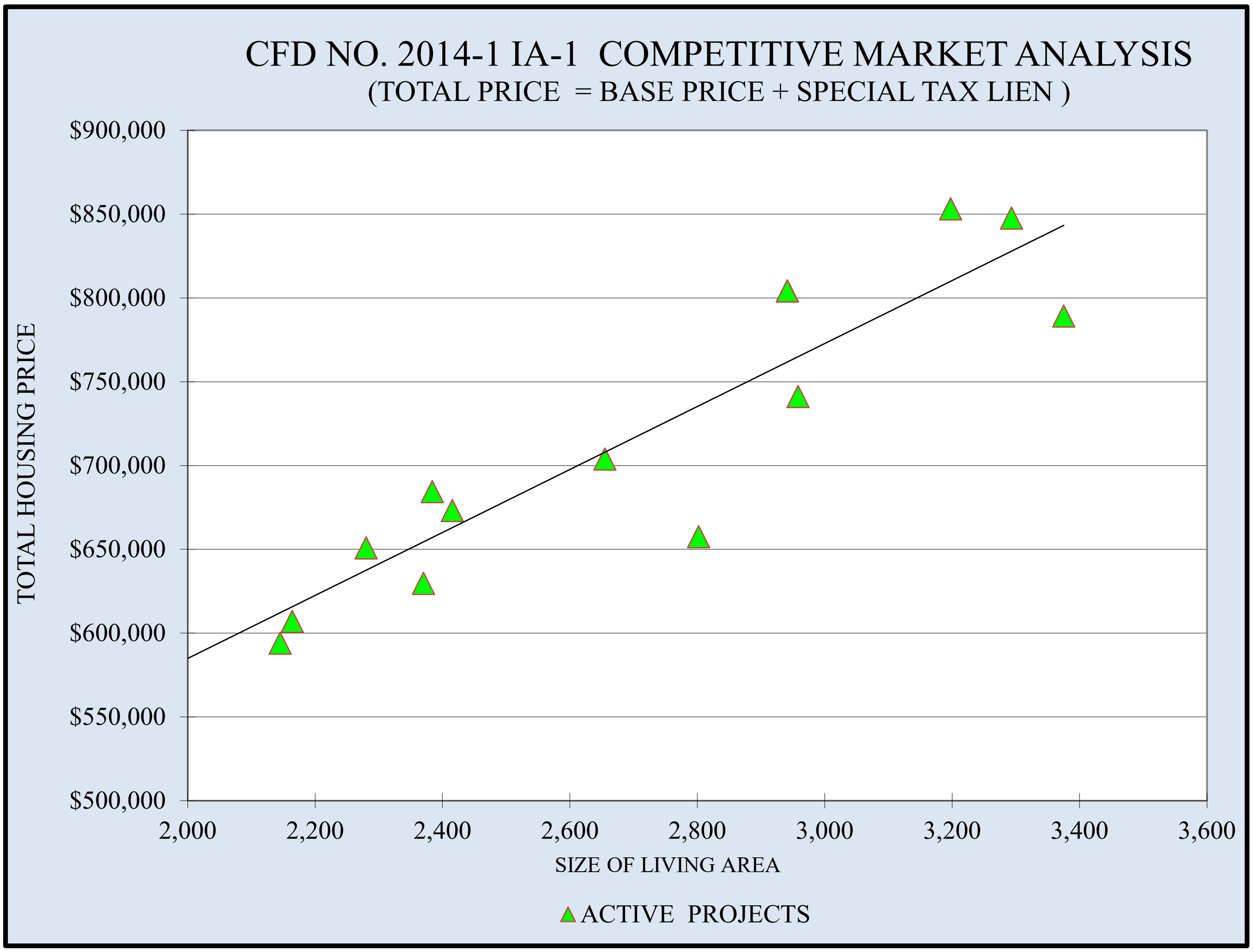


The culmination of the Competitive Market Analysis involves a statistical analysis of the currently active projects in the CFD, based upon total housing prices (base price plus Special Tax liens) and living area:

✓ The graph represents the best fit or correlation (green line) which is based upon the active projects (green triangles) between total housing price and size of living area.

(Note: There are actually 15 green dots but only 13 show because two of them coincide.)

Since most of the active projects are in close proximity to the trendline, they are regarded as being competitive in the Mountain House Market Area.



CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN CFD NO. 2014-1

Market Segments	Project	Builder	Product Type	Project Size and Sales				Housing Prices			Incentives	Size of Living Area			Value Ratio	Special Taxes (Base Rate = 1.09%)	
				Total	Escrows Closed	Future	Sales Rate/Yr.	Lower	Average	Upper		Lower	Average	Upper		Amount/ Year	Ratio/ Price
Detached: Lowest Priced	Fontina	Meritage Homes	Detached	56	0	56	48	$531,950	$551,950	$571,950	$0	1,743	1,991	2,238	$277	$3,367	0.61%
Detached: Lowest Priced	Alta	Signature Homes	Detached	71	0	71	42	$544,076	$569,051	$594,025	$0	1,978	2,164	2,350	$263	$2,902	0.51%
Detached: Lowest Priced	Savannah II	Signature Homes	Detached	94	6	88	45	$525,000	$547,500	$570,000	$0	1,966	2,145	2,324	$255	$3,559	0.65%
Detached: Lower Prices	Inspirato	Richmond American	Detached	88	30	58	40	$581,950	$607,950	$633,950	$0	2,080	2,280	2,480	$267	$3,283	0.54%
Detached: Lower Prices	Tribute II	Cal Atlantic Homes	Detached	82	63	19	40	$609,000	$634,000	$659,000	$0	2,217	2,384	2,551	$266	$3,867	0.61%
Detached: Lower Prices	Oliveto	Richmond American	Detached	88	0	88	50	$561,950	$588,200	$614,450	$0	2,120	2,370	2,620	$248	$3,176	0.54%
Detached: Lower Prices	Meadow View	K. Hovnanian	Detached	69	0	69	50	$594,990	$615,990	$636,990	$0	2,287	2,416	2,544	$255	$4,374	0.71%
Detached: Higher Prices	Madrona	Meritage Homes	Detached	81	49	32	35	$646,950	$655,950	$664,950	$0	2,512	2,655	2,798	$247	$3,673	0.56%
Detached: Higher Prices	Casada	Woodside Homes	Detached	78	8	70	38	$586,990	$608,990	$630,990	$0	2,551	2,802	3,053	$217	$3,715	0.61%
Detached: Higher Prices	Sundance	Tri-Pointe Homes	Detached	113	108	5	37	$694,900	$744,900	$794,900	$0	2,636	2,942	3,247	$253	$4,544	0.61%
Detached: Higher Prices	Sundance II	Tri-Pointe Homes	Detached	138	43	95	37	$694,900	$744,900	$794,900	$0	2,636	2,941	3,247	$253	$4,544	0.61%
Detached: Higher Prices	Caprano	Meritage Homes	Detached	77	51	26	45	$672,950	$694,950	$716,950	$0	2,794	2,958	3,122	$235	$3,544	0.51%
Detached: Highest Priced	Umbria III	Shea Homes	Detached	62	42	20	38	$705,000	$795,000	$885,000	$0	2,488	3,198	3,907	$249	$4,452	0.56%
Detached: Highest Priced	Wellington	Richmond American	Detached	67	3	64	40	$709,950	$730,950	$751,950	$0	3,160	3,375	3,590	$217	$4,459	0.61%
Detached: Highest Priced	Ashford	Shea Homes	Detached	117	58	59	44	$738,000	$789,870	$841,740	$0	3,101	3,293	3,485	$240	$4,423	0.56%
Statistical Summary																	
		Sales / Year	**Projects**														
Detached: Lowest Priced		45	3	221	6	215	135	$533,675	$556,167	$578,658	$0	1,896	2,100	2,304	$265	$3,276	0.59%
Detached: Lower Prices		45	4	327	93	234	180	$586,973	$611,535	$636,098	$0	2,176	2,362	2,549	$259	$3,675	0.60%
Detached: Higher Prices		38	5	487	259	228	192	$659,338	$689,938	$720,538	$0	2,626	2,860	3,093	$241	$4,004	0.58%
Detached: Highest Priced		41	3	246	103	143	122	$717,650	$771,940	$826,230	$0	2,916	3,289	3,661	$235	$4,445	0.58%
Totals/Averages		**42**	**15**	**1,281**	**461**	**820**	**629**	**$626,570**	**$658,677**	**$690,783**	**$0**	**2,418**	**2,661**	**2,904**	**$249**	**$3,859**	**0.59%**

SECTION IV: ESTIMATED ABSORPTION SCHEDULES

A. ESTIMATED ABSORPTION SCHEDULES FOR THE PROJECTS IN THE CFD NEIGHBORHOODS C & D

The purpose of this section is to estimate the absorption schedules for the forthcoming homes in the 15 currently active and 7 forthcoming projects in the CFD, based upon a comprehensive analysis of the following factors:

- The market demand for homes in the CFD Market Area is based upon recent/expected economic and real estate factors, according to the Most Probable Economic Scenario. As the economy continues to expand at a strong rate, the employment growth will continue to provide further support for the housing market.
- However, the strong rate of economic growth will generate upward pressure on interest rates, including higher mortgage rates, resulting in some households being adversely impacted by higher housing payments.
- The competitive market analysis revealed that the currently active projects in the CFD have Base Prices and Special Taxes that are regarded as being competitive in the marketplace.
- Given the anticipated development schedule for the forthcoming projects, Empire assumes that all of these projects will enter the marketplace in a timely manner in response to the demand for homes as the currently active projects are closed-out.

Accordingly, Empire's estimated absorption schedules for the residential projects in the CFD are as follows:

Recent Absorption Rates:

2015: 3 projects, for a total of 103 homes escrow closings
2016: 6 projects for a total of 215 escrow closings
2017: 12 projects for a total of 317 escrow closings
January-September 2018: 13 projects with an estimated 314 escrow closings

Estimated Future Absorption Rates:

October-December 2018: 15 projects with an estimated 182 escrow closings

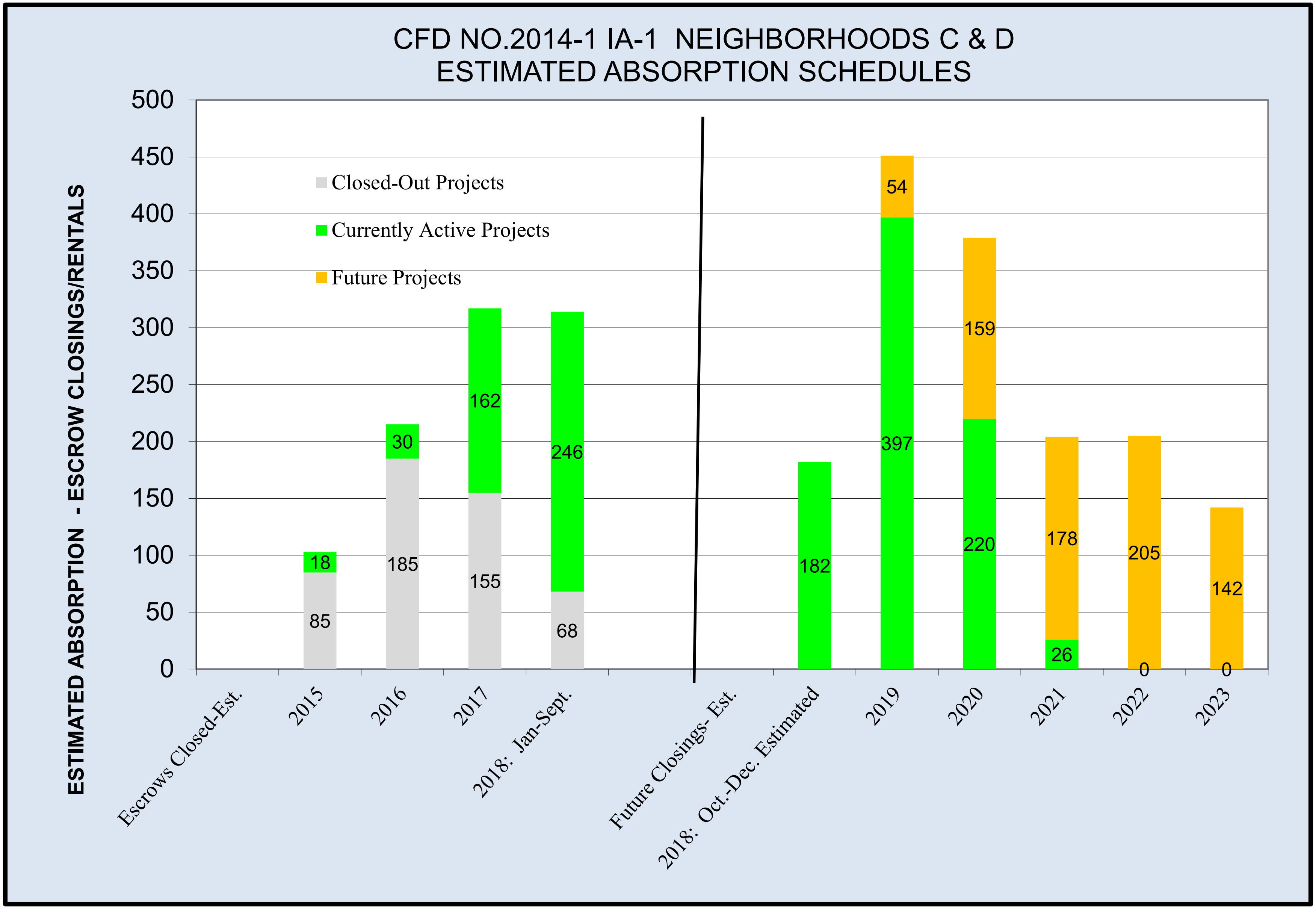
2019: 15 projects with 451 escrow closings
2020: 13 projects with 379 escrow closings

2021: 7 projects with 204 escrow closings
2022: 5 projects with 205 escrow closings (including 60 apartment rentals)

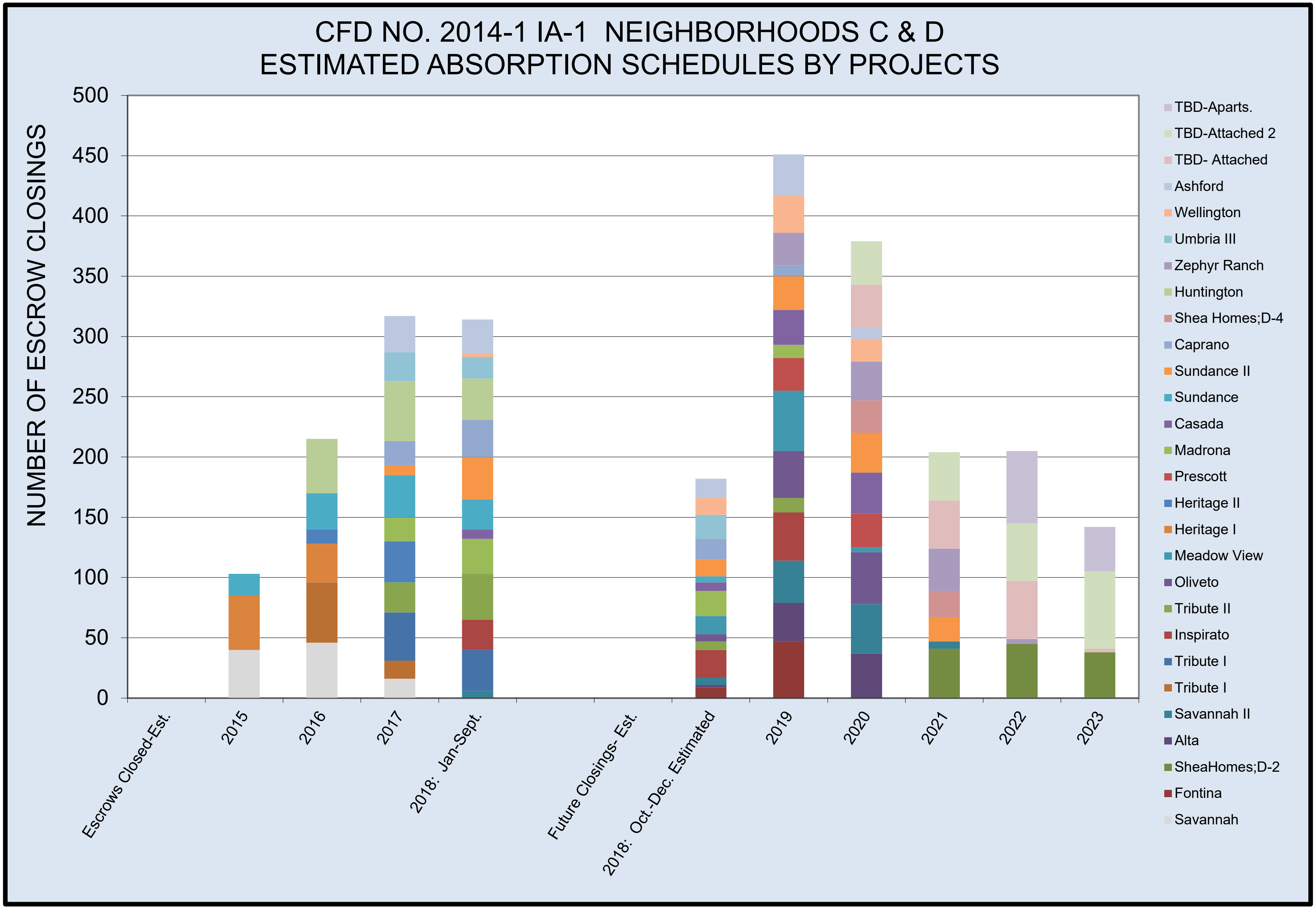
2023: 4 projects with 142 escrow closings (37 rentals), with all of the projects closing out

The estimated absorption schedules for the residential projects in the CFD are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders.

For more information on the estimated absorption schedules for the various planning areas, please refer to the following graphs and tables for more detailed information.



CFD NO.2014-1 IA-1 NEIGHBORHOODS C & D
ESTIMATED ABSORPTION SCHEDULES
ESTIMATED ABSORPTION - ESCROW CLOSINGS/RENTALS
500
450
400
350
300
250
200
150
100
50
0
Closed-Out Projects
Currently Active Projects
Future Projects
85
18
185
30
155
162
68
246
182
397
54
220
159
26
178
0
205
0
142
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec. Estimated
2019
2020
2021
2022
2023


CFD NO. 2014-1 IA-1 NEIGHBORHOODS C & D
ESTIMATED ABSORPTION SCHEDULES BY PROJECTS
NUMBER OF ESCROW CLOSINGS
500
450
400
350
300
250
200
150
100
50
0
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec. Estimated
2019
2020
2021
2022
2023
TBD-Aparts.
TBD-Attached 2
TBD- Attached
Ashford
Wellington
Umbria III
Zephyr Ranch
Huntington
Shea Homes;D-4
Caprano
Sundance II
Sundance
Casada
Madrona
Prescott
Heritage II
Heritage I
Meadow View
Oliveto
Tribute II
Inspirato
Tribute I
Tribute I
Savannah II
Alta
SheaHomes;D-2
Fontina
Savannah

ESTIMATED ABSORPTION SCHEDULES
THE CFD NEIGHBORHOODS C & D
PART 1 OF 2

Code	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Neighborhood	C	D-3	D-4	D-2	C	D	C	C	D	D	D	D-1	C	C	C
Tract - Parcel	3650	3671	N/A	N/A	3657	3854	3652	3652	3852	3848	3853	3615	3651	3655	3814
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached
Market Segment	--------------- Detached Smallest ------------						--------------------------- Detached Smaller -------------------------								--------------
Project Names	Savannah	Fontina	Shea Homes;D-4	SheaHomes;D-2	Alta	Savannah II	Tribute I	Tribute I	Inspirato	Tribute II	Oliveto	Meadow View	Heritage I	Heritage II	Prescott
Marketing Status	**Closed-Out**	Open	*Future*	*Future*	Open	Open	**Closed-Out**	**Closed-Out**	Open	Open	Open	Open	**Closed-Out**	**Closed-Out**	*Future*
Market-Entry - Est. by Developer	2014	2018	2020	2021	2018	2018	2015	2015	2018	2017	2018	2018	2014	2016	2018
Builder	Signature Homes	Meritage Homes	Shea Homes	Shea Homes	Signature Homes	Signature Homes	Cal Atlantic Homes	N./A	Richmond American	Cal Atlantic Homes	Richmond American	K. Hovnanian	Woodside Homes	Woodside Homes	Shea Homes
Housing Units in Planning Areas															
Totals	102	56	49	124	71	94	65	74	88	82	88	69	77	46	55
Shares; Sum to 100%	4.1%	2.2%	2.0%	4.9%	2.8%	3.7%	2.6%	2.9%	3.5%	3.3%	3.5%	2.7%	3.1%	1.8%	2.2%
Marketing Status: Estimated															
Escrows Closed; September 30, 2018	102	0	0	0	0	6	65	74	30	63	0	0	77	46	0
Future Closings; October 2018+	0	56	49	124	71	88	0	0	58	19	88	69	0	0	55
Living Areas - Square Feet			* Estimated*	*Estimated*				*Estimated*							* Estimated*
Plan # 1	1,997	1,743	1,778	1,778	1,978	1,966	2,217	2,217	2,080	2,217	2,120	2,287	2,575	2,575	2,484
Plan # 2	2,132	2,142	1,851	1,851	2,025	2,132	2,304	2,304	2,160	2,304	2,440	2,339	2,749	2,749	2,706
Plan # 3	2,274	2,147	1,867	1,867	2,150	2,274	2,551	2,551	2,430	2,551	2,560	2,486	2,797	2,797	
Plan # 4	2,324	2,207	1,941	1,941	2,350	2,324			2,480		2,620	2,544	2,996	2,996	
Plan # 5		2,238	2,348	2,348											
Plan # 6															
Averages	**N/A**	**2,095**	**1,957**	**1,957**	**2,126**	**2,174**	**N/A**	**N/A**	**2,288**	**2,357**	**2,435**	**2,414**	**N/A**	**N/A**	**2,595**
Estimated Prices			* Estimated*	*Estimated*											* Estimated*
Plan # 1		$531,950	$517,500	$517,500	$544,076	$525,000			$581,950	$609,000	$561,950	$594,990			$703,000
Plan # 2		$548,950	$525,000	$525,000	$553,816	$545,000			$598,950	$649,000	$589,450	$612,990			$745,000
Plan # 3		$551,950	$527,500	$527,500	$563,184	$565,000			$628,950	$659,000	$614,450	$614,990			
Plan # 4		$571,950	$535,000	$535,000	$594,025	$570,000			$633,950		$614,450	$636,990			
Plan # 5		$566,950	$540,000	$540,000											
Plan # 6															
Averages	**N/A**	**$554,350**	**$529,000**	**$529,000**	**$563,775**	**$551,250**	**N/A**	**N/A**	**$610,950**	**$639,000**	**$595,075**	**$614,990**	**N/A**	**N/A**	**$724,000**
Value Ratios; (Price/Sq.Ft.)	N/A	$265	$270	$270	$265	$254	N/A	N/A	$267	$271	$244	$255	N/A	N/A	$279

	Savannah	Fontina	Shea Homes;D-4	SheaHomes;D-2	Alta	Savannah II	Tribute I	Tribute I	Inspirato	Tribute II	Oliveto	Meadow View	Heritage I	Heritage II	Prescott
Escrows Closed-Est.															
2015	40	0	0	0	0	0	0	0	0	0	0	0	45	0	0
2016	46	0	0	0	0	0	50	0	0	0	0	0	32	12	0
2017	16	0	0	0	0	0	15	40	0	25	0	0	0	34	0
2018: Jan-Sept.	0	0	0	0	0	6	0	34	25	38	0	0	0	0	0
Future Closings- Est.															
2018: Oct.-Dec. Estimated	0	9	0	0	2	6	0	0	23	7	6	15	0	0	0
2019	0	47	0	0	32	35	0	0	40	12	39	50	0	0	27
2020	0	0	27	0	37	41	0	0	0	0	43	4	0	0	28
2021	0	0	22	41	0	6	0	0	0	0	0	0	0	0	0
2022	0	0	0	45	0	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	38	0	0	0	0	0	0	0	0	0	0	0
Totals	**102**	**56**	**49**	**124**	**71**	**94**	**65**	**74**	**88**	**82**	**88**	**69**	**77**	**46**	**55**

ESTIMATED ABSORPTION SCHEDULES
THE CFD NEIGHBORHOODS C & D
PART 2 01 2

														---- Marketing Status ---			Overall - All Projects	
Code	16	17	18	19	20	21	22	23	24	25	26	27	28					
Neighborhood	D-6	D	C	D	D-5	C	C	D	C	C	C	D	C	**Closed-Out**	Currently Active	*Future (Est.)*	Totals	Averages
Tract - Parcel	3617	3851	3649	3850	3616	3648	3656	3849	3654	3653	Parcel E	Parcel Q	Parcel D					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached	Attached	Attached/Apts.					
Market Segment						------------------------------ Detached Largest ----------------------------					----------------- Attached ----------------							
Project Names	Madrona	Casada	Sundance	Sundance II	Caprano	Huntington	Zephyr Ranch	Umbria III	Wellington	Ashford	TBD- Attached	TBD-Attached 2	TBD-Aparts.					
Marketing Status	Open	Open	Open	Open	Open	**Closed-Out**	*Future*	Open	Open	Open	*Future*	*Future*	*Future*					
Market-Entry - Est. by Developer	2018	2018	2015	2017	2017	2016	2019	2017	2018	2017	2020	2020	2022	6	15	7	28	
Builder	Meritage Homes	Woodside Homes	Tri-Pointe Homes	Tri-Pointe Homes	Meritage Homes	Richmond American	Taylor Morrison	Shea Homes	Richmond American	Shea Homes	TBD	TBD	TBD					
Housing Units in Planning Areas																		
Totals	81	78	113	138	77	129	98	62	67	117	127	188	97	493	1,281	738	2,512	
Shares; Sum to 100%	3.2%	3.1%	4.5%	5.5%	3.1%	5.1%	3.9%	2.5%	2.7%	4.7%	5.1%	7.5%	3.9%	19.6%	51.0%	29.4%	100.0%	
Marketing Status: Estimated																		
Escrows Closed; September 30, 2018	49	8	108	43	51	129	0	42	3	58	0	0	0	493	461	0	954	
Future Closings; October 2018+	32	70	5	95	26	0	98	20	64	59	127	188	97	0	820	738	1,558	
Living Areas - Square Feet							*Estimated*											
Plan # 1	2,512	2,551	2,636	2,636	2,794	2,949	2,560	2,488	3,160	3,101	1,500	1,900	TBD					
Plan # 2	2,573	2,809	2,887	2,887	2,994	3,090	2,809	3,570	3,210	3,406	1,700	2,000	TBD					
Plan # 3	2,798	3,053	3,026	3,026	3,122	3,260	3,429	3,907	3,460	3,476	2,000	2,200	TBD					
Plan # 4			3,247	3,247		3,350	3,611		3,590	3,485								
Plan # 5																		
Plan # 6																		
Averages	**2,628**	**2,804**	**2,949**	**2,949**	**2,970**	**N/A**	**3,102**	**3,322**	**3,355**	**3,367**	**1,733**	**2,033**		N/A	2,682	2,230		2,553
Estimated Prices							*Estimated*				*Estimated*	*Estimated*						
Plan # 1	$646,950	$586,990	$694,900	$694,900	$672,950		$680,000	$705,000	$709,950	$738,000	$420,000	$450,000	N/A					
Plan # 2	$647,950	$606,990	$748,900	$748,900	$701,950		$745,000	$773,000	$727,950	$771,000	$440,000	$460,000	N/A					
Plan # 3	$664,950	$630,990	$777,900	$777,900	$716,950		$820,000	$885,000	$751,950	$841,740	$460,000	$480,000	N/A					
Plan # 4			$794,900	$794,900			$850,000		$751,950	$837,000								
Plan # 5																		
Plan # 6																		
Averages	**$653,283**	**$608,323**	**$754,150**	**$754,150**	**$697,283**	**N/A**	**$773,750**	**$787,667**	**$735,450**	**$796,935**	**$440,000**	**$463,333**		N/A	$661,109	$576,514		$636,939
Value Ratios; (Price/Sq.Ft.)	$249	$217	$256	$256	$235	N/A	$249	$237	$219	$237	$254	$228		N/A	$248	$258		$249
	Madrona	Casada	Sundance	Sundance II	Caprano	Huntington	Zephyr Ranch	Umbria III	Wellington	Ashford	TBD- Attached	TBD-Attached 2	TBD-Aparts.					Cumulative
Escrows Closed-Est.																		
2015	0	0	18	0	0	0	0	0	0	0	0	0	0	85	18	0	103	103
2016	0	0	30	0	0	45	0	0	0	0	0	0	0	185	30	0	215	318
2017	20	0	35	8	20	50	0	24	0	30	0	0	0	155	162	0	317	635
2018: Jan-Sept.	29	8	25	35	31	34	0	18	3	28	0	0	0	68	246	0	314	949
Future Closings- Est.																		
2018: Oct.-Dec. Estimated	21	7	5	14	17	0	0	20	14	16	0	0	0	0	182	0	182	1,131
2019	11	29	0	28	9	0	27	0	31	34	0	0	0	0	397	54	451	1,582
2020	0	34	0	33	0	0	32	0	19	9	36	36	0	0	220	159	379	1,961
2021	0	0	0	20	0	0	35	0	0	0	40	40	0	0	26	178	204	2,165
2022	0	0	0	0	0	0	4	0	0	0	48	48	60	0	0	205	205	2,370
2023	0	0	0	0	0	0	0	0	0	0	3	64	37	0	0	142	142	2,512
Totals	**81**	**78**	**113**	**138**	**77**	**129**	**98**	**62**	**67**	**117**	**127**	**188**	**97**	**493**	**1,281**	**738**	**2,512**	

SECTION IV: ESTIMATED ABSORPTION SCHEDULES

A-1 ESTIMATED ABSORPTION SCHEDULES FOR THE PROJECTS IN CFD NO. 2014-1 IA-1

NEIGHBORHOOD C ONLY

The purpose of this section is to estimate the absorption schedules for the forthcoming homes in the 4 currently active and 4 forthcoming projects in the CFD's Neighborhood C, based upon a comprehensive analysis of the macroeconomic and microeconomic factors discussed above.

Accordingly, Empire's estimated absorption schedules for the residential projects in Neighborhood C are now discussed.

Recent Absorption Rates:

2015: 3 projects, for a total of 103 homes escrow closings

2016: 6 projects for a total of 215 escrow closings

2017: 7 projects for a total of 220 escrow closings

January-September 2018: 5 projects with 124 escrow closings

Estimated Future Absorption Rates:

October-December 2018: 4 projects with an estimated 37 escrow closings

2019: 5 projects with 151 escrow closings

2020: 6 projects with 161 escrow closings

2021: 2 projects with 75 escrow closings

2022: 3 projects with 112 escrow closings (including 60 apartment rentals)

2023: 2 projects with 40 escrow closings (37 rentals), with all of the projects closing out

The estimated absorption schedules for the residential projects in Neighborhood C are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders.

For more information on the estimated absorption schedules for the various planning areas, please refer to the following graphs and tables for more detailed information.

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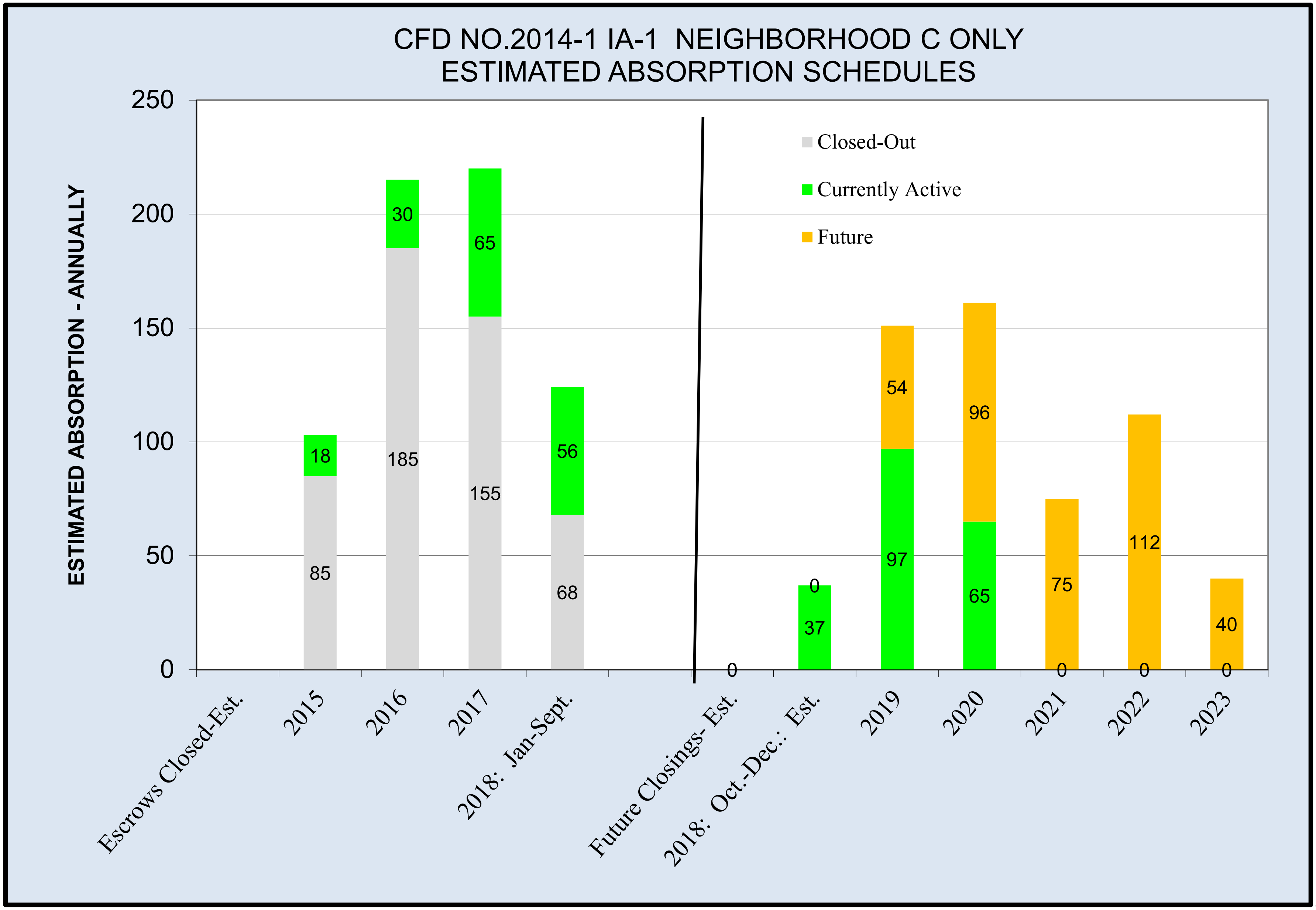
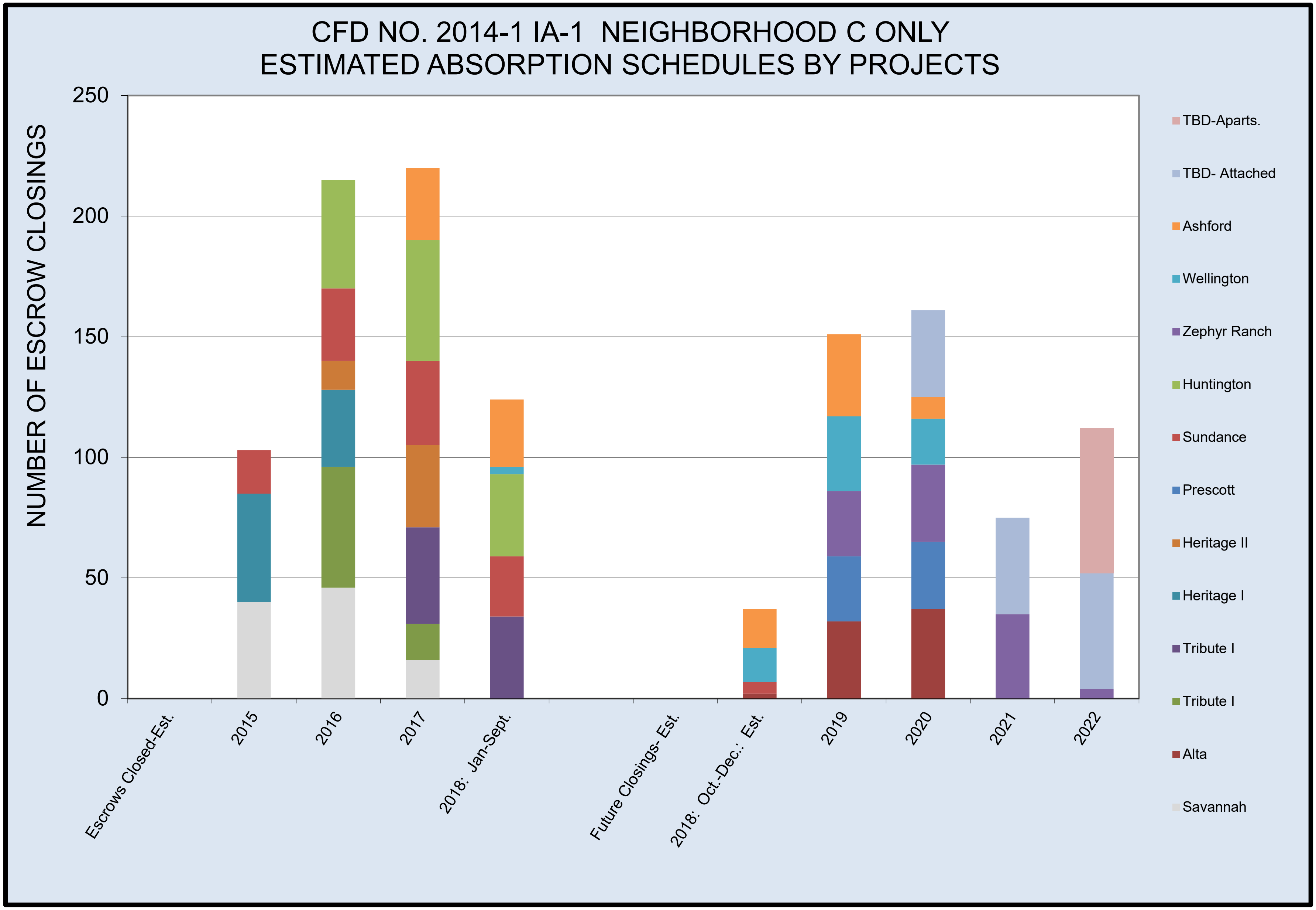

CFD NO.2014-1 IA-1 NEIGHBORHOOD C ONLY
ESTIMATED ABSORPTION SCHEDULES
ESTIMATED ABSORPTION - ANNUALLY
250
200
150
100
50
0
Closed-Out
Currently Active
Future
18
85
30
185
65
155
56
68
0
0
37
54
97
96
65
75
0
112
0
40
0
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec.: Est.
2019
2020
2021
2022
2023


CFD NO. 2014-1 IA-1 NEIGHBORHOOD C ONLY
ESTIMATED ABSORPTION SCHEDULES BY PROJECTS
NUMBER OF ESCROW CLOSINGS
0
50
100
150
200
250
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec.: Est.
2019
2020
2021
2022
TBD-Aparts.
TBD- Attached
Ashford
Wellington
Zephyr Ranch
Huntington
Sundance
Prescott
Heritage II
Heritage I
Tribute I
Tribute I
Alta
Savannah

ESTIMATED ABSORPTION SCHEDULES
THE CFD NEIGHBORHOOD C

															---- Marketing Status ---			Overall - All Projects	
Code	1	5	7	8	13	14	15	18	21	22	24	25	26	28					
Neighborhood	C	C	C	C	C	C	C	C	C	C	C	C	C	C	**Closed-Out**	Currently Active	*Future (Est.)*	Totals	Averages
Tract - Parcel	3650	3657	3652	3652	3651	3655	3814	3649	3648	3656	3654	3653	Parcel E	Parcel D					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached	Attached/Apts.					
Market Segment	--------- Detached Smallest ----		------- Detached Smaller ------		----------------------- Detached Larger ----------------------				-------------------- Detached Largest --------------------				------- Attached -------						
Project Names	Savannah	Alta	Tribute I	Tribute I	Heritage I	Heritage II	Prescott	Sundance	Huntington	Zephyr Ranch	Wellington	Ashford	TBD- Attached	TBD-Aparts.					
Marketing Status	**Closed-Out**	Open	**Closed-Out**	**Closed-Out**	**Closed-Out**	**Closed-Out**	*Future*	Open	**Closed-Out**	*Future*	Open	Open	*Future*	*Future*					
Market-Entry - Est. by Developer	2014	2018	2015	2015	2014	2016	2018	2015	2016	2019	2018	2017	2020	2022	6	4	4	14	
Builder	Signature Homes	Signature Homes	Cal Atlantic Homes	N./A	Woodside Homes	Woodside Homes	Shea Homes	Tri-Pointe Homes	Richmond American	Taylor Morrison	Richmond American	Shea Homes	TBD	TBD					
Housing Units in Planning Areas																			
Totals	102	71	65	74	77	46	55	113	129	98	67	117	127	97	493	368	377	1,238	
Shares; Sum to 100%	8.2%	5.7%	5.3%	6.0%	6.2%	3.7%	4.4%	9.1%	10.4%	7.9%	5.4%	9.5%	10.3%	7.8%	39.8%	29.7%	30.5%	100.0%	
Marketing Status: Estimated																			
Escrows Closed; September 30, 2018	102	0	65	74	77	46	0	108	129	0	3	58	0	0	493	169	0	662	
Future Closings; October 2018+	0	71	0	0	0	0	55	5	0	98	64	59	127	97	0	199	377	576	
Living Areas - Square Feet				*Estimated*			* Estimated*			*Estimated*									
Plan # 1	1,997	1,978	2,217	2,217	2,575	2,575	2,484	2,636	2,949	2,560	3,160	3,101	1,500	TBD					
Plan # 2	2,132	2,025	2,304	2,304	2,749	2,749	2,706	2,887	3,090	2,809	3,210	3,406	1,700	TBD					
Plan # 3	2,274	2,150	2,551	2,551	2,797	2,797		3,026	3,260	3,429	3,460	3,476	2,000	TBD					
Plan # 4	2,324	2,350			2,996	2,996		3,247	3,350	3,611	3,590	3,485							
Plan # 5																			
Plan # 6																			
Averages	**N/A**	**2,126**	**N/A**	**N/A**	**N/A**	**N/A**	**2,595**	**2,949**	**N/A**	**3,102**	**3,355**	**3,367**	**1,733**		0	2,949	2,477		2,747
Estimated Prices							* Estimated*			*Estimated*			*Estimated*						
Plan # 1		$544,076					$703,000	$694,900		$680,000	$709,950	$738,000	$420,000	N/A					
Plan # 2		$553,816					$745,000	$748,900		$745,000	$727,950	$771,000	$440,000	N/A					
Plan # 3		$563,184						$777,900		$820,000	$751,950	$841,740	$460,000	N/A					
Plan # 4		$594,025						$794,900		$850,000	$751,950	$837,000							
Plan # 5																			
Plan # 6																			
Averages	**N/A**	**$563,775**	**N/A**	**N/A**	**N/A**	**N/A**	**$724,000**	**$754,150**	**N/A**	**$773,750**	**$735,450**	**$796,935**	**$440,000**		N/A	$712,578	$645,917		$684,009
Value Ratios; (Price/Sq.Ft.)	N/A	$265	N/A	N/A	N/A	N/A	$279	$256	N/A	$249	$219	$237	$254		N/A	$244	$261		$249

	Savannah	Alta	Tribute I	Tribute I	Heritage I	Heritage II	Prescott	Sundance	Huntington	Zephyr Ranch	Wellington	Ashford	TBD- Attached	TBD-Aparts.					Cumulative
Escrows Closed-Est.																			
2015	40	0	0	0	45	0	0	18	0	0	0	0	0	0	85	18	0	103	103
2016	46	0	50	0	32	12	0	30	45	0	0	0	0	0	185	30	0	215	318
2017	16	0	15	40	0	34	0	35	50	0	0	30	0	0	155	65	0	220	538
2018: Jan-Sept.	0	0	0	34	0	0	0	25	34	0	3	28	0	0	68	56	0	124	662
Future Closings- Est.																			
2018: Oct.-Dec.: Est.	0	2	0	0	0	0	0	5	0	0	14	16	0	0	0	37	0	37	699
2019	0	32	0	0	0	0	27	0	0	27	31	34	0	0	0	97	54	151	850
2020	0	37	0	0	0	0	28	0	0	32	19	9	36	0	0	65	96	161	1,011
2021	0	0	0	0	0	0	0	0	0	35	0	0	40	0	0	0	75	75	1,086
2022	0	0	0	0	0	0	0	0	0	4	0	0	48	60	0	0	112	112	1,198
2023	0	0	0	0	0	0	0	0	0	0	0	0	3	37	0	0	40	40	1,238
Totals	**102**	**71**	**65**	**74**	**77**	**46**	**55**	**113**	**129**	**98**	**67**	**117**	**127**	**97**	**493**	**368**	**377**	**1,238**	

SECTION IV: ESTIMATED ABSORPTION SCHEDULES

A-2 ESTIMATED ABSORPTION SCHEDULES FOR THE PROJECTS IN CFD NO. 2014-1 IA-1

NEIGHBORHOOD D ONLY

The purpose of this section is to estimate the absorption schedules for the forthcoming homes in the 11 currently active and 3 forthcoming projects in the CFD's Neighborhood D, based upon a comprehensive analysis of the macroeconomic and microeconomic factors discussed above.

Accordingly, Empire's estimated absorption schedules for the residential projects in Neighborhood D are now discussed.

Recent Absorption Rates:

2017: 5 projects for a total of 97 escrow closings

January-September 2018: 8 projects with 190 escrow closings

Estimated Future Absorption Rates:

October-December 2018: 11 projects with an estimated 145 escrow closings

2019: 10 projects with 300 escrow closings

2020: 7 projects with 218 escrow closings

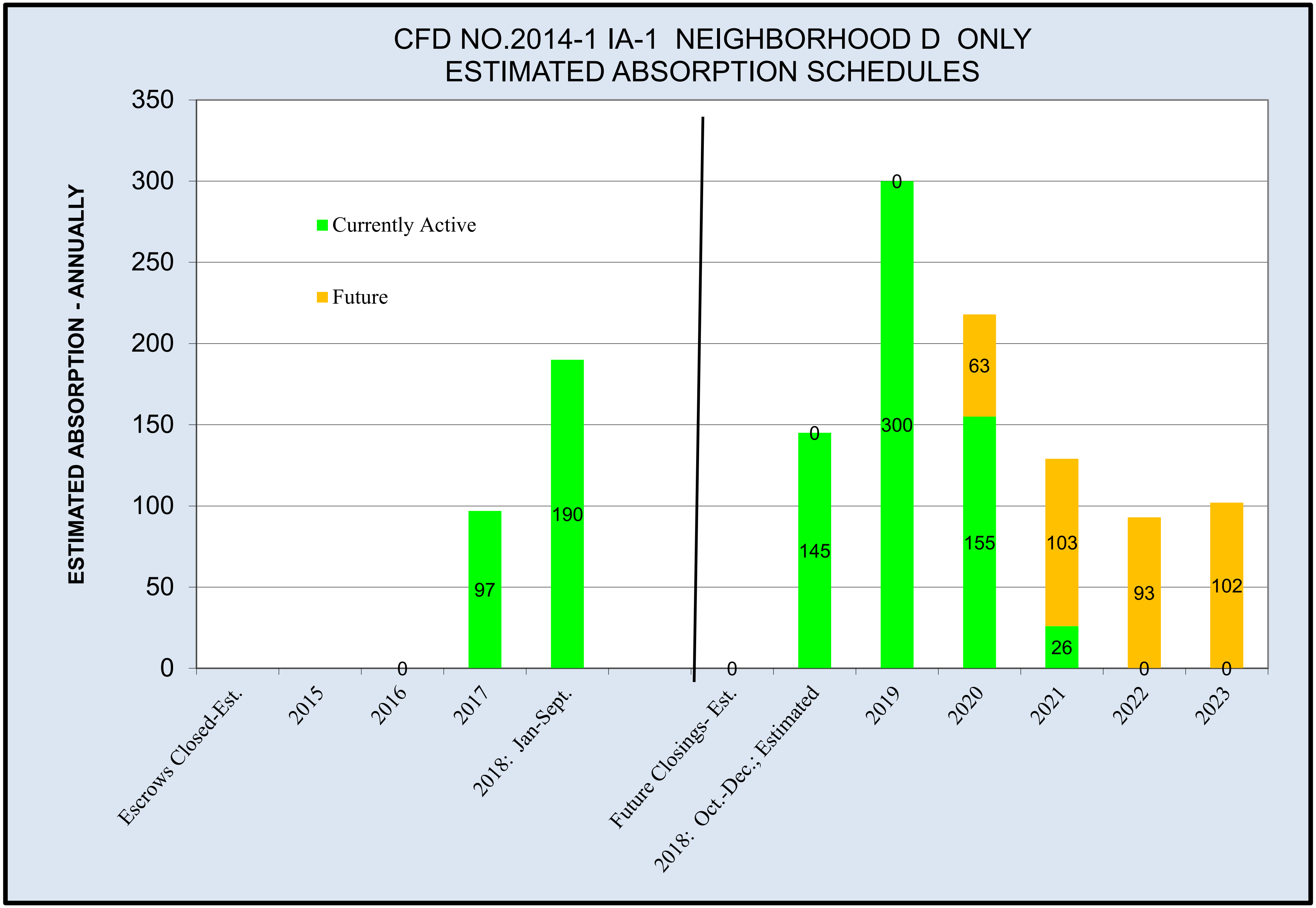
2021: 5 projects with 129 escrow closings

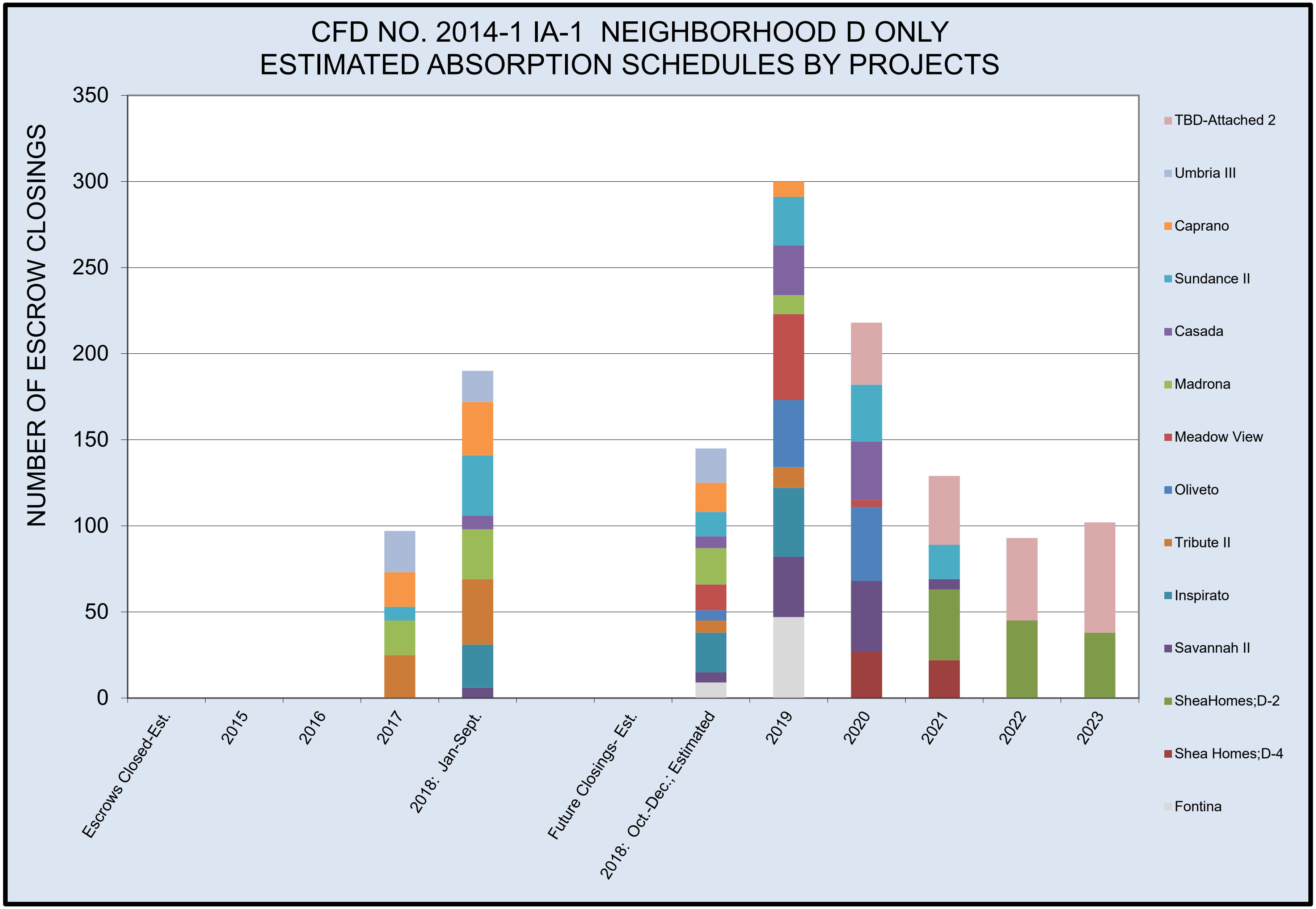
2022: 2 projects with 93 escrow closings

2023: 2 projects with 102 escrow closings , with all of the projects closing out

The estimated absorption schedules for the residential projects in Neighborhood D are subject to change due to potential shifts in economic/real estate market conditions and/or the development strategy of the various builders.

For more information on the estimated absorption schedules for the various planning areas, please refer to the following graphs and tables for more detailed information..


CFD NO.2014-1 IA-1 NEIGHBORHOOD D ONLY
ESTIMATED ABSORPTION SCHEDULES
ESTIMATED ABSORPTION - ANNUALLY
350
300
250
200
150
100
50
0
Currently Active
Future
0
97
190
0
0
145
0
300
63
155
103
26
93
0
102
0
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec.; Estimated
2019
2020
2021
2022
2023



CFD NO. 2014-1 IA-1 NEIGHBORHOOD D ONLY
ESTIMATED ABSORPTION SCHEDULES BY PROJECTS
NUMBER OF ESCROW CLOSINGS
350
300
250
200
150
100
50
0
Escrows Closed-Est.
2015
2016
2017
2018: Jan-Sept.
Future Closings- Est.
2018: Oct.-Dec.; Estimated
2019
2020
2021
2022
2023
TBD-Attached 2
Umbria III
Caprano
Sundance II
Casada
Madrona
Meadow View
Oliveto
Tribute II
Inspirato
Savannah II
SheaHomes;D-2
Shea Homes;D-4
Fontina

ESTIMATED ABSORPTION SCHEDULES
THE CFD NEIGHBORHOOD D ONLY

															---- Marketing Status ---			Overall - All Projects	
Code	2	3	4	6	9	10	11	12	16	17	19	20	23	27					
Neighborhood	D-3	D-4	D-2	D	D	D	D	D-1	D-6	D	D	D-5	D	D	**Closed-Out**	Currently Active	*Future (Est.)*	Totals	Averages
Tract - Parcel	3671	N/A	N/A	3854	3852	3848	3853	3615	3617	3851	3850	3616	3849	Parcel Q					
Expected Product Type	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Attached					
Market Segment	--------------- Detached Smallest ------------				-------------------------- Detached Smaller ------------------------				----------- Detached Larger --------------				Largest	Attached					
Project Names	Fontina	Shea Homes;D-4	SheaHomes;D-2	Savannah II	Inspirato	Tribute II	Oliveto	Meadow View	Madrona	Casada	Sundance II	Caprano	Umbria III	TBD-Attached 2					
Marketing Status	Open	*Future*	*Future*	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	*Future*					
Market-Entry - Est. by Developer	2018	2020	2021	2018	2018	2017	2018	2018	2018	2018	2017	2017	2017	2020	0	11	3	14	
Builder	Meritage Homes	Shea Homes	Shea Homes	Signature Homes	Richmond American	Cal Atlantic Homes	Richmond American	K. Hovnanian	Meritage Homes	Woodside Homes	Tri-Pointe Homes	Meritage Homes	Shea Homes	TBD					
Housing Units in Planning Areas																			
Totals	56	49	124	94	88	82	88	69	81	78	138	77	62	188	0	913	361	1,274	
Shares; Sum to 100%	4.4%	3.8%	9.7%	7.4%	6.9%	6.4%	6.9%	5.4%	6.4%	6.1%	10.8%	6.0%	4.9%	14.8%	0.0%	71.7%	28.3%	100.0%	
Marketing Status: Estimated																			
Escrows Closed; September 30, 2018	0	0	0	6	30	63	0	0	49	8	43	51	42	0	0	292	0	292	
Future Closings; October 2018+	56	49	124	88	58	19	88	69	32	70	95	26	20	188	0	621	361	982	
Living Areas - Square Feet		* Estimated*	*Estimated*																
Plan # 1	1,743	1,778	1,778	1,966	2,080	2,217	2,120	2,287	2,512	2,551	2,636	2,794	2,488	1,900					
Plan # 2	2,142	1,851	1,851	2,132	2,160	2,304	2,440	2,339	2,573	2,809	2,887	2,994	3,570	2,000					
Plan # 3	2,147	1,867	1,867	2,274	2,430	2,551	2,560	2,486	2,798	3,053	3,026	3,122	3,907	2,200					
Plan # 4	2,207	1,941	1,941	2,324	2,480		2,620	2,544			3,247								
Plan # 5	2,238	2,348	2,348																
Plan # 6																			
Averages	**2,095**	**1,957**	**1,957**	**2,174**	**2,288**	**2,357**	**2,435**	**2,414**	**2,628**	**2,804**	**2,949**	**2,970**	**3,322**	**2,033**	N/A	2,585	1,982		2,456
Estimated Prices		* Estimated*	*Estimated*											*Estimated*					
Plan # 1	$531,950	$517,500	$517,500	$525,000	$581,950	$609,000	$561,950	$594,990	$646,950	$586,990	$694,900	$672,950	$705,000	$450,000					
Plan # 2	$548,950	$525,000	$525,000	$545,000	$598,950	$649,000	$589,450	$612,990	$647,950	$606,990	$748,900	$701,950	$773,000	$460,000					
Plan # 3	$551,950	$527,500	$527,500	$565,000	$628,950	$659,000	$614,450	$614,990	$664,950	$630,990	$777,900	$716,950	$885,000	$480,000					
Plan # 4	$571,950	$535,000	$535,000	$570,000	$633,950		$614,450	$636,990			$794,900								
Plan # 5	$566,950	$540,000	$540,000																
Plan # 6																			
Averages	**$554,350**	**$529,000**	**$529,000**	**$551,250**	**$610,950**	**$639,000**	**$595,075**	**$614,990**	**$653,283**	**$608,323**	**$754,150**	**$697,283**	**$787,667**	**$463,333**	N/A	$642,393	$507,111		$613,404
Value Ratios; (Price/Sq.Ft.)	$265	$270	$270	$254	$267	$271	$244	$255	$249	$217	$256	$235	$237	$228	N/A	$250	$256		$250

	Fontina	Shea Homes;D-4	SheaHomes;D-2	Savannah II	Inspirato	Tribute II	Oliveto	Meadow View	Madrona	Casada	Sundance II	Caprano	Umbria III	TBD-Attached 2					Cumulative
Escrows Closed-Est.																			
2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	25	0	0	20	0	8	20	24	0	0	97	0	97	97
2018: Jan-Sept.	0	0	0	6	25	38	0	0	29	8	35	31	18	0	0	190	0	190	287
Future Closings- Est.																			
2018: Oct.-Dec.; Estimated	9	0	0	6	23	7	6	15	21	7	14	17	20	0	0	145	0	145	432
2019	47	0	0	35	40	12	39	50	11	29	28	9	0	0	0	300	0	300	732
2020	0	27	0	41	0	0	43	4	0	34	33	0	0	36	0	155	63	218	950
2021	0	22	41	6	0	0	0	0	0	0	20	0	0	40	0	26	103	129	1,079
2022	0	0	45	0	0	0	0	0	0	0	0	0	0	48	0	0	93	93	1,172
2023	0	0	38	0	0	0	0	0	0	0	0	0	0	64	0	0	102	102	1,274
Totals	**56**	**49**	**124**	**94**	**88**	**82**	**88**	**69**	**81**	**78**	**138**	**77**	**62**	**188**	**0**	**913**	**361**	**1,274**	

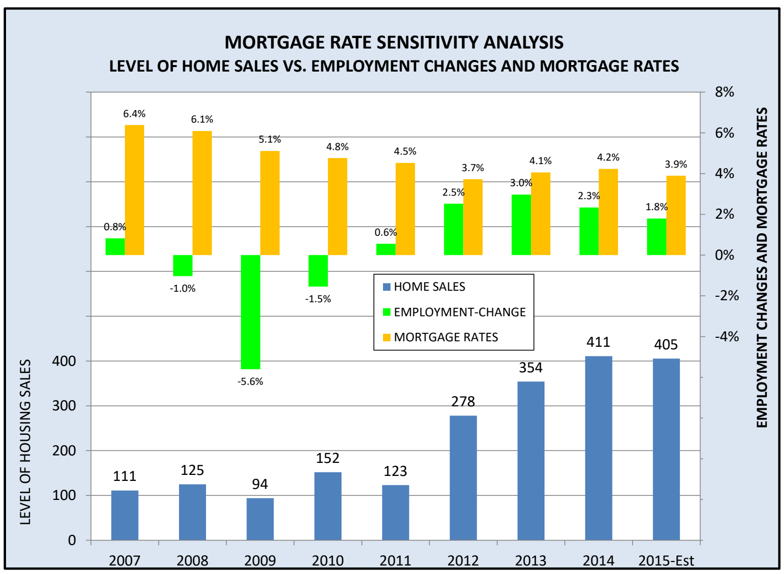
B. SENSITIVITY ANALYSIS: RELATIONSHIP OF RECENT HOUSING SALES TO EMPLOYMENT CHANGES AND MORTGAGE RATES

There is a consensus that due to stronger economic growth and the economy being near full employment, mortgage interest rates are likely to increase during the foreseeable future. Accordingly, the purpose of this section is to perform an analysis of the impacts that employment changes and levels of mortgage rates had on sales for homes. To analyze this, the Planned Community of The Villages of Valencia in the Santa Clarita area is utilized, since this has a significant amount of data on market conditions during the 2007-2015 time period.

- Sales of homes for the projects in The Villages of Valencia were relatively low during 2007 to 2011, but then increased dramatically during 2012 through 2015.
- Employment changes were negative/minimal during 2007 to 2011, ranging from -5.6% to +0.8%. But then starting in 2012 and continuing thereafter, employment rose by 1.8% to 3.0% per year.
- Mortgage interest rates started at a level of 6.4% in 2007 and declined to 4.5% in 2011, a decrease of -1.9%. By comparison, from 2011 to 2015, mortgage rates declined from 4.5% to 3.9%, a change of -0.6%.

Therefore, the increases in home sales during 2012 and 2015 was driven primarily by strong employment growth; additionally, mortgage interest rates were favorable as well, resulting in lower monthly payment levels.

Conversely, during 2007 to 2011, when mortgage rates declined to lower levels and employment growth was minimal, housing sales did not rise substantially, and so mortgage rates are regarded as a secondary factor.



This relationship has parallels to what occurred in Southern California during 1988 and 1989: housing prices rose by about 20% per year, despite mortgage rate levels of some 10.5% because employment was increasing at a strong rate of more than 5% per year.

Empire's estimated absorption schedules reflect consideration being given to mortgage rates increasing at a moderate rate in the near term, due to the continuation of expected strong economic growth, federal deficit spending and the Federal Reserve Board rebalancing its portfolio of mortgage securities.

However, if mortgage rates were to increase significantly in a short period of time, referred to as a "spike", then the demand for homes would likely be significantly adversely impacted.

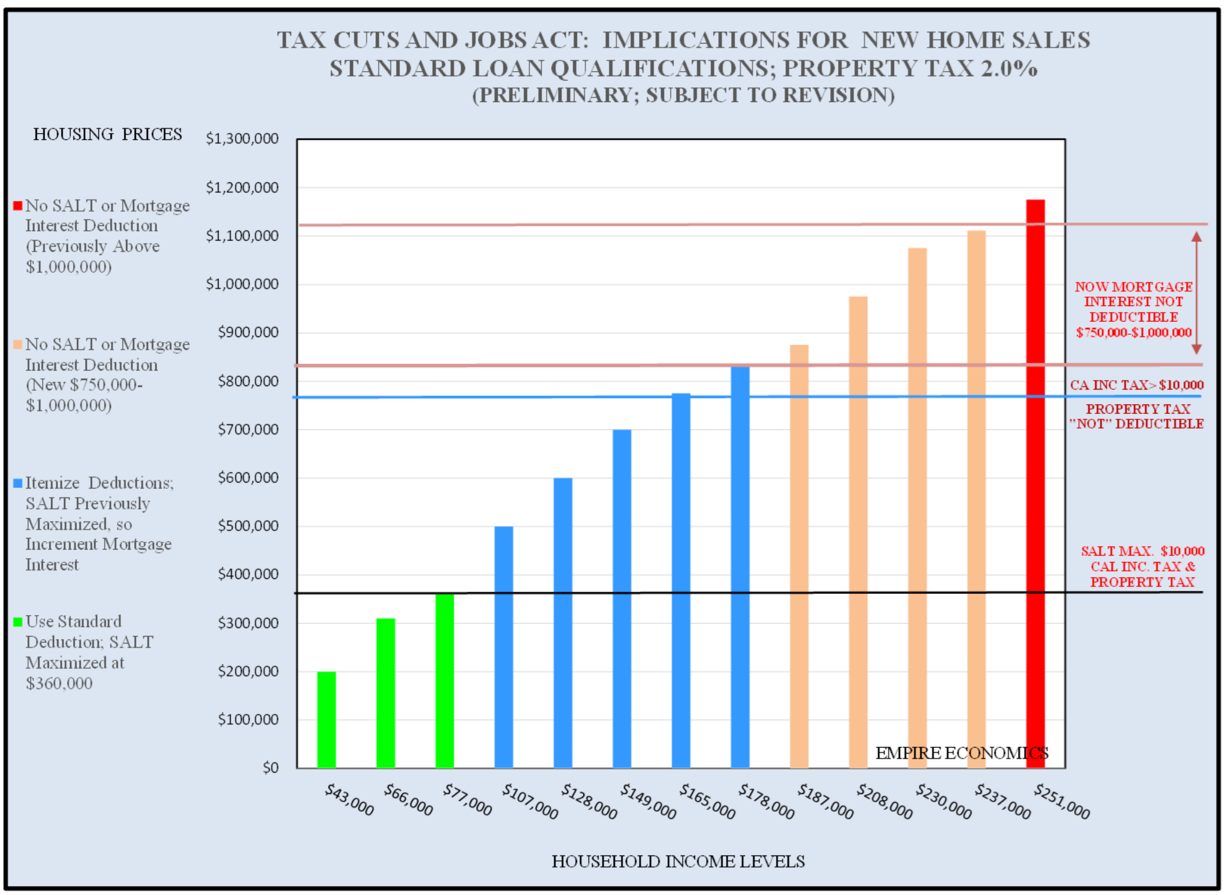
C. SPECIAL RISK FACTOR "TAX CUTS AND JOBS ACT" (TCJA) POTENTIAL IMPACTS ON HOUSING PRICES FOR PROJECTS

New for-sale homes in California have significantly different characteristics than such homes in the United States (US) as a whole making them potentially more at risk due to the new tax policies:

- California's higher prices for new homes result in higher levels of ad valorem property taxes; additionally, new homes often have Special Taxes as well.
- California's higher home prices, along with the higher income levels of purchasers and higher property taxes may be more impacted by the limitation of a $10,000 deduction for state income, sales taxes and property taxes (SALT).
- California's higher home prices, especially in coastal areas, often have mortgages that exceed $750,000 (reduced from the prior mortgage loan maximum of $1,000,000), so they will now lose the interest rate deduction on the portion of the mortgage between $750,000-$1,000,000.
- Finally, new home sales have some significant differences than existing homes:
  - Existing homes have some grandfathered provisions for mortgage interest–but not for SALT.
  - Existing homeowners may have the discretion to delay the sales of their home, unlike builders.

Therefore, California's housing market may be impacted to a greater degree than the US market, in general, potentially softening the impact of the consensus housing forecast.

The following graph represents the potential impacts of the TCJA's various tax policy changes related to homes at various price levels.



Psychological and Financial Impacts of Non-Deductible Property Taxes and Mortgage Interest (Example for Home Priced at $833,000)

- Psychological: Many households regard deductions as not having to pay taxes - although the amounts are deductible in full, the actual savings depends on marginal tax rates.
- Financial: Non-deductible amounts of previously itemized housing deductions now lose their housing subsidy advantages.
- Households can now use such funds for housing OR other purposes such as cars, vacations, remodeling, among others.
-

Example of Financial Impacts of Deductible vs. Non-Deductible Property Taxes and Mortgage Interest: Home Price of $833,000

Current Tax Deductible: $100
Current: Net cost after taxes: $72 (Previously, a 28% income tax rate.)

Proposed TCJA Plan Non-Deductible Cost Prior to Taxes: $132
Payment of Taxes (With TCJA, a 24% tax rate.)
After Tax Net Dollars: $100

Preliminary Remarks on the Potential Change in the Market for New Homes

The conceptual discussion revealed that TCJA is likely to impact the new for-sale home market in California. However, accurately quantifying such impacts is currently difficult, since the specific impacts will vary according to geographic market regions, product types and price levels to different degrees.

- Future economic and financial market conditions.
    - A robust economy would diminish/offset the impacts.
    - A slow/recessionary economy would accentuate the impacts.

- Potential purchasers of new homes will require time to become informed on the implications:
    - Some realization when filing 2017 taxes in Spring 2018, initial discussion with tax preparer.
    - Full realization when filing 2018 returns in Spring 2019.

- Reactions of households due to higher after-tax cost of purchasing a new home:
    - May strongly desire purchasing a new home, and willing to reduce other expenditures.
    - May decide to delay the purchase of a new home.

- Do not have precedents that can be directly utilized to evaluate the TCJA impacts.

Therefore, determining the effects of the TCJA policies on the new for-sale housing market will require sufficient time for compiling data to accurately/reliably identify their actual impacts on sales rates and price changes in the new for-sale home market.

SECTION V: ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of the CFD property has been made by the market analyst; the CFD Boundary Map utilized for the CFD is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premise, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

Maps and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of the CFD are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming it is under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Hidden or Unapparent Conditions

The market analyst assumes no responsibility for hidden or unapparent conditions of the property, subsoil, groundwater or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Presence of Asbestos

The market analyst is not aware of the existence of asbestos in any existing improvements on the subject property. However, the market analyst is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the market analyst assumes the subject property is free of asbestos and the subject property meets all federal, state and local laws regarding asbestos abatement.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in the CFD according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year-by-year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within the CFD rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in the CFD can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builders Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builders in the CFD respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, many of the homes in the CFD have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer products on the marketplace. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builders

The Market Absorption Study assumes that the developers/builders in the CFD (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic and residential market conditions that are expected to influence the marketing success of the products/projects in the CFD . Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX A
CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS
RESUME: JOSEPH T. JANCZYK, Ph.D.

Education: University of California, Riverside, Ph.D. in Economics, Completed in 1976
Specializations in Urban Economics, Mathematical Modeling and Econometric Analysis

State University of New York at Buffalo, Bachelors, Completed in 1970
Dual Majors: Economics and Psychology

Prior Employment: California State University, Tenured Economics Professor: 1976-1985
Courses Taught: Microeconomics, Macroeconomics, Urban Economics, Regional, Computer Modeling, Econometrics, among others

Empire Economics: Chairman and President: 1986-Present

- Perform Independent Real Estate Consulting Services Primarily for Land Secured Financings
- Work for Public Entities including Counties, Cities, School Districts and Water Districts
- Long-term Relationships with Many Clients, 25+ years
- Well Established Relationships with Numerous Professionals in the Municipal Finance Industry
- Performed 500+ Studies on behalf of Public Entities for $14B+ in municipal financing
  - Land Secured Financings for Planned Communities, Business Parks and Retail Centers for 400+ CFDs/ADs for $7.5B bonds
    - Price Point Study – Establish Special Taxes that conform to public entities' policies
    - Market Absorption Studies - Provide timelines for phasing infrastructure
    - Homeowner Equity Studies and Forecasts of Assessed Values
    - Economic Forecasting Studies: Forecast Employment and Housing Demand
- Socioeconomic Studies Orange County Transportation Corridors: 2 studies $2.75B bonds
  - Designated as Municipal Bond Issue of the Year for 1999
  - Rating Agency and Bond Insurer Presentations – Trips to New York City
- Mortgage Revenue Bond Issues: Lower Mortgage Rates 50+ studies for $1.7B bonds
- Other Municipal Bond Issues: 35+ studies $2B+ bonds; Certificates of Participation, others
- Forthcoming Bond Issues: 30+ studies for $500M+ future bond sales

Industry Contributions – Regular Speaker/Panelist at Following Events:

- State Treasurer, Mr. John Chiang: Council of Economic Advisors: January 2015 – Present
  - Bi-annual meetings and published articles in the Treasurer's Newsletter, Intersections
- UCLA Municipal Bond Financing Seminars (10+ times, as Featured Speaker)
- Bond Buyer Conference
- League of Cities
- Municipal Bond Industry Association
- Best Practices for Continuing Disclosure
- Appraisal Standards for Land Secured Financing by CDIAC
- Meetings with Municipal Bond Funds

Dedicated to Public Sector: Certifications Provided in each Study:

- Empire has not performed any consulting services for the CFD/AD property owners nor the developers/builders, during the past twenty years.
- Empire will not perform any consulting services for the CFD/AD property owners nor the developers/builders, during the next five years.

APPENDIX I

COMMUNITY FACILITIES DISTRICT BOUNDARY MAP

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THIS CONSOLIDATED MAP REFLECTS THE ANNEXATION INTO IMPROVEMENT AREA NO. 1 OF THE CFD OF CERTAIN PARCELS FROM INSIDE OF THE FUTURE ANNEXATION AREA AND OUTSIDE OF THE FUTURE ANNEXATION AREA.

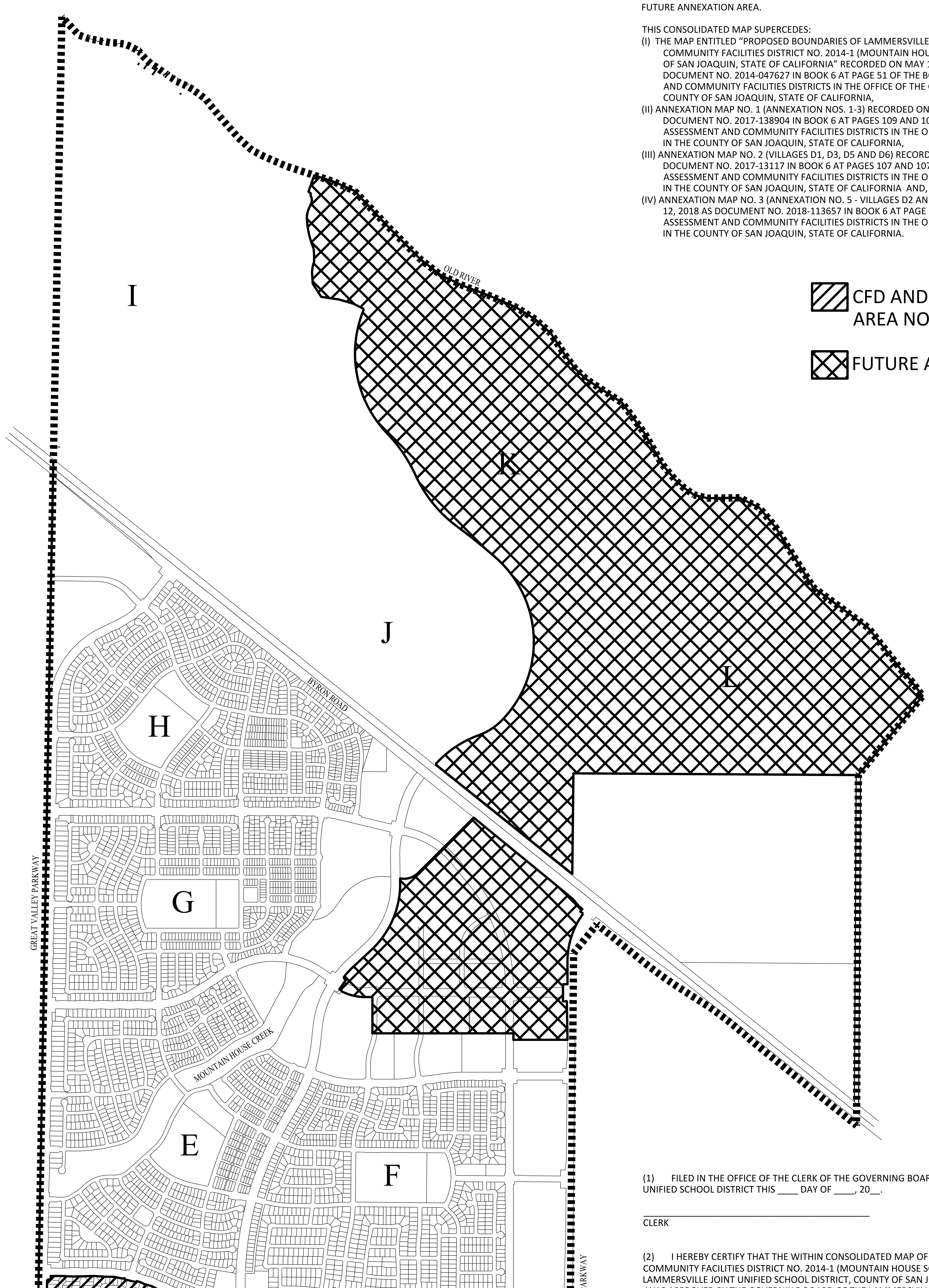
THIS CONSOLIDATED MAP SUPERCEDES:

(I) THE MAP ENTITLED "PROPOSED BOUNDARIES OF LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES), COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA" RECORDED ON MAY 14, 2014 AT 12:02 PM AS DOCUMENT NO. 2014-047627 IN BOOK 6 AT PAGE 51 OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA,

(II) ANNEXATION MAP NO. 1 (ANNEXATION NOS. 1-3) RECORDED ON NOVEMBER 29, 2017 AS DOCUMENT NO. 2017-138904 IN BOOK 6 AT PAGES 109 AND 109A OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA,

(III) ANNEXATION MAP NO. 2 (VILLAGES D1, D3, D5 AND D6) RECORDED ON NOVEMBER 16, 2017 AS DOCUMENT NO. 2017-13117 IN BOOK 6 AT PAGES 107 AND 107A OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA AND,

(IV) ANNEXATION MAP NO. 3 (ANNEXATION NO. 5 - VILLAGES D2 AND D4) RECORDED ON OCTOBER 12, 2018 AS DOCUMENT NO. 2018-113657 IN BOOK 6 AT PAGE 139 OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.



CFD AND IMPROVEMENT AREA NO. 1 BOUNDARY

FUTURE ANNEXATION AREA

(1) FILED IN THE OFFICE OF THE CLERK OF THE GOVERNING BOARD OF THE LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT THIS ____ DAY OF ____, 20__.

CLERK

(2) I HEREBY CERTIFY THAT THE WITHIN CONSOLIDATED MAP OF THE BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES), LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, WAS APPROVED BY THE GOVERNING BOARD OF THE LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT AT A REGULAR MEETING THEREOF, HELD ON THE ____ DAY OF ____, 20__, BY ITS RESOLUTION NO. ____.

CLERK

(3) FILED THIS ____ DAY OF ____, 20__, AT THE HOUR OF ____ O'CLOCK _M. IN BOOK ____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ____, IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

COUNTY RECORDER, SAN JOAQUIN COUNTY

CONSOLIDATED MAP OF THE BOUNDARIES OF LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES) COUNTY OF SAN JOAQUIN, CALIFORNIA.

MACKAY & SOMPS
ENGINEERS PLANNERS SURVEYORS
5142B FRANKLIN DR, PLEASANTON, CA 94588 (925)225-0690

SCALE: 1"=1000' DATE: JANUARY 23, 2019

01-31-2019 8:24am Chris Guenther P:\19730\SRV\MAPPING\PLATS\ANNEXATION\CONSOLIDATEDMAP\2014-1_CONSOLIDATED.DWG

THIS CONSOLIDATED MAP REFLECTS THE ANNEXATION INTO IMPROVEMENT AREA NO. 1 OF THE CFD OF CERTAIN PARCELS FROM INSIDE OF THE FUTURE ANNEXATION AREA AND OUTSIDE OF THE FUTURE ANNEXATION AREA.

THIS CONSOLIDATED MAP SUPERCEDES:

(I) THE MAP ENTITLED “PROPOSED BOUNDARIES OF LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (MOUNTAIN HOUSE SCHOOL FACILITIES), COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA” RECORDED ON MAY 14, 2014 AT 12:02 PM AS DOCUMENT NO. 2014-047627 IN BOOK 6 AT PAGE 51 OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA,

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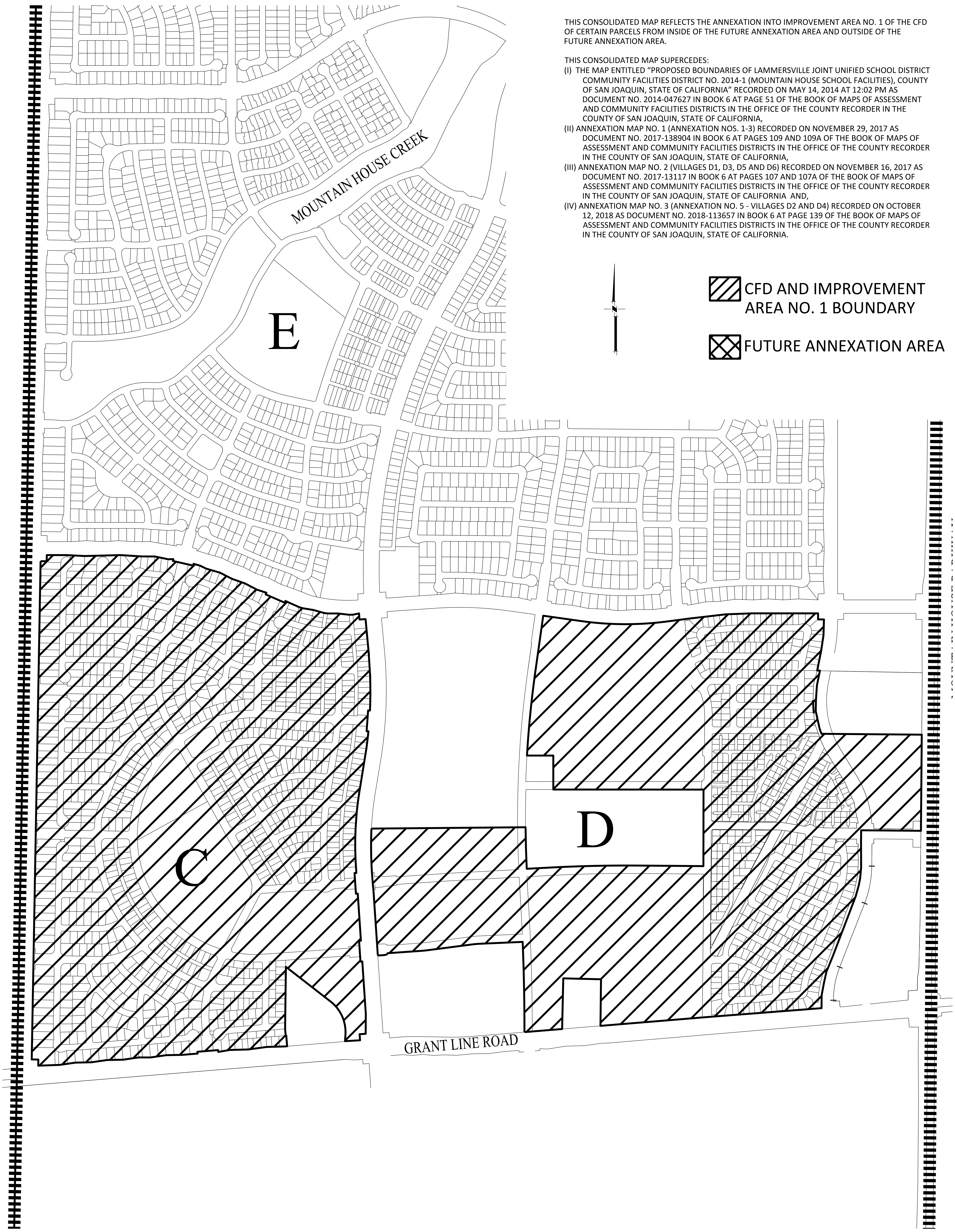
(IV) ANNEXATION MAP NO. 3 (ANNEXATION NO. 5 - VILLAGES D2 AND D4) RECORDED ON OCTOBER 12, 2018 AS DOCUMENT NO. 2018-113657 IN BOOK 6 AT PAGE 139 OF THE BOOK OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.



CONSOLIDATED MAP OF THE BOUNDARIES OF
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(MOUNTAIN HOUSE SCHOOL FACILITIES)
COUNTY OF SAN JOAQUIN, CALIFORNIA.

MACKAY & SOMPS
ENGINEERS PLANNERS SURVEYORS
5142B FRANKLIN DR, PLEASANTON, CA 94588 (925)225-0690

SCALE: 1"=500' DATE: JANUARY 23, 2019

IA No. 1 of the Lammersville JUSD CFD No. 2014-1 Parcels for Consolidated Boundary Map

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CONSOLIDATED MAP OF THE BOUNDARIES OF
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(MOUNTAIN HOUSE SCHOOL FACILITIES)
COUNTY OF SAN JOAQUIN, CALIFORNIA.

MACKAY & SOMPS
ENGINEERS PLANNERS SURVEYORS
5142B FRANKLIN DR, PLEASANTON, CA 94588 (925)225-0690

SCALE: 1"=500' DATE: JANUARY 23, 2019

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APPENDIX J

BUILDING PERMIT MAPS
FOR NEIGHBORHOOD C AND NEIGHBORHOOD D AS OF
JANUARY 31, 2019

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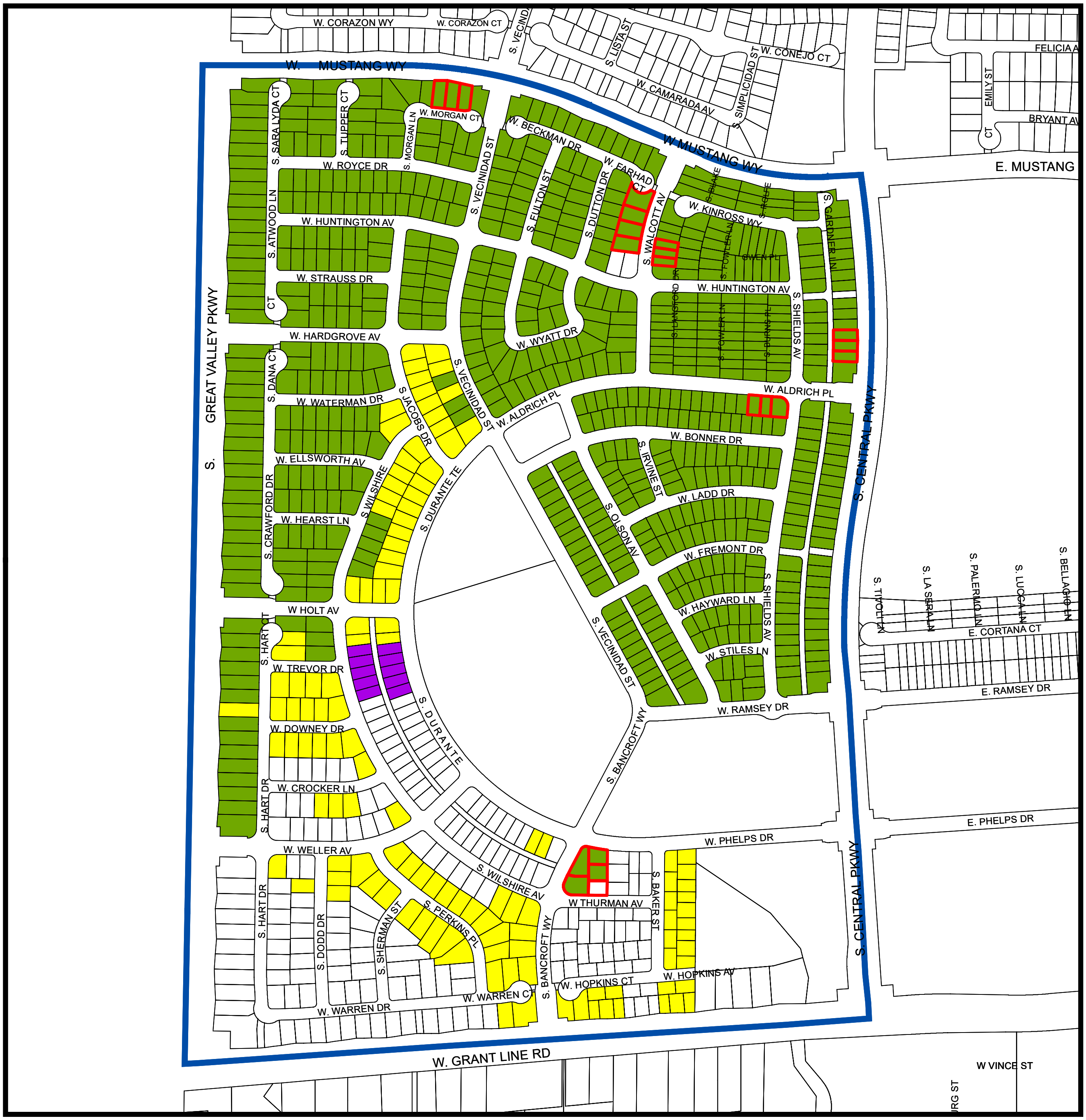
Parcels With SFR/SFRD Permits Issued:

NEW	PREVIOUS	FINALED	TOTAL
10	122	710	842

All Permits Issued: Including Second Units

NEW	PREVIOUS	FINALED	TOTAL
13	169	772	954

Neighborhood C Boundary
Model Home Location
Parcel Line
Newly Issued Permit Location
Finaled Permit Location
Previously Issued Permit Location



Residential Building Permits Issued As of 01/25/2019
Mountain House - Neighborhood C

0 250 500 750 1,000
Feet

N

San Joaquin County Geographic Information Systems
1810 East Hazelton Avenue, Stockton, CA 95205

The information on this map is based on the most current information available to San Joaquin County Geographic Information Systems. The County of San Joaquin does not warrant its accuracy, completeness, or suitability for any particular purpose. The information on this map is not intended to replace engineering, financial or primary records research.

IssuedPermits.mxd

Parcels With SFR/SFRD Permits Issued:

NEW	PREVIOUS	FINALED	TOTAL
1	207	492	700

All Permits Issued: Including Second Units

NEW	PREVIOUS	FINALED	TOTAL
1	256	561	818

- Neighborhood D Boundary
- Model Home Location
- Parcel Line
- Newly Issued Permit Location
- Finaled Permit Location
- Previously Issued Permit Location

Residential Building Permits Issued As Of 01/31/2019
Mountain House - Neighborhood D

0 250 500 750 1,000
Feet

N

San Joaquin County Geographic Information Systems
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