

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.



**CALIFORNIA
COMMUNITIES**

\$6,270,000

**CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

**Statewide Community Infrastructure Program Revenue Bonds
Series 2003A**



Dated: Date of Delivery

Due: See Inside Cover

The Statewide Community Infrastructure Program ("SCIP") is a program of the California Statewide Communities Development Authority (the "Issuer") that allows cities and counties to finance certain development impact fees through the issuance of tax-exempt bonds. Under SCIP, the Issuer periodically issues revenue bonds to provide financing for these development impact fees, while at the same time forming assessment districts in the jurisdictions in which the development impact fees are owed. Payments on the annual assessments levied within the assessment districts secure and are used to repay the revenue bonds and to cover certain administrative costs of SCIP.

The Issuer's \$6,270,000 Statewide Community Infrastructure Program Revenue Bonds, Series 2003A (the "Bonds") are being issued by the Issuer (i) to fund certain limited obligation improvement bonds (the "Local Obligations") issued by the Issuer and secured by assessments levied by the Issuer, as further described herein, (ii) to fund a reserve fund for the Bonds, and (iii) to pay costs of issuance of the Bonds. The Bonds and the Local Obligations are issued under a Trust Agreement, dated as of October 1, 2003 (the "Trust Agreement") by and between the Issuer and Wells Fargo Bank, National Association (the "Trustee"). **Principal of and interest on the Bonds are payable as set forth in the Maturity Schedule on the inside cover of this Official Statement.**

The Bonds are special obligations of the Issuer, payable from and secured by Revenues (as defined herein) of the Issuer consisting primarily of moneys collected and received by the Issuer on account of unpaid assessments or reassessments securing the Local Obligations (the "Local Obligation Revenues"). The Local Obligation Revenues are calculated to be sufficient to provide the Issuer with money to pay the principal of, premium, if any, and interest on the Bonds when due. The Local Obligations are being issued by the Issuer pursuant to the provisions of the Improvement Bond Act of 1915, consisting of Division 10 of the Streets and Highways Code of the State of California (the "Local Obligation Statute"). **Proceeds of the Local Obligations will be used to finance certain development impact fees necessary for development in the assessment districts shown on the inside cover of this Official Statement (collectively, the "Series 2003A Districts").**

Under the provisions of the Local Obligation Statute, installments of principal and interest sufficient to meet annual Local Obligation debt service are included on the regular county tax bills sent to owners of property against which there are unpaid assessments. These annual assessment installments will be transferred to the Trustee to be used to pay debt service on the Local Obligations as it becomes due. The Local Obligations will be registered in the name of the Trustee, who will use amounts it receives as holder of the Local Obligations to pay principal of and interest on the Bonds pursuant to the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds is payable on March 2, 2004, and semiannually thereafter on March 2 and September 2 each year. Principal of and premium, if any, on the Bonds are payable at the corporate trust office of the Trustee. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Holders shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX C—The Book-Entry System" herein.

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

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Series 2003A Districts. In the event of delinquency, foreclosure proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Series 2003A Districts is an important factor in determining the investment quality of the Bonds. Information from an appraisal of land values for a portion of the property within the Series 2003A Districts is set forth in Appendix A hereto. The unpaid assessments are not required to be paid upon sale of property within the Series 2003A Districts. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent assessment installments, the Issuer will establish a Reserve Fund and deposit therein Bond proceeds in an amount equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Reserve Fund." Additionally, the Issuer has covenanted to initiate judicial foreclosure in the event of a delinquency by any particular property owner and to commence the procedure as set forth herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant to Commence Superior Court Foreclosure."

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

NEITHER THE FAITH AND CREDIT OF THE ISSUER, NOR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTIES IN WHICH THE SERIES 2003A DISTRICTS ARE LOCATED, IS PLEDGED TO THE PAYMENT OF THE BONDS. NEITHER THE BONDS NOR THE LOCAL OBLIGATIONS CONSTITUTE A DEBT OF THE ISSUER WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "BONDOWNERS' RISKS," SHOULD BE READ IN ITS ENTIRETY. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered when, and if issued and accepted by the Underwriter subject to the approval as to their legality, of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain other legal matters will be passed upon for the Issuer by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, as Issuer Counsel and Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form on or about October 23, 2003.

RBC Dain Rauscher

SERIES 2003A DISTRICTS

1. **Assessment District No. 03-01 for the County of Contra Costa**
2. **Assessment District No. 03-01 for the County of Placer**
3. **Assessment District No. 03-01 for the County of San Mateo**
4. **Assessment District No. 03-01 for the County of Ventura**

MATURITY SCHEDULE

<u>Due</u> <u>(September 2)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Due</u> <u>(September 2)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
2005	\$105,000	2.000%	2.000%	2013	\$140,000	4.875%	4.900%
2006	110,000	2.500	2.500	2014	145,000	5.000	5.100
2007	110,000	3.000	3.100	2015	155,000	5.250	5.300
2008	115,000	3.300	3.350	2016	160,000	5.375	5.450
2009	120,000	3.750	3.750	2017	170,000	5.375	5.550
2010	125,000	4.000	4.150	2018	180,000	5.500	5.650
2011	130,000	4.250	4.450	2019	190,000	5.625	5.750
2012	135,000	4.625	4.750	2020	200,000	5.625	5.800

\$2,085,000 6.000% Term Bonds due September 2, 2028; Yield 6.150%

\$1,895,000 6.000% Term Bonds due September 2, 2033; Yield 6.200%

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

Commission

Chris McKenzie, *Chairman*

Steven Szalay, *Vice Chairman*

Daniel Harrison, *Secretary*

Norma Lammers, *Treasurer*

Paul Hahn, *Member*

Steve Keil, *Member*

Betty Masuoka, *Member*

STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM

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Los Angeles, California



GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or its Statewide Community Infrastructure Program since the date hereof. The summaries of the Trust Agreement and other documents referred to herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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

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TABLE OF CONTENTS

	Page
INTRODUCTION AND PROGRAM DESCRIPTION	1
THE BONDS	3
Authority For Issuance.....	3
Issuance of the Bonds	3
Application of Proceeds of the Bonds and the Local Obligations	4
Redemption.....	4
ESTIMATED SOURCES AND USES OF FUNDS	7
DEBT SERVICE SCHEDULE.....	8
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	8
Limited Obligation.....	8
Revenues.....	9
Assessments	10
Priority of Lien.....	11
Limited Obligation Upon Delinquency.....	11
Collection of Assessments	12
Reserve Fund	12
Covenant to Commence Superior Court Foreclosure	13
SCIP Accounts.....	13
Additional Bonds and Local Obligations.....	14
THE PROJECTS AND THE ASSESSED PROPERTY	14
BONDOWNERS' RISKS.....	15
General	15
Owners Not Obligated to Pay Bonds or Assessments	16
Bankruptcy and Foreclosure	16
Availability of Funds to Pay Delinquent Assessment Installments	16
Collection of the Assessment.....	17
Land Values	17
Development Risks	18
Concentration of Ownership.....	18
Future Land Use Regulations and Growth Control Initiatives.....	19
Ballot Initiatives.....	19
Hazardous Substances.....	19

TABLE OF CONTENTS
(continued)

	Page
Parity Taxes and Special Assessments.....	20
Future Overlapping Indebtedness	20
Future Private Indebtedness.....	20
No Acceleration Provision.....	20
CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS.....	21
Property Tax Rate Limitations - Article XIII A.....	21
Legislation Implementing Article XIII A	21
Appropriation Limitation - Article XIII B.....	21
Property Tax Collection Procedures	22
Proposition 218	23
THE ISSUER.....	23
CONTINUING DISCLOSURE.....	24
LEGAL OPINION	24
TAX EXEMPTION	24
NO LITIGATION.....	25
NO RATING.....	26
UNDERWRITING	26
MISCELLANEOUS	26
APPENDIX A – THE PROJECTS AND THE ASSESSED PROPERTY	
APPENDIX B - SUMMARY OF TRUST AGREEMENT	
APPENDIX C - THE BOOK-ENTRY SYSTEM	
APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION	
APPENDIX F – MASTER PARCEL TABLE	
APPENDIX G – EXCERPTS FROM APPRAISALS	
APPENDIX H – EXCERPTS FROM ENGINEER’S REPORTS	

OFFICIAL STATEMENT

\$6,270,000

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
Statewide Community Infrastructure Program Revenue Bonds
Series 2003A

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the California Statewide Communities Development Authority (the “**Issuer**” or the “**Authority**”) of its \$6,270,000 aggregate principal amount of Statewide Community Infrastructure Program Revenue Bonds, Series 2003A (the “**Bonds**”).

INTRODUCTION AND PROGRAM DESCRIPTION

The Issuer. The Issuer is a joint exercise of powers authority organized pursuant to an Amended and Restated Joint Exercise of Powers Agreement dated June 1, 1988 among a number of California counties, cities and special districts, entered into pursuant to Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, and is authorized to issue the Bonds and the Local Obligations for the purposes described herein.

SCIP. The Statewide Community Infrastructure Program (“SCIP”) is a program of the Issuer designed to provide cities and counties that are members of the Issuer and have joined SCIP (the “Local Agency Participants”) access to pooled, tax-exempt financing for certain development impact fees necessary for development of real property within the jurisdictions of the Local Agency Participants. Under SCIP, the Issuer periodically issues revenue bonds on behalf of the Local Agency Participants to provide financing for these development impact fees to qualifying property owners who choose to participate in SCIP. At the same time, the Issuer forms assessment districts in the jurisdictions in which the development impact fees are owed, and levies annual assessments on the affected parcel(s), to be paid over time by the property owners and any subsequent property owners. The assessment payments are set at levels sufficient, and ultimately are used, to repay the revenue bonds and to cover certain administrative costs of SCIP.

Local Agency Participants. Each of the Local Agency Participants has adopted a resolution joining SCIP and has authorized the Issuer from time to time, in connection with SCIP, to (i) issue revenue bonds on its behalf and (ii) conduct proceedings to form assessment districts within its jurisdiction to finance development impact fees and to provide security for such revenue bonds. The net proceeds of the revenue bonds, after the funding of applicable reserve funds and certain costs of issuance, are the property of the Local Agency Participants and may be used to finance certain infrastructure improvements or to reimburse developers of real property for development impact fees already paid. **The Local Agency Participants have no obligation to collect assessment installments and are not obligated to make payments on the Local Obligations (as defined herein) or the Bonds.**

Applicable Counties. For each issue of SCIP revenue bonds, the Issuer forms one assessment district in each county (each an “Applicable County”) in which development impact fees are to be financed. The Applicable Counties collect the unpaid assessment installments in the normal course through their county tax rolls and transfer such funds, when collected, to the Issuer. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Revenues” and “- Assessments” below. **The Applicable Counties may or may not be members of SCIP and, apart from collection of assessment installments through their tax rolls, have no responsibility for or involvement with the Series 2003A Districts (as defined herein), the Local Obligations or the Bonds.**

The Bonds. The Bonds are issued to finance certain limited obligation improvement bonds (the “Local Obligations”) issued by the Issuer, to fund a reserve fund for the Bonds, and to pay the costs of issuance of the Bonds. Proceeds of the Local Obligations will be used to finance certain development impact fees (collectively, the “Fees”) necessary for development in the assessment districts identified on the Inside Cover of this Official Statement (the “Series 2003A Districts”).

The Fees consist generally of fees related to infrastructure improvements such as sanitary sewer lines, storm drain lines, roadway improvements, water line, drainage facilities and roadways. Proceeds of the Local Obligations will be used to reimburse developers for costs of certain Fees and to prepay certain other Fees.

The Bonds are special limited obligations of the Issuer, payable solely from and secured by Revenues (as defined herein) of the Issuer consisting primarily of moneys collected and received by the Issuer on account of unpaid assessments or reassessments securing the Local Obligations (the “Local Obligation Revenues”). Timely payments of the Local Obligations are calculated to be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. The Local Obligations are issued upon and are secured by assessments (sometimes herein referred to as the “Assessments”) levied against property in the Series 2003A Districts and interest thereon and such unpaid assessments and interest constitute a trust fund for the redemption and payment of the Local Obligations.

The Projects. The Fees are necessary for the development of certain projects (the “Projects”) within the Series 2003A Districts. The Projects and the real property on which they are located are described in APPENDIX A-“THE PROJECTS AND THE ASSESSED PROPERTY.”

Limited Scope of Official Statement. There follow in this Official Statement descriptions of the Issuer, the Bonds, the Trust Agreement, the Series 2003A Districts, the Local Obligations, the Local Obligation Resolution, and certain other documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. Terms not defined herein shall have the meanings set forth in the Trust Agreement.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or its Statewide Community Infrastructure Program since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements.” Such statements are generally identifiable by the terminology used, such as “plan”, “expect”, “anticipate”, “estimate”, “budget”, “forecast”, 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 the 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 Issuer does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

All financial and other information presented in this Official Statement has been provided by the Issuer from their records, except for information expressly attributed to other sources, including information contained in APPENDIX A-“THE PROJECTS AND THE ASSESSED PROPERTY,” which has been obtained from the various owners and developers of property in the Series 2003A Districts. The presentation of information includes projections, which are not intended to indicate future certainties regarding the financial or other affairs of the owners or developers, the Series 2003A Districts or the Issuer.

THE BONDS

Authority For Issuance

The Bonds are special obligations of the Issuer payable from and secured by payments made under the Local Obligations and secured by assessments, as described herein. The Bonds are being issued pursuant to the provisions of a resolution (the “Bond Resolution”) adopted by the Issuer on September 23, 2003 and a Trust Agreement, dated as of October 1, 2003 (the “Trust Agreement”) by and between the Issuer and Wells Fargo Bank, National Association (the “Trustee”). The Local Obligations are being issued pursuant to the provisions of a resolution (the “Local Obligation Resolution”) adopted by the Issuer on September 23, 2003 and the Trust Agreement. The Local Obligations will be registered in the name of the Trustee and will be pledged under the Trust Agreement to secure payment of the Bonds.

The Issuer is authorized to form the Series 2003A Districts and issue the Local Obligations pursuant to provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) and the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (together, the “Local Obligation Statute”). After issuance of the Local Obligations, no other additional bonds with respect to the Series 2003A Districts are authorized. The Issuer is authorized to issue the Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of pooling various local obligations issued by certain local agencies, including the Local Obligations.

Issuance of the Bonds

The Bonds will be dated the date of original delivery. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. The Bonds shall be initially registered in the name of “Cede & Co.” as nominee of DTC, and shall bear interest from the Dated Date.

While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit

such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Holders shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See APPENDIX C – "The Book-Entry System" herein.

The principal of and redemption premiums, if any, on the Bonds shall be payable at the Corporate Trust Office of the Trustee, upon presentation and surrender of such Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable at the rates set forth on the inside cover page of this Official Statement on March 2 and September 2 of each year, commencing March 2, 2004 (each, an "**Interest Payment Date**"), and principal of the Bonds will be payable in the amounts and on the maturity dates set forth on the inside cover page of this Official Statement (subject to the right of prior redemption). The principal of and redemption premiums, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of the interest on any Bond shall be made to the Person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date, for that purpose; except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such Owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

Application of Proceeds of the Bonds and the Local Obligations

Proceeds from the sale of the Bonds will be used by the Trustee (i) to fund the Local Obligations issued by the Issuer and secured by assessments levied by the Issuer, as further described herein, (ii) to fund a reserve fund for the Bonds, and (iii) to pay costs of issuance of the Bonds. Proceeds of the Local Obligations will be used to finance the Fees, which are necessary for development in the Series 2003A Districts. See APPENDIX A-"THE PROJECTS AND THE ASSESSED PROPERTY."

For a discussion of the accounts and funds established under the Trust Agreement and related to the Bonds, see "APPENDIX B - SUMMARY OF TRUST AGREEMENT." For a schedule of the estimated sources and uses of funds related to the issuance of the Bonds and the Local Obligations, see "ESTIMATED SOURCES AND USES OF FUNDS."

Redemption

Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole or in part on any Interest Payment Date, and shall be redeemed by the Trustee, from moneys transferred from the Revenue Fund to the Redemption Fund pursuant to the Trust Agreement, and derived as a result of Property Owner Prepayments plus, if applicable, amounts transferred from the Reserve Fund in connection therewith, at a redemption price equal to 103%, expressed as a percentage of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption.

Optional Redemption. The Bonds shall be subject to optional redemption as a whole or in part on any Interest Payment Date, at the option of the Issuer from any available source, at a redemption price

equal to 103%, expressed as a percentage of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption.

Mandatory Redemption. The Bonds maturing on September 2, 2028 and September 2, 2033 are also subject to mandatory redemption in part by lot on September 2 in each year commencing September 2, 2021 and September 2, 2029, respectively, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedule:

Term Bonds of 2028

<u>Year</u> <u>(September 2)</u>	<u>Amount</u>
2021	\$210,000
2022	225,000
2023	235,000
2024	250,000
2025	265,000
2026	285,000
2027	300,000
2028 (maturity)	315,000

Term Bonds of 2033

<u>Year</u> <u>(September 2)</u>	<u>Amount</u>
2029	\$335,000
2030	355,000
2031	380,000
2032	400,000
2033 (maturity)	425,000

In the event that Bonds subject to the above mandatory redemption are redeemed in part prior to their stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Bonds shall be reduced proportionately in each year remaining until and including the final maturity date of such Bonds.

Notice of Redemption. In the case of any redemption of Bonds, the Trustee shall determine that it has in the Funds maintained pursuant to the Trust Agreement and available therefor sufficient moneys on hand to pay the principal of, the interest on, and the redemption premium, if any, to make any such redemption. Subject to receipt of the Written Order of the Issuer, if sufficient moneys are available for such redemption, the Trustee shall give notice, as hereinafter in this section provided, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Corporate Trust Office of the Trustee, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such

redeemed Bond or such portion except to receive payment from such moneys of such redemption price plus accrued interest to the date fixed for redemption. Such notice shall be sent at least 15, but not more than 60, days before the date fixed for redemption, to the Information Services and to the Owners of such Bonds, or portions thereof, so called for redemption, at their respective addresses as the same shall last appear on the Bond Register.

Redemption Instructions. In the event a portion, but not all, of the Outstanding Bonds are to be redeemed pursuant to extraordinary redemption or optional redemption, the Trustee shall select the amounts and maturities of Bonds for redemption in accordance with a Written Order of the Issuer. Upon any prepayment of a Local Obligation or a determination to redeem Bonds, the Authority shall deliver to the Trustee at least twenty (20) days prior to the redemption date the following:

(i) a Written Order of the Issuer to the Trustee designating the maturities and amounts of Bonds to be redeemed and designating the reduction, if any, in the Reserve Requirement required pursuant to the Cash Flow Certificate delivered pursuant to subsection (ii) below, resulting from such redemption; and

(ii) a Cash Flow Certificate certifying that the anticipated or scheduled Revenues to be received from the Local Obligations will be sufficient in time and amount (together with funds then held under the Trust Agreement representing payments under the Local Obligations and available therefore, but excluding amounts on deposit in the Reserve Fund or earnings thereon) to make all remaining scheduled Principal Installments with respect to, and interest on, the Outstanding Bonds after such redemptions. The Cash Flow Certificate shall indicate the amount which must be withdrawn from the Reserve Fund to redeem a portion of the Bonds in order to prevent any reduction in the proportional relationship between principal and interest remaining due on the Local Obligations and principal and interest remaining due on the Bonds as existed prior to such redemption.

Selection of Bonds for Redemption. Whenever less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee shall select the particular Bonds to be redeemed by lot and in selecting the Bonds for redemption the Trustee shall treat each Bond of a denomination of more than five thousand dollars (\$5,000) as representing that number of Bonds of five thousand dollars (\$5,000) denomination which is obtained by dividing the principal amount of such Bond by five thousand dollars (\$5,000), and the portion of any Bond of a denomination of more than five thousand dollars (\$5,000) to be redeemed shall be redeemed in an Authorized Denomination. The Trustee shall promptly notify the Issuer in writing of the numbers of the Bonds so selected for redemption in whole or in part on such date.

Payment of Redeemed Bonds. Bonds or portions thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If there shall be called for redemption less than the full principal amount of a Bond, the Issuer shall execute and deliver and the Trustee shall authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds so surrendered in such Authorized Denominations as shall be specified by the Owner. If any Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Issuer, then interest on such Bond or such portion shall cease to accrue from such date, and from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amounts, upon a written order from the Issuer for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Issuer may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds are estimated to be disbursed as set forth below:

<u>Sources:</u>	
Principal Amount of Bonds	\$6,270,000.00
Less: Original Issue Discount	<u>(111,011.55)</u>
Total Sources	\$6,158,988.45
<u>Uses:</u>	
Deposit to SCIP Accounts	\$5,051,731.00
Deposit to Reserve Fund	452,700.00
Deposit to Local Obligation Redemption Funds	295,096.08
Costs of Issuance ⁽¹⁾	<u>359,461.37</u>
Total Uses	\$6,158,988.45

⁽¹⁾ Includes the fees and expenses of Bond Counsel and Disclosure Counsel, cost of printing the Preliminary and final Official Statements, Trustee fees and expenses and costs of formation of the Series 2003A Districts.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds is set forth below.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY Statewide Community Infrastructure Program Revenue Bonds Series 2003A

ANNUAL DEBT SERVICE

<u>Year Ending (September 2)</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2004		\$295,096.08	\$295,096.08
2005	\$105,000.00	343,801.26	448,801.26
2006	110,000.00	341,701.26	451,701.26
2007	110,000.00	338,951.26	448,951.26
2008	115,000.00	335,651.26	450,651.26
2009	120,000.00	331,856.26	451,856.26
2010	125,000.00	327,356.26	452,356.26
2011	130,000.00	322,356.26	452,356.26
2012	135,000.00	316,831.26	451,831.26
2013	140,000.00	310,587.50	450,857.50
2014	145,000.00	303,762.50	448,762.50
2015	155,000.00	296,512.50	451,512.50
2016	160,000.00	288,375.00	448,375.00
2017	170,000.00	279,775.00	449,775.00
2018	180,000.00	270,637.50	450,637.50
2019	190,000.00	260,737.50	450,737.50
2020	200,000.00	250,050.00	450,050.00
2021	210,000.00	238,800.00	448,800.00
2022	225,000.00	226,200.00	451,200.00
2023	235,000.00	212,700.00	447,700.00
2024	250,000.00	198,600.00	448,600.00
2025	265,000.00	183,600.00	448,600.00
2026	285,000.00	167,700.00	452,700.00
2027	300,000.00	150,600.00	450,600.00
2028	315,000.00	132,600.00	447,600.00
2029	335,000.00	113,700.00	448,700.00
2030	355,000.00	93,600.00	448,600.00
2031	380,000.00	72,300.00	452,300.00
2032	400,000.00	49,500.00	449,500.00
2033	425,000.00	25,500.00	450,500.00

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligation

The Bonds are secured by a lien on and pledge of (i) Revenues, as hereinafter defined, (ii) proceeds of Bonds held by the Trustee in the Reserve Fund, and (iii) investment income with respect

to any moneys held by the Trustee (other than the Rebate Fund). Revenues (as more particularly defined below) consist primarily of payments made under the Local Obligations.

The Local Obligations are special, limited obligations of the Issuer and are secured by an irrevocable pledge of certain revenues of the Issuer, consisting primarily of monies received by the Issuer as payment of assessments levied against property within the Series 2003A Districts which secure the Local Obligations. Payments under the Local Obligations are calculated to be sufficient to provide the Issuer with money to pay the principal of, premium, if any, and interest on the Bonds when due.

All obligations of the Issuer under the Trust Agreement and the Bonds are special obligations of the Issuer, payable solely from and secured by Revenues and the amounts in the funds established by the Trust Agreement (except amounts in the Rebate Fund and the SCIP Accounts, as more particularly defined below). The obligations of the Issuer under the Local Obligation Resolution and the Trust Agreement shall not be general obligations of the Issuer, but shall be limited obligations, payable solely from the assessments and the funds pledged therefor under the Local Obligation Resolution and the Trust Agreement. Neither the faith and credit of the Issuer nor of the State of California (the "State") or any political subdivision thereof is pledged to the payment of the Local Obligations.

The Local Obligations are payable solely from and secured solely by the assessments and the amounts in the Redemption Funds created with respect to such Local Obligations (the "Local Obligation Redemption Funds") under the Trust Agreement. Notwithstanding any other provision of the Trust Agreement, the Issuer is not obligated to advance available surplus funds to cure any deficiency in the Local Obligation Redemption Funds, provided, however, the Issuer is not prevented from so advancing funds in its sole discretion.

The Bonds are special limited obligations of the Issuer, payable from the Revenues described in the Trust Agreement and secured as to the payment of the principal of and the redemption premiums, if any, and the interest on in accordance with their terms and the terms of the Trust Agreement, solely by the Revenues and the Local Obligations. The Bonds shall not constitute a charge against the general credit of the Issuer, any of its members or program participants, any Applicable County or any Local Agency Participant, and under no circumstances shall the Issuer be obligated to pay principal of or redemption premiums, if any, or interest on the Bonds except from the Revenues and the Local Obligations. Neither the State nor any public agency (other than the Issuer) nor any member or program participant of the Issuer is obligated to pay the principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State, any public agency thereof, any member or program participant of the Issuer, any Applicable County or any Local Agency Participant is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. The payment of the principal of or redemption premiums, if any, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Issuer) or any member of the Issuer. The Issuer has no taxing power.

Revenues

The Bonds are secured by a lien on and pledge of Revenues under the Trust Agreement. "Revenues" means the Local Obligation Revenues and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund and the SCIP Accounts. "Local Obligations Revenues" means all moneys collected and received by the Issuer on account of unpaid assessments, or reassessments, or securing Local Obligations including amounts collected in the normal course via the county property tax roll of the Applicable Counties and thereafter remitted to the Issuer, Property Owner Prepayments, and amounts received by the Issuer or a result of

superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions. **“Property Owner Prepayments”** means that portion of Revenues which are initially paid to the Issuer by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing the Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the Issuer to the Trustee, as registered owner of the Local Obligations, for deposit in the Bond Redemption Fund for application in accordance with the provisions of the Trust Agreement.

Under the Trust Agreement, all of the Revenues and the amounts in the Funds established by the Trust Agreement (except amounts in the Rebate Fund and the SCIP Accounts) are pledged by the Issuer to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Trust Agreement. This pledge constitutes a lien on and security interest in the Revenues upon the physical delivery thereof. In the Trust Agreement, the Issuer transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Issuer in the Local Obligations, if any. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer and shall forthwith be paid by the Issuer to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights and obligations of the Issuer, if any, with respect to the Local Obligations.

The Trust Agreement provides for the establishment and maintenance of separate redemption funds for the Local Obligations (the **“Local Obligation Redemption Funds”**). So long as any part of the Local Obligations remain outstanding, the Issuer is required to deposit into the Local Obligation Redemption Funds, upon receipt, any and all Local Obligation Revenues received by the Issuer. The Issuer further acknowledges in the Trust Agreement that, pursuant to the Local Obligation Statute and the Local Obligation Resolution, no temporary loan or other use whatsoever may be made of the Local Obligation Revenues, and the Local Obligation Redemption Funds constitute a trust fund for the benefit of the Trustee, as registered owner of the Local Obligations.

The Trustee will withdraw from the appropriate Local Obligation Redemption Funds all sums due and payable for the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon shall not be paid out of any other funds. Such amounts, received by the Trustee as registered owner of the Local Obligations, shall constitute Revenues. All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be deposited in the Redemption Fund and administered in accordance with the Trust Agreement), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than 5 Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Trust Agreement, for deposit into the Interest Fund, Principal Fund, Reserve Fund and Expense Fund in the order of priority set forth therein. Any amount remaining in the Revenue Fund after making such deposits shall be transferred to each Local Obligation Redemption Fund on a proportionate basis.

Assessments

The Local Obligations are issued upon and are secured by the unpaid assessments together with interest thereon and such unpaid assessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of the Local Obligations and the interest thereon. All the Local Obligations are secured by the monies in the Local Obligation Redemption Funds created pursuant to the

assessment proceedings and by the assessments levied. Principal of and interest on the Local Obligations are payable exclusively out of the Local Obligation Redemption Funds.

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Series 2003A Districts and the owners have made no commitment to pay the principal of or interest on the Bonds. In the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Series 2003A Districts is an important factor in determining the investment quality of the Bonds. Excerpts from an appraisal of land values of a portion of the property within the Series 2003A Districts are set forth in Appendix A hereto. The unpaid assessments are not required to be paid upon sale of property within the Series 2003A Districts. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.

The assessment installments will be collected and transferred by the Applicable Counties to the Issuer in approximately equal semi-annual installments, together with interest on the declining balances, and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general property taxes. The assessment installments will appear on the property tax bills mailed by the Applicable Counties to each affected property owner as a separate line item. The properties upon which the assessments were levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

NEITHER THE FAITH AND CREDIT OF THE ISSUER NOR THE FAITH AND CREDIT NOR TAXING POWER OF THE LOCAL AGENCY PARTICIPANTS, THE APPLICABLE COUNTIES, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE LOCAL OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

Priority of Lien

The assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended. There are currently no other assessment liens or special taxes on any of the property within the Series 2003A Districts.

Limited Obligation Upon Delinquency

ALL OBLIGATIONS OF THE ISSUER UNDER THE TRUST AGREEMENT AND THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY REVENUES AND THE AMOUNTS IN THE RESERVE FUND. THE LOCAL OBLIGATIONS ARE LIMITED OBLIGATION IMPROVEMENT BONDS UNDER SECTION 8769 OF THE LOCAL OBLIGATION STATUTE AND ARE PAYABLE SOLELY FROM AND ARE SECURED SOLELY BY THE ASSESSMENTS AND THE AMOUNTS IN THE LOCAL OBLIGATION REDEMPTION FUNDS.

THE ISSUER HAS NO OBLIGATION TO ADVANCE MONIES TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT ASSESSMENT INSTALLMENTS. BONDOWNERS

SHOULD NOT RELY UPON THE ISSUER TO ADVANCE MONIES TO THE LOCAL OBLIGATION REDEMPTION FUNDS. NOTWITHSTANDING THE FOREGOING, THE ISSUER MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION, ELECT TO ADVANCE AVAILABLE SURPLUS FUNDS TO PAY FOR ANY DELINQUENT INSTALLMENTS PENDING SALE, REINSTATEMENT, OR REDEMPTION OF ANY DELINQUENT PROPERTY.

Collection of Assessments

Pursuant to the Local Obligation Statute, installments of principal and interest sufficient to meet annual debt service on the Local Obligations will be billed by the Applicable Counties to the owner of each parcel within the Series 2003A Districts to which the issue of Local Obligations relate and against which there are assessments. Upon receipt by the Applicable Counties such amounts are transferred to the Issuer, assessment installments are to be transferred to the Trustee for deposit into the Local Obligation Redemption Funds, which shall be held by the Trustee and used to pay principal and interest payments on the Local Obligations as they become due. The assessment installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the assessment against that parcel bears to the total of assessments in connection with the financing. Payment of the principal of and interest on each series of Local Obligations is secured by moneys in the Local Obligation Redemption Funds.

The Issuer has no obligation to advance funds to the Local Obligation Redemption Funds except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized. Additionally, the Issuer has covenanted to cause the institution of judicial foreclosure proceedings following a delinquency, and thereafter to diligently cause prosecution to completion of such foreclosure proceedings upon the lien of delinquent unpaid assessments as set forth herein. See "SECURITY FOR THE LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR - Covenant to Commence Superior Court Foreclosure." The Issuer is not required to bid at the foreclosure sale. The Local Obligations are a limited obligation of the Issuer and the Issuer has no obligation to advance funds to pay the Local Obligations, except as provided in the Trust Agreement.

Reserve Fund

Upon issuance of the Bonds, the Trustee will establish a Reserve Fund and shall deposit therein from proceeds of the Bonds an amount equal to the "Reserve Requirement" which is, as of any date of calculation, an amount equal to the Maximum Annual Debt Service on all then Outstanding Bonds, provided, that as of the date of issuance of the Bonds, the amount required to be deposited in the Reserve Fund shall not exceed the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds (b) 125% of average Annual Debt Service on the Bonds, or (c) 10% of the amount (within the meaning of Section 148 of the Internal Revenue Code of 1986) of the Bonds. The monies in the Reserve Fund shall constitute a trust fund for the benefit of the Owners of the Bonds, shall be held by the Trustee, and shall be administered by the Trustee in accordance with and pursuant to the provisions of the Trust Agreement.

All moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds, but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose. All earnings on amounts on deposit in the Reserve Fund will be retained in the Reserve Fund, except that in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then earnings on the investment of moneys on deposit in the Reserve Fund will be transferred to the Issuer for deposit in the Local Obligation Redemption Funds.

In the event of a Property Owner Prepayment, the Trustee shall transfer to the Bond Redemption Fund from the Reserve Fund an amount equal to the proportionate share of the Reserve Fund allocable to such prepayment as provided in the Trust Agreement, and such amount will be credited against the assessment which is being so prepaid.

THE ISSUER HAS NO OBLIGATION TO REPLENISH THE RESERVE FUND EXCEPT TO THE EXTENT THAT DELINQUENT ASSESSMENTS ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

Covenant to Commence Superior Court Foreclosure

The Issuer has covenanted in the Trust Agreement that it will monitor the payment of assessment installments payable with respect to each Assessed Parcel and will send delinquency notices to owners of Assessed Parcels as provided in the SCIP Manual adopted by the Issuer, as amended from time to time (the "SCIP Manual"). Notwithstanding any other provision of the Trust Agreement or of the SCIP Manual, in the event any assessment or installment thereof, including any interest thereon, is not paid by July 1 (with respect to delinquencies in the installment delinquent on the preceding December 10) or November 1 (with respect to installments delinquent on the preceding April 10), the Issuer covenants that it will within 10 business days of such dates order, and will thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquency and interest thereon, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the Issuer. Pursuant to Section 8831 of the Streets and Highways Code, the Issuer shall be entitled to reasonable attorney's fees from the proceeds of any foreclosure sale.

Under California law, the availability of foreclosure of property for non-payment of the assessment may be limited as to property owned by the Issuer.

Prior to July 1, 1983, the statutory right of redemption from such a judicial foreclosure sale was limited to a period of one year from the date of sale. Legislation effective July 1, 1983 amended this statutory right of redemption to provide that before notice of sale of the foreclosed parcel can be given following court judgment of foreclosure, a redemption period of 120 days must elapse. Furthermore, if the purchaser at the sale is the judgment creditor (here, the Issuer) an action may be commenced by the delinquent property owner within six months after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation which repeals the one-year redemption period has not been tested and there can be no assurance that, if tested, such legislation will be upheld. In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Owners pending prosecution of the foreclosure proceedings and receipt by the Issuer of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See also "BONDOWNERS' RISKS - Bankruptcy and Foreclosure" and "- Collection of the Assessment" herein.

SCIP Accounts

The Trustee shall transfer certain proceeds of the Local Obligations, as determined in the Trust Agreement, for deposit to a custody account (the "Custody Account") established for SCIP pursuant to that certain Custody Agreement, dated as of June 3, 2003, by and between the Issuer and the Trustee, as Custodian. The Issuer will account for such funds in the separate accounts and subaccounts (the "SCIP Accounts") relating to each of the Series 2003A Districts, as provided in the SCIP Manual. **Amounts on deposit in the SCIP Accounts and subaccounts therein shall be invested and disbursed in accordance with the terms of the SCIP Manual. Amounts in the Custody Account shall be the**

property of the Local Agency Participants as their interests appear, and shall not be available to the Issuer, the Trustee or the Owners for any purpose.

Additional Bonds and Local Obligations

The Trust Agreement does not provide for the issuance and delivery of any additional bonds secured by a lien and charge upon the Revenues equal to and on a parity with the lien and charge securing the Bonds and the Issuer has covenanted that it will not issue any additional bonds for the Series 2003A Districts, except that additional bonds may be issued to refund the Bonds.

THE PROJECTS AND THE ASSESSED PROPERTY

MuniFinancial/Willdan, as the engineer of work for the Series 2003A Districts (the “Engineer of Work”) has prepared Engineer’s Reports dated September 23, 2003 (the “Engineer’s Reports”) relating to each of the Series 2003A Districts. Information about the Fees, including descriptions, cost estimates and related information, can be found in the Engineer’s Reports, which are available for review at the offices of the Issuer.

Each of the Local Agency Participants maintains and administers a developer fee program wherein various fees are collected as a condition of development in the jurisdiction of the Local Agency Participants. Proceeds of the Bonds will be used to finance certain developer impact fees relating to projects located within the Series 2003A Districts. The Series 2003A Districts consist of non-contiguous areas located throughout the jurisdictions of the Local Agency Participants and comprise mostly undeveloped parcels located in various developing areas within such jurisdictions.

The proposed development of the property within the Series 2003A Districts can be classified into five separate and distinct Projects, each of which has filed an application for SCIP financing. The table below shows certain information relating to each of the Projects, including the value-to-lien ratio applicable to the Projects, individually and overall.

Series 2003A Projects Descriptions and Value-to-Lien Ratios

City/ County	Project Name	Developer	Project Description	Assessment Amount	Assessed Total	Appraised Value	Value- to-Lien
Brentwood/ Contra Costa	Harbor Heights	KB Home	66 Detached Houses	\$ 903,465	NA	\$ 2,740,000	3.03
Lincoln/ Placer	Sterling Pointe	Taylor/Village LP	Shopping Center (Grocery-anchored shopping center)	1,005,338	NA	7,180,000	7.14
Millbrae/ San Mateo	88 South Broadway	88 South Broadway LLC	105 Condominiums; 6,500 sq. ft. Retail	1,863,488	\$12,483,759	NA	6.70
Oxnard/ Ventura	Big T Freightliner	Torben Frederiksen	Truck Dealership	192,561	1,423,315	NA	7.39
Richmond/ Contra Costa	Metro Walk	Olson Company	132 Attached Townhouses	2,305,148	NA	7,700,000	3.34
TOTAL				\$6,270,000	\$13,907,074	\$17,620,000	5.03

More detailed descriptions of the Fees, the Projects and the Series 2003A Districts, including project diagrams and maps, are contained in APPENDIX A-“THE PROJECTS AND THE ASSESSED PROPERTY”

BONDOWNERS’ RISKS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

General

Under the provisions of the Local Obligation Statute, assessment installments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are assessments on the regular property tax bills sent to owners of such properties. Such assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Assessment installments made will be in aggregate amounts for the Bonds. A property owner cannot pay the county tax collector less than the full amount due on the tax bill, however it is possible to pay assessment installments directly to the Issuer in satisfaction of the obligation to pay that assessment without paying property taxes also then due. It should also be noted that the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and assessment installment payments in the future.

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Series 2003A Districts. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Series 2003A Districts is an important factor in determining the investment quality of the Bonds. Certain information relating to land values within the Series 2003A Districts is set forth in Appendix A hereto. The unpaid assessments are not required to be paid upon sale of property within the Series 2003A Districts.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on land within the Series 2003A Districts be paid in a timely manner. The Issuer has established a Reserve Fund from the proceeds of the Bonds to cover delinquencies in the even that installments are not paid on time. No assurance can be given that the owners will be able to pay the assessment installments or that they will pay such installments even if they are financially able to do so. The assessments are secured by a lien on the parcels within the Series 2003A Districts and the Issuer has covenanted to institute foreclosure proceedings to sell parcels with delinquent installments for amounts sufficient to cover such delinquent installments in order to obtain funds to pay debt service on the Local Obligations. See “Owners Not Obligated to Pay Bonds or Assessments” below.

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

Owners Not Obligated to Pay Bonds or Assessments

Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Series 2003A Districts and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the assessment installments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the assessments when due and cannot be legally compelled to do so. If an owner decides it is not economically feasible to develop or to continue owning its property encumbered by the lien of the assessment, or decides that for any other reason it does not want to retain title to the property, the owner may choose not to pay assessments and to allow the property to be foreclosed upon. Such a choice may be made due to a decrease in the market value of the property. A foreclosure on the property will result in such owner's interest in the property being transferred to another party. Neither the Issuer nor any Bondholder will have the ability at any time to seek payment from the owners of property within the Series 2003A Districts of any assessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the Series 2003A Districts.

Bankruptcy and Foreclosure

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

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

Although bankruptcy proceedings should not cause the assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent assessment installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Availability of Funds to Pay Delinquent Assessment Installments

Upon receipt of the proceeds from the sale of the Bonds, the Issuer will initially establish the Reserve Fund in an amount of the "Reserve Requirement," which is, as of any date of calculation, an amount equal to the Maximum Annual Debt Service on all then Outstanding Bonds, provided, that as of the date of issuance of any Series of Bonds (as defined in the Trust Agreement), the amount required to be deposited in the Reserve Fund shall not exceed the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds (b) 125% of average Annual Debt Service on the Bonds, or (c) 10% of the amount (within the meaning of Section 148 of the Internal Revenue Code of 1986) of the Bonds. The monies in the Reserve Fund shall constitute a trust fund for the benefit of the Owners of the Bonds, shall be held by the Trustee, and shall be administered by the Trustee in accordance with and pursuant to the provisions of the Trust Agreement. If a deficiency occurs in the Interest Fund or the Principal Fund for payment of interest on or principal of the Bonds, the Trustee will transfer into such funds an amount out of the Reserve Fund needed to pay debt service on the Bonds. There is no assurance that the balance in the

Reserve Fund will always be adequate to pay the debt service on the Bonds in the event of delinquent assessment installments.

If, during the period of delinquency, there are insufficient funds in the Reserve Fund to pay the principal of and interest on the Bonds as it becomes due, a delay may occur in payments of principal and/or interest to the owners of the Bonds.

Collection of the Assessment

In order to pay debt service on the Bonds it is necessary that the assessment installments be paid in a timely manner. Should the installments of assessments not be paid on time, funds in the Reserve Fund may be utilized to pay debt service on the Bonds to the extent other funds are not available therefor.

The assessment installments are to be collected in the same manner as ordinary ad valorem real property taxes are collected and, except as provided in the special covenant for foreclosure described herein and in the Local Obligation Statute, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem real property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property may be deeded to the State and then is subject to sale by the county in which it is located.

Pursuant to the Local Obligation Statute, in the event any delinquency in the payment of an assessment installment occurs, the Issuer may commence an action in superior court to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. Amendments to the Local Obligation Statute enacted in 1988 and effective January 1, 1989 provide that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the Local Obligation Statute is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Local Obligation Statute. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Local Obligations consent to such sale.

Land Values

Customarily, the issuers of bonds obtain an appraisal of the market value of the property subject to the assessment in order to have an estimate of the security value of the parcels relative to the amount of the outstanding indebtedness of the Bonds. Certain information regarding the Projects, including information obtained from appraisals of certain of the Project, is contained in APPENDIX A-"THE PROJECTS AND THE ASSESSED PROPERTY."

A value determined by an appraiser is an opinion with respect to the value of the property under the assumptions noted in the appraisal. It is important to consider the assumptions that contribute to the value, which often include assumptions that the property is free and clear of liens and that the improvements financed with the proposed bonds are completed and operational. The appraisals are based primarily upon a sales comparison approach, which determines the value of the subject property by comparing it to sales of comparable property, adjusted for differences between the subject and the comparable property.

Some of the Projects were not independently appraised for purposes of the Bonds and values of those Projects described in this Official Statement are based on the assessed value as shown on the most

recent equalized assessment roll of the Applicable County. Assessed values do not necessarily reflect actual market values and generally are not reviewed unless the property is sold or there is new construction activity on the property. See “CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS – Property Tax Rate Limitations – Article XIII A” herein.

No assurance can be given that the appraised or assessed value is equal to actual market value or that, if a parcel with delinquent assessment installments is foreclosed, any bid will be received for such property, or, if a bid is received, that such bid will be equal to the value shown in the appraisal or the assessed value, or that such bid will be sufficient to cure the delinquent installments.

Reductions in land values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations or other events will adversely impact the security of the Bonds. The Series 2003A Districts are located throughout the State and are subject in each case to different risks of natural disaster, local or regional economic changes or changing land use regulations. *A significant portion of the State is subject to some degree of risk of seismic activity.*

Development Risks

Most of the land within the Series 2003A Districts is currently undeveloped. The completion of development of the land may be adversely affected by changes in general economic conditions, water shortages, increased construction costs, fluctuations in the real estate market, and other similar factors, including development in surrounding areas which may compete with the developments within the Series 2003A Districts. There can be no assurance that development within the Series 2003A Districts will not be adversely affected by these or other factors, including future governmental policies or environmental issues.

The assessment installments are to be collected from the owners of property located within the Series 2003A Districts regardless of the completion of the development of the properties within the Series 2003A Districts. Nevertheless, the extent of completion of the development of the property within the Series 2003A Districts may affect the ability and willingness of landowners to pay the assessment and will affect the market value of any property foreclosed upon for nonpayment of installments of the assessment.

No assurance can be given that any development in progress or contemplated will be partially or fully completed, and in assessing the investment quality of the Bonds prospective purchasers should evaluate the risks of non-completion, especially as related to the concentration of ownership. (See “Concentration of Ownership” below.) Undeveloped land is less valuable than developed land and provides less valuable security to the Bondowners should it be necessary for the Issuer to foreclose due to the nonpayment of assessment installments. In addition, the extent of development of land in the Series 2003A Districts could affect the number of potential purchasers bidding, and the prices bid, at any foreclosure sale if the Issuer were to foreclose upon the lien of a delinquent unpaid assessment. Finally, a slowdown of the economic development process any of the regions of the Series 2003A Districts could also adversely affect land values and reduce the proceeds received at a foreclosure sale in the event assessment installments are not paid when due.

Concentration of Ownership

All of the property within the Series 2003A Districts is currently owned by or under contract to the developers of the Projects. See APPENDIX A-“THE PROJECTS AND THE ASSESSED PROPERTY.” The fact that all of the property providing ultimate security for the payment of the Bonds is controlled by only a small number of developers means that the timely payment of the assessment

installments and, therefore, the Bonds, will depend initially upon the willingness and ability of this finite number of developers to pay the assessments when due. The only asset of each owner of property within the Series 2003A Districts which constitutes security for the Local Obligations is such owner's real property holdings located within the Series 2003A Districts.

If the Projects are completed, this concentration of ownership and the risks inherent therein may be reduced to the extent such completed Projects are sold. There can be no assurance, however, that the Projects will be developed or that such sales and transfers will take place. See "BONDOWNERS' RISKS - Bankruptcy and Foreclosure" and "-Development Risks" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Covenant to Commence Superior Court Foreclosure" herein.

Future Land Use Regulations and Growth Control Initiatives

There can be no assurance that land development operations within the Series 2003A Districts will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development. Although the developer may have certain rights with respect to development pursuant to the provisions of a tentative map, final map, building permit, conditional use permit or other entitlement, it is unclear under California law whether the right to develop in accordance with such plans can ever be fully vested prior to actual development. Citizens of a number of local communities in California have placed measures on the ballot designed to control the rate or manner of future growth in their communities. The adoption or amendment of such growth control ordinances affecting any property in the Series 2003A Districts could negatively impact the ability of the property owners to further develop their land. Bondowners should assume that failure to complete the proposed developments as planned, substantial delays in the completion of the proposed developments due to litigation or other causes will reduce the value of the property within the Series 2003A Districts, and may affect the willingness and ability of the owners of land within the Series 2003A Districts to pay the assessment installments when due.

Ballot Initiatives

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State or any political subdivisions thereof, including the Applicable Counties or the Local Agency Participants and the cities and counties that make up the Issuer, to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

Hazardous Substances

While governmental taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the Series 2003A Districts 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 "Superfund Act", is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels within the Series 2003A Districts 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 owner is obligated to remedy the condition. Further, such liabilities

may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a property that is realizable upon a delinquency and foreclosure. The statutorily required environmental impact studies prepared for the developments did not identify any hazardous substances.

Neither the appraised value nor the assessed value, as applicable, of the real property within the Series 2003A Districts takes into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of any parcel. The Issuer is not aware that the owner (or operator) of any of the land within the Series 2003A Districts has such a current liability with respect to such land. However, it is possible that such liabilities do currently exist and that the Issuer is not aware of them.

Parity Taxes and Special Assessments

The assessment and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

As of the date of issuance of the Bonds, there will be no other assessment or special tax on any of the property within the Series 2003A Districts which is prior to the lien of the Series 2003A Districts' assessments.

Future Overlapping Indebtedness

The ability of an owner of land within the Series 2003A Districts to pay the assessments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Local Obligations. In addition, other public agencies whose boundaries overlap those of the Series 2003A Districts could, without the consent of the Issuer, and in certain cases without the consent of the owners of the land within the Series 2003A Districts, impose additional taxes or assessment liens on the property within the Series 2003A Districts to finance public improvements to be located inside of or outside of the Series 2003A Districts.

Future Private Indebtedness

At the present time, most of the property in the Series 2003A Districts is undeveloped. In order to develop any improvements on that land, the property owners will need to construct private improvements, the cost of which may increase the private debt for which the land in the Series 2003A Districts or other land or collateral owned by the property owners is security over that contemplated by the Local Obligations, and such increased debt could reduce the ability or desire of the property owners to pay the assessments secured by the land in the Series 2003A Districts. It should be noted however, that the lien of any private financing secured by the land within the Series 2003A Districts would be subordinate to the lien of the assessments.

No Acceleration Provision

The Trust Agreement does not contain a provision allowing for the acceleration of the principal of the Bonds or the Local Obligations in the event of a payment default or other default under the terms of the Bonds, the Local Obligations or the Trust Agreement.

CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Property Tax Rate Limitations - Article XIII A

On June 6, 1978, the California voters added Article XIII A to the California Constitution which limits the amount of any ad valorem taxes on real property to one percent (1%) of its full cash value, except that additional ad valorem property taxes may be levied to pay debt service on indebtedness approved prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment period." This cash value may be increased at a rate not to exceed two percent (2%) per year to account for inflation. The United States Supreme Court has upheld the validity of Article XIII A in a case decided in June 1992.

Article XIII A as originally implemented has been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any ad valorem property tax. The 1% property tax is automatically levied annually by the county and distributed according to a formula among using agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Any special tax to pay voter-approved indebtedness is levied in addition to the basic 1% property tax.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4.00 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the basic tax rate is expressed as \$1 per \$100 of taxable value.

Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions, together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or

authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two-thirds of the voters.

In general terms, the "appropriations limit" is to be based on the adjusted fiscal year 1986-87 appropriations limit, which is traced back through an annual adjustment process to the 1978-79 fiscal year. Annual adjustments reflect changes in California per capita personal income (or, at the option of the affected local agency, changes in assessed value caused by local nonresidential new construction), population and services provided by these entities. Among other provisions of Article XIII B, if the revenues of such entities in any fiscal year and the following fiscal year exceed the amounts permitted to be spent in such years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are due is delinquent on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. 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 tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability to the Issuer to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the a local agency (including, if applicable, any increase in such assessment or any supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIID. Any challenge (including any constitutional challenge) to the proceedings or the assessment or special tax must be brought within 30 days after the date the assessment or special tax was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term "assessment", and it is unclear whether this term is intended to include assessments (or reassessments) levied under the Act. Furthermore, this provision of Article XIIC is not, by its terms, restricted in its application to assessments which were established or imposed on or after July 1, 1997. In the case of the unpaid assessments which are pledged as security for payment of the Local Obligations, the laws of the State provide a mandatory, statutory duty of the County Auditors of the Applicable Counties to post installments on account of the unpaid assessments to the property tax roll of the Applicable Counties each year while any of the Local Obligations are outstanding, commencing with property tax year 2004-2005, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. The Issuer does not believe that the initiative power can be used to reduce or repeal the unpaid assessments which are pledged as security for payment of the Local Obligations or to otherwise interfere with performance of the mandatory, statutory duty of the and the County Auditors of the Applicable Counties with respect to the unpaid assessments which are pledged as security for payment of the Local Obligations.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainly the outcome of such determination.

THE ISSUER

The Issuer is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to an Amended and Restated Joint Exercise of Powers Agreement dated June 1, 1988, and is pursuant authorized to issue the Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of pooling various local obligations issued by certain local agencies, including the Local Obligations. The Issuer has no taxing power.

The Issuer has sold and delivered obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Trust Agreement and the Bonds. The holders of such obligations of the Issuer have no claim on the security for the Bonds, and the owners of the Bonds will have no claim on the security for such other obligations issued by the Issuer.

CONTINUING DISCLOSURE

The Issuer has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to SCIP not later than six months after the end of the Issuer's fiscal year (presently June 30) in each year commencing with its report for the 2003-2004 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by Bond Logistix, LLC, or its successor as SCIP Program Administrator (the "Program Administrator") with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Program Administrator with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D - PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

LEGAL OPINION

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel for the Issuer. A copy of the proposed form of the legal opinion is reproduced as APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Certain other legal matters will be passed upon for the Issuer by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, as Issuer Counsel and Disclosure Counsel. The fees of Orrick, Herrington & Sutcliffe LLP as Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain covenants and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative taxable income. A copy of the proposed opinion of Bond Counsel is set forth in APPENDIX E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the

treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Owner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with certain guidelines designed to assure that interest on the Bonds will not become includable in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine, or to inform any person, whether actions taken, or omitted, or whether events occurring, or not occurring, after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreements and other relevant documents may be changed and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or not taken upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an Owner’s tax liability. The nature and extent of these other tax consequences will depend upon the Owner’s particular tax status and the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations which present similar tax issues, will not affect the market price for the Bonds.

NO LITIGATION

There is no action, suit, or proceeding known by the Issuer to be pending or threatened at the present time restraining or enjoining the delivery of the Local Obligations or the Bonds or the collection of assessments levied by the Issuer in the Series 2003A Districts or in any way contesting or affecting the

validity of the Bonds, the Trust Agreement, the Local Obligations, the Local Obligation Resolution or any proceedings of the Issuer taken with respect to the execution or delivery thereof.

NO RATING

The Issuer has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

RBC Dain Rauscher, the Underwriter of the Bonds, has agreed to purchase the Bonds from the Issuer at a purchase price of \$6,033,588.45, being the aggregate principal amount of the Bonds (\$6,270,000), less an original issue discount of \$111,011.55 and less an Underwriter's discount of \$125,400.00. The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

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

MISCELLANEOUS

All quotations from, and summaries and explanations of the Trust Agreement, the Local Obligations, the Local Obligation Resolution, the Bonds, the Act, the Local Obligation Statute or other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Issuer. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Issuer or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Issuer, SCIP or the Bonds.

All information contained in this Official Statement pertaining to the Issuer has been furnished by the Issuer and the execution and delivery of this Official Statement has been duly authorized by the Issuer.

**CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT
AUTHORITY**

By: /s/ Norma Lammers
Member

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APPENDIX A

THE PROJECTS AND THE ASSESSED PROPERTY

Introduction

The Series 2003 Bonds are secured by Local Obligations issued under the Local Obligation Statute for assessment districts created by the Issuer under the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code) (the “Series 2003A Districts”). Each of the Projects for which the Local Obligations are issued has made application for financing under SCIP through the city or county which grants the building permit for the Project (the “Local Agency Participants”). All Projects within a given county are included within a Series 2003A District created by the Issuer for that county (each such county is referred to as an “Applicable County”). Neither the Local Agency Participants nor the Applicable Counties have any obligations with respect to the Local Obligations or the assessment districts, except that each Applicable County is required to include the assessment installments in the regular property tax bills sent to the owners of the Projects. The Issuer, through its Assessment Administrator and Program Administrator, is responsible for all accounting, administration, reporting and collection activities with respect to the Series 2003A Districts and the Local Obligations.

The Series 2003A Districts

The Series 2003A Districts consist of non-contiguous areas throughout the State and comprise mostly undeveloped parcels located in various developing areas of the State. The total land area of the Series 2003A Districts is approximately 36 acres. Approximately 12 acres within the Series 2003A Districts are planned in whole or in part for development of residential units, consisting of detached single-family homes, townhouses and condominiums. The Series 2003A Districts include approximately 190,000 square feet of planned commercial use. All of the property is entitled for the anticipated uses.

The Series 2003A Districts were formed to finance the payment of certain development impact fees necessary for development within the jurisdictions of the Local Agency Participants (collectively, the “Fees”) consisting generally of fees to fund improvements to sanitary sewer lines, storm drain lines, roadways, water lines, drainage facilities and so forth. Proceeds of the Local Obligations will be used to reimburse developers for costs of certain Fees and to prepay certain other Fees.

Property within the Series 2003A Districts is currently owned by or under contract to five different developers. The proposed development of the property can be classified into five separate and distinct Projects. See “The Projects” below.

Property in the Series 2003A Districts is security for the assessments levied to repay the Local Obligations. The Issuer authorized the preparation of appraisal reports (the “Appraisal Reports”) for a portion of the real property within the Series 2003A Districts. The appraised value for the property described in the Appraisal Reports, together with the assessed value of the other property within the Series 2003A Districts, amounts to an aggregate value of property in the Series 2003A Districts of approximately \$31,527,074 as of the date of the Official Statement.¹ In the case of the property for which the Appraisal Reports were prepared, this valuation is based upon a bulk sale calculation for each ownership interest and not as a bulk value for a single sale of all the property in the Series 2003A

¹ The appraisal reports were completed and dated on different dates, so a precise appraised value of property within the Series 2003A Districts cannot be determined as of any one date.

Districts. The appraised valuation assumes completion of the proposed development of the Projects and accounts for the impact of the lien of the assessments securing the Local Obligations. The assessed value of the other property within the Series 2003A Districts does not take into account possible Project completion or the lien of the assessments securing the Local Obligations. The combined appraised/assessed valuation of property in the Series 2003A Districts is approximately 4.97 times the \$6,270,000 aggregate principal amount of the lien of the assessments securing the Local Obligations. A detailed listing of information for each individual parcel in the Series 2003A Districts is attached as Appendix F.

Teeter Plan

Contra Costa County (“Contra Costa County”) and its subsidiary political subdivisions operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the “Teeter Plan,” with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through a county’s tax roll may receive from the county 100% of their taxes at the time they are levied. The county’s treasury’s cash position (from taxes) is insured by a special tax loss reserve fund (the “Tax Loss Reserve Fund”) accumulated from delinquent penalties.

In October 1959, this method of apportioning taxes was extended to all assessments then being collected on the County tax roll. Although a local agency currently receives the total levy for its special assessments, without regard to actual collections, the basic legal liability for assessment deficiencies at all times remains with the sponsoring agency and, therefore, the alternative method of tax apportionment only assists the agency in the current financing of the maturing debt service requirements. The governing board of a county may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in such county, if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The special assessment installments for the Series 2003A District for Contra Costa County (the “Contra Costa District”) will be collected pursuant to the procedures described above. Thus, so long as Contra Costa County maintains its policy of collecting assessments pursuant to these procedures and it meets the Teeter Plan requirements, Contra Costa County will receive 100% of the annual assessment installments levied without regard to actual collections in the Contra Costa District. There is no assurance, however, that the governing board of Contra Costa County will maintain its policy of apportioning assessments pursuant to the Teeter Plan procedures.

Project Table

See APPENDIX F-“MASTER PARCEL TABLE” for more complete data regarding the Projects.

The Projects

The following information has been obtained by the Authority from the developers of the Projects, appraisers of the Projects, the Local Agency Participants and other sources believed by the Authority to be reliable, but has not been independently verified by the Authority or any of its consultants. Therefore, no assurance can be given that this information is accurate, complete or up-to-date.

Brentwood Project. The Brentwood project is expected to be known as the Harbor Heights subdivision (“Harbor Heights”) and is planned to consist of 66 detached, single-family residential lots located on 5.18 acres along the south line of Sycamore Avenue, east of Brentwood Boulevard, in the City

of Brentwood. The current appraised value of the property, assuming Bond-financed prepayment of the Fees related to the Project, is \$2,740,000.

The Harbor Heights property is currently owned by three individuals, but title is expected to be transferred before the end of calendar year 2003 to KB Home ("KB Home") pursuant to a contract between the individual owners and KB Home, the expected developer of the property (see below). The individual owners have consented to the imposition of the assessments securing the Local Obligations.

The City of Brentwood ("Brentwood") is located on 12.9 square miles of land in a rapidly-growing area of eastern Contra Costa County, across the San Francisco Bay and approximately 45 miles northeast of San Francisco, 65 miles southwest of Sacramento and 10 miles east of the City of Antioch, on the California Highway 4 corridor. Brentwood was primarily an agricultural community until the last two decades, when it has grown rapidly as new residential subdivisions have been constructed. Brentwood is located near several major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in Contra Costa County and the Stockton and central San Joaquin Valley area to the east. The California Department of Finance shows that Brentwood's population as of January 1, 2003 was approximately 33,000, a 63% increase from January 1, 1999. Contra Costa County's population is approximately 975,000. Brentwood estimates that it had 17,950 housing units as of February, 2003.

Harbor Heights is expected to be a single-family residential subdivision. The current appraisal for the project shows lot sizes expected to be approximately 2,150 square feet, with houses ranging from 1,243 to 1,659 square feet. The average price for the houses proposed to be developed in Harbor Heights is expected to be approximately \$275,000.

The Harbor Heights property currently has tentative map approval for 66 proposed detached, single-family residential lots. KB Home anticipates recording the final map in November 2003. The property is subject to a requirement of the City of Brentwood's planning commission that at least four of the 66 units be affordable to Very Low Income Households, with at least three other units set aside for Low Income Households and another three units set aside for Moderate Income Households (household income levels are as defined by the Department of Housing and Urban Development).

The Harbor Heights property is encumbered by the City of Brentwood's "PD - 11" (Planned Development 11) zoning designation, which allows for a maximum of 66 detached, single-family residential lots. The property is classified as being in Flood Zone C, described as areas of minimal flooding with no flood insurance required. According to the Seismic Safety Commission, the property is located within Zone 3, which is considered to be the lowest risk zone in California. (There are two zones in California. Zone 4 is assigned to areas of major faults, while Zone 3 is assigned to areas with more moderate seismic activity.)

Harbor Heights is planned to be owned and operated by KB Home Southbay Inc., a subsidiary of KB Home, one of America's largest homebuilders with domestic operating divisions in some of the fastest-growing areas of the country, including Arizona, California, Colorado, Florida, Georgia, Nevada, New Mexico, North Carolina and Texas. KB Home is also the majority-owner of Kaufman & Broad S.A., one of the largest homebuilders in France. In Fiscal Year 2002, KB Home delivered 25,565 homes in the United States and France. Founded in 1957, KB Home is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH."

Lincoln Project. The Lincoln project is expected to be known as the Sterling Pointe retail site ("Sterling Pointe") and is planned to consist of a 146,616 square foot retail center, anchored by a grocery store, located on 16.49 acres at the northeast corner of State Highway 65 and Sterling Parkway, south of

the proposed West Lincoln Parkway, within the City of Lincoln ("Lincoln"). The current appraised value of the property, assuming Bond-financed prepayment of the Fees related to the Project, is \$7,180,000.

Lincoln is located on 18.3 square miles of land in a rapidly-growing area of the Sacramento Valley, near the foothills of the Sierra Nevada mountains, about 27 miles northeast of Sacramento and 112 miles east of San Francisco. Lincoln was founded by miners in 1859 and incorporated on August 7, 1890 as a general law city. Lincoln is located near the Roseville/Rocklin regional employment area, as well as Sacramento, the state capital. Hewlett-Packard has a large campus in nearby Roseville and Oracle has a large facility in Rocklin. Major employers in Lincoln include Western Placer Unified School District, Del Webb/Sun City, Solectron (which has 700 employees and repairs and refurbishes computer hardware for Hewlett Packard) and BZ Plumbing. Lincoln's population in 2000 was 11,205. As of January 2003, its population was estimated to be 20,550, representing an increase of 83.4% over the 2000 census figure. The Sacramento Area Council of Governments estimates that the population of Lincoln will reach 26,000 by the year 2005 and 38,350 by 2010, but such figures do not account for possible annexations. With annexations, Lincoln's general plan projects that the city's population will ultimately grow to 80,000. Placer County's population is approximately 250,000.

The Sterling Pointe property is currently divided into two parcels pursuant to a final map recorded in August 2003. Taylor/Village Sacramento Investments Partners, L.P. ("Taylor/Village"), the owner and expected developer of the Sterling Pointe, expects to record by the end of Calendar Year 2003 a tentative map further dividing the property into 14 parcels.

The Sterling Pointe property is located within a "PD", Planned Development, and is designated for commercial land use. According to the Federal Emergency Management Agency F.I.R.M. Community Panel No. 060610-0403 F, dated June 8, 1998, the Property is classified as being in Flood Zone X, described as areas of 500-year flood. According to the Seismic Safety Commission, the property is located within Zone 3, which is considered to be the lowest risk zone in California. (There are two zones in California. Zone 4 is assigned to areas of major faults, while Zone 3 is assigned to areas with more moderate seismic activity.)

Taylor/Village has developed over 500,000 square feet of retail projects in the Sacramento area, including stand-alone Walgreen's drug stores, grocery anchored shopping centers and accompanying neighborhood serving retail uses, and power centers.

Taylor/Village is a development partnership of Taylor Properties ("Taylor") located in Sacramento, and Village Properties ("Village"), based in San Francisco. Together, these two firms bring experience in developing over 200 retail projects and shopping centers throughout California with national and regional anchor tenants, including major grocery retailers like Wal-Mart, Raley's, Safeway, Albertson's, and Food Source. Taylor and Village each have experience in all phases of project delivery, including: design, entitlements & planning, brokerage, construction management, private investment, site identification, tenant mix, rehabilitation (redevelopment) of older commercial space, re-tenanting buildings and property and asset management. Taylor/Village and its partner companies represent an accomplished valuation of completed projects of over \$400 million.

Richmond Project. The Richmond project will be known as the Metro Walk Attached Townhouse Subdivision ("Metro Walk"). Metro Walk is planned to be a mixed-use development located at the Richmond intermodal BART/AMTRAK station and fronted by MacDonald Avenue, Barrett Avenue, Marina Way and the railroad in the City of Richmond. The current appraised value of the property, assuming Bond-financed prepayment of the Fees related to the Project, is \$7,700,000.

The City of Richmond (“Richmond”) is located 16 miles northeast of San Francisco on the western shore of Contra Costa County, along the Interstate 80 and Interstate 580 corridors, immediately north of Berkeley. Richmond occupies 33.7 square miles of land on a peninsula that separates the San Francisco Bay and the San Pablo Bay. Richmond is an important oil refining, industrial, commercial, transportation, shipping and government center. U.S. Census data show that Richmond’s population as of April 1, 2000 was 99,216, a 13% increase from the 1990 Census. Contra Costa County’s population is approximately 975,000. Richmond estimates that it had 36,099 housing units as of January 1, 2003, an increase of 4.5% from the 1990 Census number.

Metro Walk will be an in-fill project oriented towards the mass transit available immediately adjacent to the Metro Walk property, consisting of 7.55 acres, of which a portion is expected to be dedicated to a parking garage and an inter-modal transportation terminal, leaving 5.0 acres dedicated to retail, streets, public park areas and 132 townhouse units. The current appraisal for the project estimates the final retail value of each townhouse at approximately \$320,000. Townhouses are expected to range in size from 1,408 square feet to 1,588 square feet.

The property is currently situated within the confines of 37 separate contiguous assessor’s parcels. See APPENDIX F – “Master Parcel Table for a list of assessor’s parcel numbers (APNs). The property was previously owned by the Richmond Redevelopment Agency, but title was transferred in August 2003 to Olson 737 – Richmond 132, LLC, a California limited liability company, the expected developer of the project.

Metro Walk represents the first phase of a two-phase project; the completed project is expected to contain 237 residential units. The Metro Walk property is within the City Center Specific Plan Area and is zoned “CB” (Central Business District). The CB zone is intended to create, preserve, and enhance areas for high intensity multiple uses with an urban character. The CB zone permits such uses as commercial, retail, residential, and industrial development. The Metro Walk project consists of a townhouse residential use and a small retail component.. Pursuant to an agreement with the City of Richmond, 50 percent of the townhouse units within Metro Walk must be sold to purchasers earning 120% or less of the median family income in Contra Costa County. Further, the annual housing cost of such purchasers must be no more than 35% of 110% of county median income.

A final map has been recorded with respect to the Metro Walk property. The Metro Walk property is classified as being in Flood Zone C, described as areas of minimal flooding with no flood insurance required. According to the Seismic Safety Commission, the property is located within Zone 3, which is considered to be the lowest risk zone in California. (There are two zones in California. Zone 4 is assigned to areas of major faults, while Zone 3 is assigned to areas with more moderate seismic activity.)

Olson 737 – Richmond 132, LLC is an affiliate of Olson Urban Housing, LLC and The Olson Company, one of California’s major builders of affordable urban communities with divisions in Los Angeles-Orange County, San Diego and the San Francisco Bay Area. The Olson Company was founded in 1988 with the goal of working with cities to create high quality “for-sale” housing in established in-town communities throughout California. The Olson Company is a privately-held enterprise with significant ongoing equity and participating debt relationships with CalPERS, Allstate, and affiliates of Wells Fargo and the State of Michigan. Since its inception, the company has delivered more than 2,000 homes in 52 separate projects in Los Angeles, Ventura, Orange, San Diego, Alameda and Contra Costa Counties, and its inventory of owned and controlled home sites for future development totaled 4,596 as of March 31, 2003.

Millbrae Project. The Millbrae project will be known as the 88 South Broadway development (“88 South Broadway”) and is planned to be a mixed-use development located on 2.3 acres at 88 South

Broadway and 25 South El Camino Real in the City of Millbrae. The completed project is expected to consist of approximately 6,500 square feet of retail space and 105 condominium residential units. The current assessed value of the property is \$12,483,759.

88 South Broadway is part of the Millbrae Station Area Specific Plan, which calls for mixed-use development of the area around the recently-completed Millbrae BART station. Millbrae adopted the Millbrae Station Area Specific Plan to attract hotel, office, retail and housing development to the area around the BART station, which will provide an intermodal rail connection with BART, CalTrain and SamTrans under one roof.

The 105 condominium residential units to be located at 88 South Broadway are expected to range in size from approximately 826 square feet to approximately 1987 square feet. Of the 105 residential condominiums, 11 will be made available at an affordable housing cost pursuant to a development agreement with the Millbrae Redevelopment Agency. These 11 affordable units are expected to have an average sales price of \$483,000, while the remaining 94 residential condominiums are expected to have an average sales price of \$665,284.

The City of Millbrae ("Millbrae") is located on 3.2 square miles of land south of San Francisco on California Highway 101 near the San Francisco International Airport. The city is part of the Mid-Peninsula corridor, close to the major regional employment centers of San Francisco and San Jose/Silicon Valley. U.S. Census data show that Millbrae's population as of April 1, 2000 was 20,718, a 1.0% increase from the 1990 Census (20,142). San Mateo County's population is approximately 700,000. US Census data show that Millbrae had 8,133 housing units in 2000.

88 South Broadway is owned by 88 South Broadway LLC, a Delaware limited liability company that is indirectly owned and 100% controlled by Pauls Real Estate Investments, LLC, a Colorado limited liability company ("Pauls"). Pauls is managed by William B. Pauls, its Manager. Pauls is related to The Pauls Corporation, a major housing development firm. The Pauls Corporation is owned and managed by its Chairman, William B. Pauls, and its President, Paul W. Powers. The Pauls Corporation is based in Denver, Colorado, and is an active developer of commercial real estate, residential real estate, mixed-use land projects, office buildings and distribution centers throughout the United States and Canada.

The 88 South Broadway property currently has tentative map approval for the proposed development described above, and Pauls anticipates recording the final map by the end of Calendar Year 2003. A building permit was secured for 88 South Broadway in August 2003 and construction has begun. The project is expected to be completed by the first quarter of 2005.

Oxnard Project. The Oxnard project is known as Big T's Freightliner Project (the "Freightliner Project"). The Freightliner Project consists of a 37,400 square foot freightliner dealership with ancillary administrative offices and a service center for a new and used freightliner vehicles located on 4.94 acres on the northeast corner of Camino Del Sol and Rice Avenue in the City of Oxnard ("Oxnard"). The facility opened for business in August of 2003. Big T's Freightliner was previously located in Ventura, California. The current assessed value of the property, assuming Bond-financed prepayment of the Fees related to the Project, is \$1,423,315.

Oxnard is the largest city in Ventura County. The city is located about 60 miles northwest of Los Angeles and 35 miles south of Santa Barbara. Oxnard's estimated population in 2002 was 182,027, an increase of 23% from 1990.

APPENDIX B

SUMMARY OF TRUST AGREEMENT

The following is a brief summary of certain provisions of the Trust Agreement, dated as of October 1, 2003, under which the Bonds are issued. Summaries of certain portions of this document, and certain definitions, are also contained in the main portion of this Official Statement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement. Capitalized terms not otherwise defined herein have the meanings specified in the Trust Agreement.

DEFINITIONS

“Act” shall mean Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

“Annual Bond Debt Service” shall mean, for each Fiscal Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Fiscal Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) the scheduled Principal Installments of the Outstanding Bonds, payable in such Fiscal Year.

“Annual Local Obligation Debt Service” shall mean, for each Fiscal Year, the sum of (1) the interest falling due on all Outstanding Local Obligations in such Fiscal Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Local Obligations), and (2) the scheduled Principal Installments of the Outstanding Local Obligations, payable in such Fiscal Year.

“Applicable County” means, with respect to any Assessed Parcel, the county in which such parcel is located.

“Appraisal” shall mean, with respect to Assessed Parcels (i) an opinion of value of an independent appraiser who is a Member of the Appraisal Institute (“MAI”) and is credentialed by the State of California Office of Real Estate Appraisers or (ii) the assessed value (land and improvements) shown on the most recent equalized assessment roll of the Applicable County.

“Assessed Parcel” shall mean a parcel of property which is within any Series 2003A District and upon which is levied assessments or reassessments securing Local Obligations.

“Average Annual Bond Debt Service” shall mean the average Fiscal Year Annual Bond Debt Service over all Fiscal Years during which the Bonds are scheduled to remain Outstanding.

“Authority” shall mean the California Statewide Communities Development Authority, a joint exercise of powers agency established pursuant to a Joint Exercise of Powers Agreement, dated June 1, 1988 and the laws of the State, and its successors.

“Authorized Bond Denominations” shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of Bonds maturing on any one date.

“Authorized Local Obligations Denominations” shall mean one dollar (\$1) and any integral multiple thereof, but not exceeding the principal amount of Local Obligations maturing on any one date.

“Authorized Officer”, when used with reference to the Authority, means any member of the governing board or the Authority or any representative of the Authority designated by written certificate and authorized by the Authority to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds or the Local Obligations.

“Blanket Letter of Representations” shall mean the letter of the Authority and the Trustee delivered to and accepted by the Depository on or prior to the issuance of the Bonds setting forth the basis on which the Depository serves as depository for such Bonds as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or any other an attorney-at-law, or a firm of such attorneys appointed by the Authority, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Redemption Fund” shall mean the Fund by that name established under the Trust Agreement.

“Bond Register” shall mean the registration books specified as such in the Trust Agreement.

“Book-Entry Bonds” shall mean any Bonds designated as Book-Entry Bonds pursuant to the Trust Agreement and registered in the name of the Nominee pursuant to the Trust Agreement.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which the Corporate Trust Office of the Trustee is closed.

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” shall mean RBC Dain Rauscher Inc. or any other financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Bonds, appointed and paid by the Authority and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other reports to the Authority.

The Cash Flow Consultant shall not be deemed to have a “financial advisory relationship” with the Authority within the meaning of California Government Code Section 53590(c).

“Chair” shall mean the Chair of the Authority.

“Code” shall mean the Internal Revenue Code of 1986, and the regulations thereunder.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds, by and between the Authority and the Trustee.

“Corporate Trust Office” shall mean the office of the Trustee, at which at any particular time corporate trust business shall be administered, or such other office as the Trustee shall designate.

“Custody Account” means the custody account established for the Program pursuant to that certain Custody Agreement, dated as of June 3, 2003, by and between the Authority and the Trustee, as Custodian.

“Depository” shall mean the securities depository acting as Depository pursuant to the Trust Agreement.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” shall mean any event of default specified as such in the Trust Agreement.

“Expenses” shall mean all costs of issuing the Bonds and the Local Obligations and all administrative costs of the Authority that are charged directly or apportioned to the administration of the Local Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any), legal and financial consultant fees and expenses, amounts necessary to pay to the United States of America or otherwise to satisfy requirements of the Code in order to maintain the tax-exempt status of the Bonds, and compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Authority or charges required to be paid by it to comply with the terms of any refunding escrow agreement, the Trust Agreement, or the Bonds or in connection with the acquisition of the Local Obligations.

“Expense Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Fiscal Year” shall mean the fiscal year of the Authority, which as of the date of the Trust Agreement is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

“Funds” shall mean, collectively, the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Redemption Fund, the Reserve Fund, the Local Obligation Fund, the Expense Fund and the Rebate Fund, including all accounts therein.

“Government Obligations” shall mean and include any of the following securities:

1. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. These include, but are not limited to:

- U.S. Treasury obligations: All direct or fully guaranteed obligations
- Farmers Home Administration: Certificates of beneficial ownership
- General Services Administration: Participation certificates
- U.S. Maritime Administration: Guaranteed Title XI financing

- Small Business Administration: Guaranteed participation certificates and Guaranteed pool certificates
 - Government National Mortgage Association (GNMA): GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates
 - U.S. Department of Housing & Urban Development: Local authority bonds
 - Washington Metropolitan Area Transit Authority: Guaranteed transit bonds
 - State and Local Government Series
 - Veterans Administration: Guaranteed REMIC Pass-through Certificates
2. Obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. government:
- Federal Home Loan Mortgage Corp. (FHLMC): Debt obligations
 - Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives): Consolidated systemwide bonds and notes
 - Federal Home Loan Banks (FHL Banks): Consolidated debt obligations
 - Federal National Mortgage Association (FNMA): Debt obligations
 - Student Loan Marketing Association (FNMA): Debt obligations
 - Financing Corp. (FICO): Debt obligations
 - Resolution Funding Corp. (REFCORP): Debt obligations
 - U.S. Agency for International Development (U.S. A.I.D.): Guaranteed notes; provided that such securities mature at least 4 business days prior to the date invested funds are required to be available under the Trust Agreement.
3. Stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York.

“Information Services” shall mean the following information services: (i) Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor, (ii) Kenny Information Services “Called Bond Service,” 65 Broadway Street, 28th Floor, New York, New York 10004, (iii) Moody’s “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports, and (iv) Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Interest Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Interest Payment Date” shall mean March 2 and September 2 in each year, commencing on March 2, 2004.

“Investment Securities” shall mean and include any of the following securities, to the extent permitted by the laws of the State.

(i) Direct obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and obligations of the Government National Mortgage Association), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by the United States Treasury which represents the full faith and credit of the United States of America or the following Federal agencies: Federal Home Loan Bank, Export Import Bank of the United States, Federal Financing Bank, Federal Farm Credit Bank, Farmer’s Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Corporation, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(iii) Certificates of deposit issued by commercial banks, state banking corporations (including the Trustee or any of its affiliates), savings and loan associations and mutual savings banks and properly secured at all times by collateral security described in (i) or (ii) above and rated at least “A/A2” or better by S&P or Moody’s.

(iv) The following investments fully insured by the Federal Deposit Insurance Corporation (“FDIC”): (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, state banking corporations (including the Trustee or any of its affiliates), savings and loan associations and mutual savings banks.

(v) Repurchase agreements or collateralized investment agreements with banks, state banking corporations, savings and loan associations, or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investor Protection Corporation (SIPC), provided that: (a) the collateralization is at least one hundred six percent (106%), valued monthly, with remaining terms and maturities less than or equal to one year, (b) the Trustee or a third party on behalf of the Trustee will have possession of such obligations, (c) the Trustee will have perfected a first priority security interest in such obligations, (d) such obligations are free and clear of claims of third parties, and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral, and (f) eligible collateral will include: (I) direct obligations of the Department of the Treasury of the United States of America, (including obligations of the Government National Mortgage Association), and (II) bonds, debentures or notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies: the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(vi) Money market funds rated at least “A/A2” or better by S&P or Moody’s, or money market funds comprised of obligations described in clause (i) above (or repurchase agreements or interest rate swap agreements collateralized by such obligations) including funds for which the Trustee, its parent and affiliates provide investment advisory or other management services.

(vii) Investment agreements or contracts issued by entities whose long-term debt or claims paying ability of which are rated in one of the top two long-term rating categories by S&P or Moody’s in form acceptable to the Authority, provided that any such contract or agreement shall in any event provide that if the investment rating assigned to the long term unsecured debt obligations of the

financial institution by S&P or Moody's falls below "A" or "A2", respectively,, the Trustee shall require immediate repayment of all funds invested thereunder.

(viii) Tax-exempt obligations rated in either of the two highest rating categories by S&P or Moody's, including money market funds comprised solely of such obligations.

(ix) The Local Agency Investment Fund (Sections 53600-53609 of the Government Code of the State of California), as now in effect or as may be amended or recodified from time to time; provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep monies available for the purposes of the Trust Agreement.

"Lien Amount" means, with respect to any Assessed Parcel, the sum of (A) the aggregate principal amount of the Local Obligations attributable to such Assessed Parcel plus (B) the aggregate principal amount of bonds, notes or other evidences of indebtedness other than the Local Obligations then outstanding and payable from assessments or reassessments to be levied on such Assessed Parcel, plus (C) a portion of the aggregate principal amount of bonds, notes or other evidences of indebtedness issued under the Mello-Roos Community Facilities District Act of 1982 and payable at least partially from special taxes to be levied on the Assessed Parcel (except to the extent such special taxes are made expressly subordinate to the assessments securing Local Obligations) (the "Other Mello-Roos Bonds") equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on the Assessed Parcel and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land securing the Other Mello-Roos Bonds (such fraction to be determined based upon the maximum special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available fiscal year.

"Local Agency Participant" means a City or County which has adopted a resolution joining the Program and which has approved an application for financing with respect to an Assessed Parcel.

"Local Obligation Fund" shall mean the fund by that name established pursuant to the Trust Agreement.

"Local Obligation Resolution" shall mean, with respect to each of the Local Obligations, the resolution adopted by the Authority on September 23, 2003, providing for the issuance of the Local Obligations upon the security of unpaid assessments in each of the Series 2003A Districts and all resolutions supplemental thereto.

"Local Obligation Revenue" shall mean all moneys collected and received by the Authority on account of unpaid assessments, or reassessments, or securing Local Obligations including amounts collected in the normal course via the Applicable County property tax roll and thereafter remitted to the Authority, Property Owner Prepayments, and amounts received by the Authority or a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions.

"Local Obligations" shall mean the Limited Obligation Improvement Bonds for each of the Series 2003A Districts issued under the Trust Agreement and under the Local Obligation Statute.

“Local Obligation Statute” shall mean the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code (being Section 8500 and following thereof) and the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the Streets and Highways Code), as applicable.

“Maximum Annual Bond Debt Service” shall mean the largest Annual Bond Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, and its successors

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by Bond Counsel.

“Outstanding” shall mean, with respect to the Bonds or Local Obligations, as the case may be, and as of any date, the aggregate of Bonds or Local Obligations authorized, issued, authenticated and delivered under the Trust Agreement, except:

- (a) Bonds or Local Obligations canceled or surrendered to the Trustee for cancellation;
- (b) Bonds or Local Obligations deemed to have been paid; and
- (c) Bonds or Local Obligations in lieu of or in substitution for which other Bonds or Local Obligations shall have been authenticated and delivered pursuant to the Trust Agreement.

“Owner” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Principal Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Principal Installment” shall mean, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on such date, or mandatory sinking account payment required to be paid on any Principal Payment Date and used to redeem a portion of any Bond on such date, if any.

“Principal Payment Date” shall mean September 2 of each year commencing September 2, 2005, and ending on the last date on which any Bonds are scheduled to mature.

“Program” shall mean the Statewide Community Infrastructure Program (“SCIP”) established by the Authority and operated in accordance with the SCIP Manual.

“Property Owner Prepayments” shall mean that portion of Revenues which are initially paid to the Authority by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing the Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the Authority to the Trustee, as assignee of the Authority with respect to the Local Obligations, for deposit in the Bond Redemption Fund for application in accordance with the Trust Agreement.

“Proportionate Share” means a fraction, the numerator of which is the total principal amount of Outstanding Local Obligations with respect to a Series 2003A District and the denominator of which is the total amount of Outstanding Local Obligations.

“Rebate Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Rebate Instructions” shall mean those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate.

“Record Date” shall mean the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Requisition of the Authority” shall mean a requisition of the Authority delivered to the Trustee pursuant to the Trust Agreement.

“Reserve Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Reserve Requirement” shall mean, as of any date of calculation, Maximum Annual Bond Debt Service on all then Outstanding Bonds; provided, that as of the date of issuance of the Bonds, the amount required to be deposited in the Reserve Fund shall not exceed the lesser of (i) Maximum Annual Bond Debt Service on the Bonds, (ii) 125% of Average Annual Debt Service, or (iii) 10% of the amount (within the meaning of Section 148 of the Code) of the Bonds.

“Revenue Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Revenues” shall mean Local Obligation Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund.

“SCIP Accounts” means the accounts for each Local Agency Participant established pursuant to the Trust Agreement.

“SCIP Manual” means the reference manual for the Program adopted by the Authority, as amended from time to time.

“Secretary” shall mean the Secretary of the Authority, or the deputy thereof.

“Securities Depositories” shall mean the following registered securities depositories: (i) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190, (ii) Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - 312/663-2343, and (iii) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex - 215/496-5058; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may designate in an Officer’s Certificate delivered to the Trustee.

“Series” shall mean, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Trust Agreement and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Trust Agreement.

“Series 2003A Districts” shall have the meaning ascribed thereto in the Trust Agreement.

“S&P” shall mean Standard and Poor’s Ratings Group, and its successors.

“Special Record Date” shall mean the date established by the Trustee pursuant to the Trust Agreement as a record date for the payment of defaulted interest on the Bonds.

“State” shall mean the State of California.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of the Trust Agreement which is duly executed and delivered in accordance with the provisions of the Trust Agreement.

“Tax Certificate” shall mean that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority and dated the date the Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

“Treasurer” shall mean the Treasurer of the Authority.

“Trust Agreement” shall mean the Trust Agreement dated as of October 1, 2003, among the Authority, the Authority and the Trustee, pursuant to which the Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trustee” shall mean Wells Fargo Bank, National Association, a national banking association, duly organized and existing under the laws of the United States, in its capacity as trustee under the Trust Agreement, and any successor as trustee under the Trust Agreement.

“Written Order”, when used with reference to the Authority, shall mean a written direction of the Authority to the Trustee signed by an Authorized Officer.

REVENUES AND FUNDS FOR BONDS

Establishment of Funds; Pledge of Revenues and Local Obligations. The Trustee agrees under the Trust Agreement to maintain, the following special trust funds for the Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Redemption Fund, the Reserve Fund, the Expense Fund, the Local Obligation Fund and the Rebate Fund. All of the Revenues and the Local Obligations are pledged as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds.

Local Obligation Fund. All Local Obligations registered in the name of the Trustee shall be deposited into the Local Obligation Fund, which the Trustee is directed to establish and maintain.

Revenue Fund. All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be identified in writing to the Trustee by the Authority and deposited in the Bond Redemption Fund), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than five (5) Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund for deposit into the respective funds as set forth in the Trust Agreement, the requirements of each fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority.

Interest Fund. The Trustee shall deposit in the Interest Fund before each Interest Payment Date from the Revenue Fund an amount of Revenues which together with any amounts then on deposit in said Interest Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on Bonds as it shall become due and payable.

Principal Fund. Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, the Trustee shall next deposit in the Principal Fund before each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Bonds when due on such Principal Payment Date. The Trustee shall pay the Principal Installments when due upon presentation and surrender of the subject Bonds.

Reserve Fund. The Trustee shall make deposits into and maintain the Reserve Fund as required by the Trust Agreement. Except as provided in the paragraphs below, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Bond Redemption Fund for such purpose.

Upon any partial redemption of Bonds, the Trustee shall withdraw an amount from the Reserve Fund equal to the reduction in the Reserve Requirement specified in the Written Order of the Authority delivered in connection with such redemption and transfer such amount to the Bond Redemption Fund.

In the event of a redemption of Local Obligations resulting from a Property Owner Prepayment, the Trustee shall transfer to the Bond Redemption Fund from the Reserve Fund an amount

equal to the proportionate share of the Reserve Fund allocable to such prepayment, as specified in an Officer's Certificate. The Trustee shall notify the Authority of such amounts to be transferred.

Except in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, in which case a Proportionate Share of such excess amount on deposit in said Reserve Fund shall be transferred to each Local Obligation Redemption Fund, the Trustee shall retain in the Reserve Fund all earnings on amounts on deposit in the Reserve Fund which amounts shall be applied as provided above.

Notwithstanding any other provision of the Trust Agreement, the failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement shall not be an Event of Default.

Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund and the Principal Fund, respectively, the Trustee shall next deposit in the Reserve Fund an amount of Revenues which, together with any other amounts on deposit in the Reserve Fund, equal the Reserve Requirement.

Expense Fund. Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, the Principal Fund and the Reserve Fund, respectively, the Trustee shall next deposit in the Expense Fund from Revenues an amount specified in a Written Order. The Authority shall deliver to the Trustee within thirty (30) days after the beginning of each Fiscal Year a Written Order specifying the amount of Expenses it anticipates will be required to be paid in such Fiscal Year. The Authority may amend such Written Order at any time during the Fiscal Year by filing a new Written Order with the Trustee which shall supersede all previously filed Written Orders with respect to Expenses. Amounts in the Expense Fund shall be applied by the Trustee to the payment of Expenses upon receipt of a Requisition of the Authority stating the Person to whom payment is to be made, the amount and purpose of the payment and that (i) such payment is a proper charge against the Expense Fund, and (ii) such payment has not been previously paid from the Expense Fund. Any amounts remaining in the Expense Fund on the last day of each Fiscal Year shall be retained in the Expense Fund unless the Authority delivers a Written Order to the Trustee requesting that such amounts be transferred to the Authority. Any amounts so transferred shall be subject to the provisions of the Trust Agreement respecting the Bond Redemption Fund.

Transfer to Authority. Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, Principal Fund, Reserve Fund and Expense Fund, respectively, the Trustee shall transfer a Proportionate Share of any remaining Revenues to each Local Obligation Redemption Fund.

Bond Redemption Fund. All moneys held in or transferred to the Bond Redemption Fund as a result of property owner prepayments (including any amounts transferred from the Reserve Fund in connection therewith) shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds.

The Trustee shall use amounts in the Bond Redemption Fund for the payment of the redemption price of Bonds called for redemption or the purchase price of Bonds purchased in lieu of redemption, together with accrued interest to the redemption or purchase date.

Rebate Fund. The Trustee agrees under the Trust Agreement to establish and maintain a fund separate from any other fund established and maintained thereunder designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with Rebate Instructions received from the Authority. The Trustee will

apply moneys held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Authority. Moneys held in the Rebate Fund are pledged to secure payment to the United States of America of the Authority's rebate liability, if any, with respect to the Bonds. The Authority and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Investment Securities as directed in writing by the Authority and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Revenues Derived From Property Owner Prepayments. The Local Obligation Statute requires that amounts received by the Authority on account of Property Owner Prepayments be utilized, in accordance with the Local Obligation Statute, for the sole purpose of prior redemption of Local Obligations and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Bonds, it is a requirement of the Trust Agreement that Revenues received by the Trustee which constituted Property Owner Prepayments when received by the Local Agency be utilized by the Trustee to redeem Bonds.

The Trust Agreement requires that all Revenues derived from Property Owner Prepayments received by the Trustee shall be immediately deposited in the Bond Redemption Fund to be used to redeem Bonds.

THE LOCAL OBLIGATIONS

Issuance of Local Obligations. The Local Obligations will be issued for each Series 2003A District as provided in the Trust Agreement upon the security of the aggregate amount of unpaid assessments (together with the interest thereon) and will represent and be secured by said assessments in accordance with the provisions of the Local Obligations Statute pursuant to the provisions of the Resolution of Intention for each Series 2003A District adopted by the Commission of the Authority on July 29, 2003 and proceedings taken thereunder.

Registration and Denominations. The Local Obligations will be issued as fully registered bonds, registered in the name of the Trustee.

Pledge of Assessments to Local Obligations. The unpaid assessments for each of the Series 2003A Districts, as determined by the Authority, together with interest thereon computed at the rate specified in the Local Obligations, shall, in accordance with and consistent with the Local Obligation Statute, remain and constitute a trust fund for the redemption and payment of the principal of the Local Obligations and for the interest due thereon, and said assessments and each installment thereof and the interest and penalties thereon shall constitute a lien against the lots and parcels of land on which they are made until paid. The Treasurer shall annually make a record in his or her office showing the several installments of principal and interest on said assessments which are to be collected in each year during the term of the Local Obligations and shall transmit such record to the Auditor-Controller of each Applicable County; and an annual installment of said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of the Local Obligations unpaid and to accrue that year, which amount shall be at least sufficient to pay the Local Obligations as the same become due, and an annual installment of interest on said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of interest which will accrue on the Local Obligations outstanding for such year, which amount shall be sufficient to pay the interest thereon that shall become due in the next succeeding March and September. The annual portion of said unpaid assessments coming due in any year, together with the annual interest on such assessments, shall be payable in the same

manner and at the same time and in the same number of installments as the general taxes on real property in each Applicable County are payable, and said unpaid assessment installments and said annual interest on said unpaid assessments shall be payable and become delinquent on the same dates and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in each Applicable County.

Foreclosure Covenant. The Authority covenants in the Trust Agreement that it will monitor the payment of assessment installments payable with respect to each Assessed Parcel and will send delinquency notices to owners of Assessed Parcels as provided in the SCIP Manual. Notwithstanding any other provision of the Trust Agreement or of the SCIP Manual, in the event any assessment or installment thereof, including any interest thereon, is not paid by July 1 (with respect to delinquencies in the installment delinquent on the preceding December 10) or November 1 (with respect to installments delinquent on the preceding April 10), the Authority covenants that it will within 10 business days of such dates order, and will thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquency and interest thereon, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the Authority.

Local Obligation Redemption Funds. There is created and established under the Trust Agreement a separate fund for each of the Local Obligations to be known as the "Local Obligation Redemption Fund" with respect to such Local Obligation (each such fund to be designated with the name of the Applicable County) which fund shall be kept by the Treasurer of the Authority and shall constitute a trust fund for the benefit of the registered owners of the Local Obligations. All sums received by the Treasurer which are received from the collection of unpaid assessments (except for those amounts allocable to administrative expenses), and of the interest and penalties thereon, shall upon receipt be deposited in said fund. All sums to become due for the principal of and the interest on the Local Obligations shall be withdrawn by the Treasurer from said fund for use for the payment of the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon shall not be paid out of any other funds.

There is created and established within each Local Obligation Redemption Fund a Prepayment Account. The owner of an Assessed Parcel may prepay the assessment and remove the lien of the same from the Assessed Parcel by paying to the Authority the sum of the following amounts: (a) the amount of any delinquent installments of principal and interest, together with penalties accrued to the date of prepayment; (b) the unpaid, non-delinquent principal of the assessment, including principal posted to the tax roll for the current fiscal year but not yet paid; (c) an allowance for redemption premium, calculated by multiplying the amount of the unmaturing principal (exclusive of principal due during the fiscal year of prepayment) by the redemption premium, being three percent (3%), of the principal amount so prepaid; (d) a reasonable fee, to be fixed by the Authority, for the cost of administering the prepayment and the advance redemption of Local Obligations; (e) interest accrued to the next interest prepayment date which is not less than 90 days after the date of prepayment; and (f) less a credit for the Reserve Fund calculated to be an amount equal to the ratio of the total amount initially deposited to the Reserve Fund to meet the Reserve Requirement with respect to the Local Obligations to the total amount originally assessed in the proceedings for the issuance of the Local Obligations, as specified in an Officer's Certificate to be delivered to the Trustee upon such prepayment pursuant to the Trust Agreement. Upon receiving any prepayment of an assessment, the Authority shall disburse the amount thereof as follows: (a) the administrative fee shall be applied by the Authority to pay administrative costs; (b) delinquent principal, interest and penalties shall be deposited in the applicable Local Obligation Redemption Fund unless the Reserve Fund has been depleted on account of the delinquencies, in which case the delinquent amounts and penalties shall be deposited instead in the Reserve Fund; (c) the installment of principal due in the fiscal year of prepayment shall be deposited in the applicable Local Obligation Redemption Fund; (d) interest accrued to the next Interest Payment Date shall be deposited in the applicable Local

Obligation Redemption Fund; and (e) the balance of such prepayment shall be deposited in the Prepayment Account to be used to advance the maturity of Local Obligations to the next redemption date as provided in Part 11.1 of the Improvement Bond Act of 1915.

All moneys in each Local Obligation Redemption Fund shall be invested in Investment Securities maturing (or otherwise available for withdrawal at par without penalty) not later than the date on which such moneys are required for disbursement as provided in the Trust Agreement, and all interest earned on such investments shall be credited to said fund. All surplus remaining in said fund after payment of all Local Obligations and the interest thereon shall be applied as directed by the Authority in accordance with the Local Obligation Statute.

SCIP Accounts. The Trustee shall transfer from the proceeds of the Local Obligations the amount specified in the Trust Agreement for deposit to the Custody Account. The Authority will account for such funds in the following SCIP Accounts and subaccounts therein, as provided in the SCIP Manual.

Amounts on deposit in the SCIP Accounts and subaccounts therein shall be invested and disbursed in accordance with the terms of the SCIP Manual. Amounts in the Custody Account shall be the property of the Local Agency Participants as their interests appear, and shall not be available to the Authority, the Trustee or the Owners for any purpose.

Defeasance of Local Obligations. The Local Obligations may be refunded and defeased pursuant to the provisions of the Local Obligation Statute.

SECURITY FOR AND INVESTMENT OF MONEYS

Security. All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund, the Custody Account and the SCIP Accounts) referred to in any provision of the Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of Bonds or the payment of interest on Bonds, shall, while held by the Trustee, shall be subject to the lien and pledge created thereby.

Investment of Funds. So long as the Bonds are Outstanding and there is no default under the Trust Agreement, moneys on deposit to the credit of each Local Obligation Redemption Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Rebate Fund, the Expense Fund the Bond Redemption Fund and all accounts within such funds shall, at the request of an Authorized Officer of the Authority, be invested by the Trustee in Investment Securities having maturities or otherwise providing for availability of funds when needed for purposes of the Trust Agreement.

Notwithstanding anything to the contrary contained in the Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund (or account) from which such accrued interest was paid. The securities purchased with the moneys in each such Fund shall be deemed a part of such Fund.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Bond Redemption Fund and each Local Obligation Redemption Fund, may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee;

provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Trust Agreement.

All earnings on the investment of the moneys on deposit in any fund shall remain a part of such fund; provided that, in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then a Proportionate Share of such excess amount on deposit in said Reserve Fund shall be transferred to each Local Obligation Redemption Fund.

COVENANTS OF THE AUTHORITY

Payment of Bonds; No Encumbrances. The Authority shall cause the Trustee to promptly pay, from Revenues and other funds derived from the trust estate pledged under the Trust Agreement, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by the Trust Agreement at the place, on the dates and in the manner specified therein and in such Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Revenues or the Local Obligations, other than the Bonds and any refunding bonds issued pursuant to the Trust Agreement.

Enforcement and Amendment of Local Obligations. The Authority and Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the Trust Agreement.

The Authority and the Trustee may, without the consent of or notice to the Owners consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds pursuant to an Opinion of Bond Counsel, (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Bonds from federal income taxes or the exemption from California personal income tax or (f) any other amendment to the Local Obligation (or consent to any change or modification of the applicable Series 2003A Districts), including a change to the method of apportionment of assessments, provided, that the following conditions are met:

(a) no territory outside the exterior boundaries of the applicable Series 2003A Districts (as originally formed) may be assessed to secure any Local Obligation;

(b) the Trustee shall have received a certificate of the Cash Flow Consultant to the effect that, after giving effect to the change or modification, the value of each Assessed Parcel as shown by an Appraisal is at least equal to three (3.0) times the Lien Amount; and

(c) the owners of 100% of the Assessed Parcels affected by such change have consented in writing to such change.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and

procured as provided in this section. If at any time the Authority shall request the consent of the Trustee to any such proposed amendment, change or modification of a Local Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed to the Owners. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing contained in this section shall be construed to prevent the Trustee, with the consent of the Authority, from settling a default under any Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owners.

Further Documents. The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any political subdivision of the State.

Tax Covenants. The Authority will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code.

If the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Authority may conclusively rely on such Opinion in complying with the requirements of this section, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The provisions of the Trust Agreement regarding tax covenants shall survive the defeasance of the Bonds.

Maintenance of Existence. The Authority shall maintain the existence, powers and authority of the Authority as a joint powers authority under California law.

Continuing Disclosure. The Authority and the Trustee covenant and agree in the Trust Agreement that they will comply with and carry out all of their respective obligations under the Continuing Disclosure Agreement. See "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

DEFAULTS AND REMEDIES

Events of Default. The following shall constitute "Events of Default" under the Trust Agreement:

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained in the Trust Agreement on its part to be performed, and such failure shall continue for sixty (60) days after written notice specifying such failure and requiring the

same to be remedied shall have been given to the Authority, as the case may be, by the Trustee or by the Owner(s) of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

Proceedings by Trustee; No Acceleration. Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, or at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall (but only if indemnified to its satisfaction from any liability, expenses or costs), do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;
- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;
- (d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and
- (e) take such action with respect to any and all Local Obligations or Investment Securities as the Trustee shall deem necessary and appropriate, subject to the limitations of the Trust Agreement.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners. Anything in the Trust Agreement to the contrary notwithstanding, subject to certain limitations and restrictions as to the rights of the Owners set forth in the Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in

this article, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided above and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any rights under the Trust Agreement or under the Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this section. Notwithstanding the foregoing provisions of this section or any other provision of the Trust Agreement, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premiums, if any, on and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Power of Trustee to Enforce. All rights of action under the Trust Agreement or under any of the Bonds secured by the Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Trust Agreement.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds the Trustee shall waive any Event of Default under the Trust Agreement and its consequences. The Trustee may waive any Event of Default under the Trust Agreement and its consequences at any time. If any Event of Default shall have been waived, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and

remedy given by this article to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. Any moneys received by the Trustee as a result of an enforcement of one or more remedies as described above, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

(a) unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(b) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal and redemption premiums, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and redemption premiums, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(c) After having first satisfied all obligations to Owners of Bonds pursuant to subsections (a) and (b) above, then any remaining moneys received by the Trustee pursuant to this section shall be transferred to the Authority.

(d) Whenever moneys are to be applied as described in this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

THE TRUSTEE

Appointment and Acceptance of Duties. The Trustee accepts and agrees to the trusts created under the Trust Agreement, to all of which the Authority agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree.

Duties, Immunities and Liability of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied duties or obligations shall be read into the Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Authority may, in the absence of an Event of Default, and upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, shall, remove the Trustee by giving written notice of such removal to the Trustee, and thereupon the Authority shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may, subject to certain limitations set forth below, resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed under the provisions of this section shall be a trust company or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and 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 for the purpose of this subsection 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. In case at any time the Trustee shall cease to be eligible, the Trustee shall resign immediately in the manner and with the effect specified in this section.

In accepting the trust created by the Trust Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Authority of the funds under the Trust Agreement including, without limitation, the purchase of the Local Obligations under the Trust Agreement; provided, however, that the Trustee shall not acquire Local Obligations other than pursuant to the requirements of the Trust Agreement.

The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing any Local Obligation. The Trustee shall not be responsible for the recording or filing of any document relating to this Agreement or any Local Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing any Local Obligation. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Trust Agreement unless and until it shall have actual knowledge thereof at its corporate trust office in San Francisco, California.

The Trustee shall not be accountable for the use or application by the Authority or any other party of any funds which the Trustee has released under the Trust Agreement.

The Trustee shall provide a monthly accounting of all Funds held pursuant to the Trust Agreement (and all funds held by the Trustee as trustee or fiscal agent pursuant to any Local Obligation) to the Authority within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within 90 days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any Funds and accounts (including the Local Obligation Fund) created under the Trust Agreement as of the beginning and close of such accounting period.

Merger or Consolidation. Any company into which the Trustee 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Trust Agreement, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act.

MODIFICATION OF TRUST AGREEMENT AND SUPPLEMENTAL TRUST AGREEMENTS

Supplemental Trust Agreements Without Consent of Owners. The Authority may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Authority contained in the Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the Trust Agreement reserved to or conferred upon the Authority; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement or in any Supplemental Trust Agreement;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject to the Trust Agreement additional collateral or to add other agreements of the Authority;

(f) to modify the Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America; or

(g) to evidence the succession of a new Trustee.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment of the Trust Agreement any particular Bond would be affected by any modification or amendment of the Trust Agreement and any such determination shall be binding and conclusive on the Authority, the Authority and all Owners of Bonds. For all purposes of this section, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, with respect to the extent, if any, to which any action affects the rights under the Trust Agreement of any Owner.

Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of the Trust Agreement or of the rights and obligations of the Authority, the Authority or the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Authority of any lien prior to or on a parity with the lien of the Trust Agreement upon the Trust Estate or which will affect the times, amounts and currency of payment of the principal of or the

redemption premiums, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

DEFEASANCE

Defeasance. If and when the Bonds shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premiums, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the Authority, including all fees and expenses of the Trustee, then and in that case, the Trust Agreement and the lien created thereby shall be completely discharged and satisfied and the Authority shall be released from the agreements, conditions, covenants and terms of the Authority contained in the Trust Agreement, and the Trustee shall assign and transfer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances as provided in the Trust Agreement and shall execute such documents as may be reasonably required by the Trustee or the Authority in this regard.

Notwithstanding the satisfaction and discharge of the Trust Agreement, those provisions of the Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and redemption premiums, if any, on and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and those provisions of the Trust Agreement relating to the compensation and indemnification of the Trustee and relating to the tax covenants of the Authority shall remain in effect and shall be binding upon the Trustee and the Authority.

Bonds Deemed to Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided above. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above under the subsection entitled "Defeasance" if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption of such Bonds on such redemption date, (b) there shall have been deposited with the Trustee in escrow either moneys in an amount which (as stated in a Cash Flow Certificate) shall be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a Cash Flow Certificate), to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of such Bonds are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption, a notice to the Owners of such Bonds and to the Securities Depositories and the Information Services that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption dates upon which moneys are to

be available for the payment of the principal of and redemption premiums, if any, on and interest on such Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premiums, if any, on and interest on such Bonds; provided, that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the direction of the Authority, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to this section, sufficient to pay when due the principal of and redemption premiums, if any, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Authority as received by the Trustee free and clear of any trust, lien or pledge.

APPENDIX C

THE BOOK ENTRY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized

representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Authority or the Trustee take any responsibility for the accuracy thereof.

Neither the Authority or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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

Discontinuance of Book-Entry System. DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Trustee and discharging its responsibilities with respect thereto under applicable law or the Issuer may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Issuer will execute, and the Trustee will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. See "THE BONDS" above.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the California Statewide Communities Development Authority (the "Authority") and Wells Fargo Bank, National Association (the "Trustee") in connection with the issuance by the Authority of its Statewide Community Infrastructure Program Revenue Bonds, Series 2003A (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement dated as of October 1, 2003, between the Authority, as Issuer (the "Issuer") and the Trustee (the "Trust Agreement"). The proceeds of the Bonds are being used by the Issuer to fund certain Limited Obligation Improvement Bonds of the Authority (the "Local Obligations"), the proceeds of which will be used to pay the cost of certain infrastructure improvements eligible to be funded under the Municipal Improvement Act of 1913 (Division 12, commencing with Section 10000 of the Streets and Highways Code of the State of California). Pursuant to Section 8.06 of the Trust Agreement, the Authority and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Authority and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

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

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean any Member of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission from time to time are listed at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Participating Underwriter" shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than December 31 for the twelve-month period ending the prior June 30, commencing with the Annual Report for the twelve month period ending June 30, 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Authority and the Dissemination Agent to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the final date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Authority, the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Authority’s Annual Report shall contain or include by reference the following:

1. A schedule showing the aggregate amount of all Local Obligations issued, including the combined debt service schedule for all such Local Obligations.

2. A statement of the amounts on deposit in the Reserve Fund.

3. Information concerning any delinquencies in the payment of assessment installments securing the Local Obligations including (i) the total amount of delinquencies in District, both as a dollar amount and as a percentage of the total levy for the Fiscal Year and (ii) with respect to any delinquency of an owner which holds land subject to more than 5% of the assessment liens securing Local Obligations, the following information:

a. Assessor’s Parcel Number

- b. Record owner of the parcel;
- c. Amount of delinquency, including separate statement of amounts representing principal on Local Obligations, interest on Local Obligations, administrative expenses levy, penalties and interest on delinquency;
- d. Due date of first delinquent installment; and
- e. Status of foreclosure action, if any.

4. Complete, updated information in substantially the form set forth in Appendix F to the Official Statement relating to the Bonds, except that the Authority shall be under no obligation to update information with regard to appraised land values.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties; and
10. Substitution of credit or liquidity providers, or their failure to perform; and
11. Release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Authority determines that the Listed Event would not be material under applicable federal securities laws, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Authority. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Authority's obligations under the Local Obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Authority and the original Authority shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative

explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority 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 obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as set forth in Exhibit B hereto.

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: [Closing Date].

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

By _____
Member

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT
AUTHORITY

Name of Bond Issue: STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM
REVENUE BONDS, SERIES 2003A

Date of Issuance: [CLOSING DATE]

NOTICE IS HEREBY GIVEN that the California Statewide Communities Development Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by Section 8.06 of the Trust Agreement dated as of October 1, 2003 between the Authority and the Trustee. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION
on behalf of Authority

cc: Authority

EXHIBIT B

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Authority: California Statewide Communities Development Authority
1100 K Street
Sacramento, CA 95814
Attention: Secretary

To the Trustee: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Attention: Corporate Trust

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

California Statewide Communities Development Authority
Sacramento, California

California Statewide Communities Development Authority
Statewide Community Infrastructure Program Revenue Bonds, Series 2003A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the California Statewide Communities Development Authority (the "Issuer") of \$6,270,000 aggregate principal amount of its Statewide Community Infrastructure Program Revenue Bonds, Series 2003A (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code), and a trust agreement, dated as of October 1, 2003 (the "Trust Agreement"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee") providing for the issuance, sale and delivery of the Bonds approved by Resolution No. 03S-11 of the Issuer adopted on September 23, 2003. The Bonds are issued for the purpose of enabling the Issuer to fund certain limited obligation improvement bonds of the Issuer (the "Local Obligations"), which will in turn be used to fund certain development impact fees to pay for public capital improvements for certain participating local governmental agencies (the "Local Agency Participants"), to fund a reserve fund for the Bonds, to fund capitalized interest on the Local Obligations, to pay costs of issuance of the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate dated the date hereof (the "Tax Certificate"), certifications of the Issuer, the Trustee, the Local Agency Participants and others, an opinion of counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted to be taken, under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted to be taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding obligations of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, of the Revenues and the Local Obligations, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or any subordinate entity or political subdivision is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California and said State is not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX F
MASTER PARCEL TABLE

County	City	Project Name	APN	Units (acres)	Assessment Amount	Assessed Land	Assessed Structure	Assessed Total	Appraised Value	Value-to-Lien *
Placer	Lincoln	Sterling Pointe	021-273-064-000	16.49 (acres)	\$1,032,361	\$ 2,724,719.00	0.00	\$ 2,724,719.00	\$ 7,180,000	6.95
San Mateo	Milbrae	Glenborough Pauls	024-344-020	2.48 (acres)	1,873,088	12,483,759.00	0.00	12,483,759.00	N/A	6.66
Ventura	Oxnard	Big T Freightliner	216-0-151-375	5.03 (acres)	199,067	1,423,315.00	0.00	1,423,315.00	N/A	7.15
Contra Costa	Brentwood	KB Home	013-030-010	66	912,980	676,520.00	0.00	676,520.00	2,740,000	3.00
Contra Costa	Richmond	Metro Walk	540-480-001	1	17,633	5,206.00	0.00	5,206.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-002	1	17,633	5,206.00	0.00	5,206.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-003	1	17,633	5,206.00	0.00	5,206.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-004	1	17,633	5,206.00	0.00	5,206.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-005	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-006	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-007	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-008	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-009	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-010	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-011	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-012	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-013	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-014	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-015	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-016	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-017	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-018	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-019	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-020	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31

County	City	Project Name	APN	Units (acres)	Assessment Amount	Assessed Land	Assessed Structure	Assessed Total	Appraised Value	Value-to-Lien *
Contra Costa	Richmond	Metro Walk	540-480-021	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-022	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-023	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-024	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-025	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-026	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-027	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-028	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-029	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-030	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-031	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-032	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-033	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-034	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-035	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-036	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-037	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-038	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-039	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-040	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-041	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-042	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-043	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-044	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-045	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-046	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-047	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-048	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-049	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-050	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31

County	City	Project Name	APN	Units (acres)	Assessment Amount	Assessed Land	Assessed Structure	Assessed Total	Appraised Value	Value-to-Lien *
Contra Costa	Richmond	Metro Walk	540-480-051	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-052	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-053	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-054	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-055	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-056	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-057	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-058	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-059	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-060	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-061	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-062	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-063	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-064	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-065	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-066	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-067	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-068	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-069	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-070	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-071	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-072	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-073	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-074	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-075	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-076	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-077	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-078	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-079	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-080	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31

County	City	Project Name	APN	Units (acres)	Assessment Amount	Assessed Land	Assessed Structure	Assessed Total	Appraised Value	Value-to-Lien *
Contra Costa	Richmond	Metro Walk	540-480-081	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-082	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-083	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-084	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-085	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-086	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-087	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-088	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-089	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-090	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-091	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-092	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-093	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-094	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-095	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-096	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-097	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-098	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-099	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-100	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-101	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-102	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-103	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-104	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-105	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-106	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-107	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-108	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-109	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-110	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31

County	City	Project Name	APN	Units (acres)	Assessment Amount	Assessed Land	Assessed Structure	Assessed Total	Appraised Value	Value-to-Lien *
Contra Costa	Richmond	Metro Walk	540-480-111	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-112	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-113	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-114	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-115	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-116	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-117	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-118	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-119	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-120	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-121	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-122	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-123	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-124	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-125	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-126	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-127	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-128	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-129	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-130	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-131	1	17,633	5,207.00	0.00	5,207.00	58,333	3.31
Contra Costa	Richmond	Metro Walk	540-480-132	1	17,632	5,207.00	0.00	5,207.00	58,333	3.31
TOTAL					\$6,345,000	\$17,995,633	\$0	\$17,995,633	\$17,619,956	4.97

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APPENDIX G

EXCERPTS FROM APPRAISALS

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

Real Estate Appraisal & Consultation

Seevers
Jordan
Ziegenmeyer

September 18, 2003

Mr. Jay Corey, Assistant City Manager
City of Richmond
Finance Department
P.O. Box 4046
2600 Barrett Avenue
Richmond, CA 94804

RE: Phase I of Metro Walk Attached Townhouse Subdivision
Portion (component) of the California Statewide Communities
Development Authority Assessment District No. 03-01
Richmond, California

Dear Mr. Corey:

We have analyzed market data for the purpose of estimating the hypothetical market value (*fee simple estate*) of the partially improved, Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01, under the conditions and assumptions set forth in the attached report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP). This report documents a complete appraisal of the subject property. Further, it is presented in a summary report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraised property resides in downtown Richmond, west of interstate 80 and north of Interstate 580. Specifically, the subject is bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and a railroad/BART station to the east, Richmond, Contra Costa County, California.

The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress. The following estimate represents the hypothetical market value of the subject property. The value estimate assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. The bond proceeds will provide for a reduction in permits and fees otherwise due.

Mr. Jay Corey
September 18, 2003
Page 2

The effective date of the value below is September 9, 2003, which was our date of inspection. The value estimate cited is subject to the extraordinary assumptions, significant factors, general assumptions and limiting conditions referenced in that section of this report (please refer to pages 9 through 11). The estimate of hypothetical market value for the subject property is...

SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS

(\$7,700,000)


The hypothetical condition reflected in this analysis, specifically assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. The bond proceeds will provide for a reduction in permits and fees otherwise due.


This letter must remain attached to the report, which contains 62 pages, plus related tables, exhibits and Addenda, in order for the value opinions set forth to be considered valid.

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

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

Sincerely,


P. Richard Seever, MAI
State Certification No. AG001723
Expiration Date: August 12, 2004


Kevin K. Ziegenfeyer
State Certification No. AG013567
Expiration Date: June 4, 2005


Michelle L. Peterson
State Certification No.: AG031252
Expiration Date: July 10, 2005

/smh

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

- Project Name:** The subject is identified as the partially improved Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01.
- Property Type:** Multifamily residential development
- Ownership Entities:** Olson 737 - Richmond 132, LLC
- Property Rights Appraised:** Fee simple estate
- Location:** Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01, is comprised of contiguous portions of land bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and the railroad/BART to the east, Richmond, Contra Costa County, California.
- Assessor's Parcel Number(s):** The subject property is currently situated within the confines of 37 separate, yet contiguous assessor's parcels, a complete list of which is included in the Engineer's Report for the proposed District, prepared by MuniFinancial dated July 24, 2003. For your reference a copy of this document is included in the Addenda to this report.
- Zoning/Land Use:** The subject is zoned CB (Central Business District). The CB zone is intended to create, preserve, and enhance areas for high intensity multiple uses with an urban character. The CB zone permits such uses as commercial, retail, residential, and industrial development. The subject is located within the City Center Specific Plan Area and is intended for high-density residential use. The Metro Walk project consists of a townhouse residential use and a small retail component. The subject represents the residential component within the Metro Walk project. The subject represents a legally conforming use under this zoning classification.
- Flood Zone:** The subject property is classified as being in Flood Zone C, described as an area outside of the 100 and 500 year flood areas. This information is according to Federal Emergency Management Agency F.I.R.M. Map Community Panel No. 06035-0020C, dated September 2, 2001.
- Earthquake Zone:** According to the Seismic Safety Commission the subject parcels are located within Zone 3, which is considered to be the lowest risk zone in California.

There are only two zones in California. Zone 4 is assigned to areas of major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Land Area: The entire Phase I site of the Metro Walk Attached Townhouse Subdivision contains 7.55 acres, of which a portion will be dedicated to a parking garage and an Intermodal transportation terminal, leaving 5.0 acres dedicated to retail, streets, public park areas and 132 townhome units.

Number of Proposed Units: 132

Gross Land Area: 5.0 acres

Date of Value: September 9, 2003

Date of Report: September 18, 2003

Prepared For: Mr. Jay Corey, representing the City of Richmond

Prepared By: P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Michelle L. Peterson, Appraiser

The value estimates cited below are subject to the extraordinary assumptions, significant factors, general assumptions and limiting conditions referenced in that section of this report (please refer to pages 9 through 11).

Conclusion of Hypothetical Value: **\$7,700,000**

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of the subject property, which is situated within the confines of 37 separate, yet contiguous assessor's parcels. The subject represents the partially improved 132 unit Metro Walk Attached Townhouse Subdivision, bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and a railroad/BART station to the east, Richmond, Contra Costa County, California. Further, the subject is a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01.

INTENDED USE OF THE APPRAISAL

It is our understanding the report will be used for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

The client and intended user of the report is the City of Richmond.

PROPERTY RIGHTS APPRAISED

The estimates of value derived in this report are for the fee simple estate. The definition of this real property interest is offered as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

The rights appraised are also subject to the Assumptions, Significant Factors and Limiting Conditions contained in this report (please refer to pages 9 through 11) and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise the value estimate reflects the completion of the public facilities to be financed by bonds and accounts for the impact of the Assessment Lien securing the Bonds.

TYPE OF APPRAISAL AND REPORT FORMAT

As you requested, this report documents a complete appraisal of the subject property. The analysis and findings have been presented in a summary report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

DATE OF INSPECTION

The subject property was last inspected on September 9, 2003.

EFFECTIVE DATE OF VALUE

Our analysis concerns the hypothetical valuation of the subject property. Specifically, the hypothetical condition assumed for this is the prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities. Thus, for purposes of this analysis, the date of value based on the assumed condition is our date of inspection, September 9, 2003.

DATE OF REPORT

This report was finalized and assembled on September 18, 2003.

APPRAISAL PROBLEM

The appraisal problem is to estimate the hypothetical market value of the subject property, the partially improved Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities Development Authority Assessment District No. 03-01. The subject incorporates a partially improved 132 unit townhouse subdivision on 5.0 gross acres of land area bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and the railroad/BART to the east, Richmond, Contra Costa County, California.

At the present time construction is underway on five of the subject buildings. **The contributory value of the buildings under construction is beyond the scope of this appraisal assignment and will therefore not be analyzed.**

We have been requested to provide the hypothetical market value of the subject property as of our date of inspection, September 9, 2003. To do so, we will employ the sales comparison approach to value and a discounted cash flow analysis will be used to value the subject property under the subdivision development method.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP).

¹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 113.

APPRAISAL PREMISE DEFINITIONS

This appraisal of the subject property has been made in accordance with the following definitions:

Market Value

The most probable price a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Marketing Period

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.³

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

³ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 175.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁴

Hypothetical Value Estimate

A value that is contrary to what exists, but is supposed for the purpose of analysis.⁵

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 105.

⁵ The Uniform Standards of Professional Appraisal Practice, 2003 ed. (Appraisal standards Board, 2003), 3.

EXPOSURE TIME

As previously discussed in the Appraisal Premise Definitions section of this report, there is a distinction between exposure time and marketing time. Exposure time is the period a property interest would have been offered on the market *prior* to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Marketing time reflects the time it might take to sell an interest in real property at its estimated market value during the period *immediately after* the effective date of the appraisal.

Exposure Time

Inherent in the definition of market value and marketing time is an adequate amount of exposure on the open market. Two excerpts for the definitions of both market value and marketing time are listed as follows:

Market Value:

"... a reasonable time is allowed for *exposure* in the open market."

Marketing Time:

"...the anticipated time required to *expose* the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions."

Based on recent and historical market conditions, an exposure time of 12 months is considered reasonable for the subject property. This is basically consistent with the average marketing times of other vacant residential properties located in the Richmond market area and surrounding areas within Contra Costa and Alameda Counties.

SCOPE OF THE APPRAISAL

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

Therefore, in keeping with the above statement, the scope of this assignment is outlined as follows:

- Conducted a physical inspection of the subject property and comparable land sales on September 9, 2003;
- Telephoned and interviewed people considered knowledgeable regarding the subject property, the comparable market data set and general market;
- Verified information relating to public information or the comparable market data set by telephone conversations with the parties involved in the various transactions;
- Verified the subject's assessments, zoning, flood zone, earthquake zone and utilities with the applicable government agencies. Interviews regarding the specifics of the subject property were conducted.
- Estimated a probable exposure time for the subject property based on sales and listings of similar properties and interviews with local real estate professionals;
- Investigated local area land use trends, as well as proposed and/or present construction activity. This information was obtained from various market participants, including brokers, developers and government staffs;
- Determined the highest and best use as vacant, and as partially improved, according to the four tests of legal permissibility, physical feasibility, financial feasibility and maximum profitability;
- Derived an estimate of hypothetical market value for the subject property;

The market data contained in this report was obtained from a variety of sources, is considered reliable, and has been utilized to document the valuation conclusions.

EXTRAORDINARY ASSUMPTIONS AND SIGNIFICANT FACTORS

Extraordinary Assumptions

- 1. A preliminary title report dated October 3, 2002 was provided for use in our analysis. A review of the preliminary title report, along with an inspection of the subject property, revealed no apparent adverse easements, encroachments or other conditions that may impact the subject property. Please obtain current preliminary title reports for additional details. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.*
- 2. At the present time construction is underway on five of the subject buildings. The contributory value of the buildings under construction is beyond the scope of this appraisal assignment and will therefore not be considered in our conclusion of value.*
- 3. According to the Engineer's Report, the subject property currently represents 36 separate parcels and a portion of an assessor's parcel. The market value conclusions contained herein specifically assume the subject property has its own assessor's parcel numbers, enabling the property to be transferred independently.*

Significant Factors

- 1. It is assumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit the development of the subject property.*
- 2. The value estimate assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.*
4. *The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.*
5. *It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.*
6. *It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.*
7. *It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.*
8. *It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.*
9. *It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.*
10. *Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.*

11. *The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.*
12. *The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.*
13. *Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.*
14. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer.*
15. *The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.*
16. *Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.*
17. *An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.*

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have not made an inspection of the property that is the subject of this report;
- Michelle Peterson, Appraiser inspected the subject property and provided significant professional assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.



P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 8, 2004)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have not made a personal inspection of the property that is the subject of this report;
- Michelle Peterson, Appraiser inspected the subject property and provided real property appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2005)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made an inspection of the property that is the subject of this report;
- P. Richard Seevers, MAI reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



MICHELLE L. PETERSON, APPRAISER
State Certification No.: AG031252 (Expires: July 10, 2005)

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01, is comprised of contiguous portions of land bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and the railroad/BART to the east, Richmond, Contra Costa County, California. The neighborhood has good freeway access via MacDonald Avenue and Barrett Avenue that provide access to Interstate 80. Additionally, Marina Way provides access to Interstate 580, one mile south of the subject.

Assessor's Parcel Numbers

The subject property is currently situated within the confines of 37 separate, yet contiguous assessor's parcels, a complete list of which is included in the Engineer's Report for the proposed District, prepared by MuniFinancial dated July 24, 2003. For your reference a copy of this document is included in the Addenda to this report.

Ownership

Title to the subject property is presently vested with Olson 737 - Richmond 132, LLC.

Assessment and Tax Information

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on ad valorem property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76, or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978 and any bonds subsequently approved by a two-thirds vote of the district, in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the 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 property.

As referenced, the appraised property is located within the boundaries of a proposed Assessment District. With respect to special taxes, we have relied upon the Engineer's Report, prepared by MuniFinancial, for calculating the annual special tax levy on the appraised property. The annual debt on the assessment lien applicable to the subject will be discussed in greater detail later in this report.

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

Conditions of Title

A preliminary title report dated October 3, 2002 was provided for use in our analysis. A review of the preliminary title report, along with an inspection of the subject property, revealed no apparent adverse easements, encroachments or other conditions that may impact the subject property. Please obtain current preliminary title reports for additional details. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.

Entitlement Status

The subject property, which is comprised of 37 assessor's parcels, received final map approval on October 2, 2002.

Land Use Summary

At the present time construction is underway on five of the subject buildings. The contributory value of the buildings under construction is beyond the scope of this appraisal assignment and will therefore not be analyzed.

General Plan Designation and Zoning

Phase I of Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01 is zoned CB (Central Business District). The CB zone is intended to create, preserve, and enhance areas for high intensity multiple uses with an urban character. The CB zone permits such uses as commercial,

retail, residential, and industrial development. The Metro Walk project consists of a townhouse residential use and a small retail component. The subject represents the residential component within the Metro Walk project. The subject is located within the City Center Specific Plan Area and is intended for high-density residential use. According to the Disposition and Development Agreement (DDA) with the City of Richmond, 50 percent of the subject units must be sold to purchasers earning less than or equal to 120 percent of the median family income in Contra Costa County. Further, the annual housing cost must be no more than 35 percent of 110 percent of the median income.

Flood Zone

The subject property is classified as being in Flood Zone C, described as an area outside of the 100 and 500 year flood areas. This information is according to Federal Emergency Management Agency F.I.R.M. Map Community Panel No. 06035-0020C, dated September 2, 2001.

SITE DESCRIPTION

The subject property is situated within the confines of 37 separate, yet contiguous assessor's parcels. The subject represents 132 partially improved units, Phase I of Metro Walk Attached Townhouse Subdivision, which represents a portion (component) of the California Statewide Communities development Authority Assessment District No. 03-01. The entire Phase I site of the Metro Walk Attached Townhouse Subdivision contains 7.55 acres, of which a portion will be dedicated to a parking garage and an Intermodal transportation terminal, leaving 5.0 acres dedicated to retail, streets, public park areas and 132 townhome units. The subject is bordered by Barrett Avenue to the north, Marina Way to the west, MacDonald Avenue to the south, and the railroad/BART to the east, Richmond, Contra Costa County, California. The hypothetical market value of the subject property will be derived assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities.

The subject property is further discussed as follows.

- Size and Shape:** The appraised property comprises a portion of the proposed California Statewide Communities Development Authority Assessment District No. 03-01, and represents 5.0 gross acres of land area, irregular in shape.
- Topography:** The topography of the subject property is generally level.
- Soil:** A soils study of the subject property was not provided for this analysis. This appraisal assumes the soil and subsoil conditions are suitable for multifamily development based on surrounding, compatible uses.
- Drainage:** Upon completion of any proposed improvements, it is expected adequate drainage will be provided.
- Frontage:** The subject offers frontage along the southline of Barrett Avenue, the east line of Marina Way, and the north line of MacDonald Avenue.
- Offsite Improvements:** All offsite improvements, including concrete curb, gutter, sidewalk, asphalt-paved street and street lighting are in place and in average condition.
- Access:** As indicated above, primary access to the subject property is provided via Marina Way and MacDonald Avenue. The subdivision will also have direct access to the Intermodal railroad and BART terminals located adjacent to the site.

Utilities:

Public utilities, including electricity, natural gas, water and telephone service, have been extended to the subject property. Public utilities to be serving the subject are listed below.

- Water:** East Bay Municipal Utilities District (EBMUD)
- Sewer:** East Bay Municipal Utilities District (EBMUD)
- Drainage:** East Bay Municipal Utilities District (EBMUD)
- Electricity:** Pacific Gas and Electric
- Gas:** Pacific Gas and Electric
- Telephone:** SBC Communications
- Police:** City of Richmond
- Fire District:** City of Richmond

Seismic Hazards:

According to the Seismic Safety Commission the subject parcels are located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas of major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Hazardous Waste:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property.

The value estimate herein is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Conclusion:

The configuration and size of the subject property is considered adequate for residential development.

FACILITIES TO BE FUNDED BY THE DISTRICT

As previously indicated, this report will address the value of the subject property, assuming the completion of the public facilities for which impact fees are financed by the California Statewide Communities development Authority Assessment District (AD) No. 03-01. The improvements to be funded by the AD are detailed in the California Statewide Communities Development Authority Assessment District No. 03-01 Engineer's Report, date July 24, 2003, a copy of which is included in the Addenda to this report for your reference. In short, the primary facilities authorized through AD assessment Lien proceeds include Prepayment of City of Richmond Metro Walk Impact Fees. Bond proceeds from the AD will also be used to fund the costs associated with the formation of the AD.

The financing is also to include incidental expenses associated with the formation of the assessment district, including, but not limited to, the cost of planning, engineering, and designing the facilities; cost associated with the creation of the District; issuance of bonds thereof; determination of the amount of the assessment; collection of the assessment; payment of the assessment; or costs otherwise incurred in order to carry out the authorized purposes of the District; and any other expenses incidental to the construction, completion, and inspection of the facilities.

SALES HISTORY

The subject property transferred on July 31, 2003 to the buyer, Olson 737 - Richmond 132, LLC from the seller, Richmond Redevelopment Agency, for a consideration of \$948,022. According to the disposition and development agreement, the purchase price represents a non-interest bearing note that is forgiven once \$948,022 is expended on the subject property. Additionally, the Redevelopment Agency will loan the developer \$5,148,000 for costs of Phase I construction. The \$5,148,000 loan will also be forgiven upon completion of the improvements. No monies transferred at the time of sale from the buyer to the seller. This is not a typical transaction and is not considered to be indicative of market value.

TIME TO COMPLETE

According to the developer, site development work is anticipated to be approximately 85 to 90 percent complete by November 9, 2003. Additionally, the townhome units are anticipated to be complete by March 2005.

SUBJECT PHOTOGRAPHS

Pictures of the subject property are presented on the following exhibit pages.

EXHIBIT

Subject Property Photographs



Looking North on Subject Property



Looking North on Subject Property

EXHIBIT

Subject Property Photographs



Looking Northeast on Subject Property



Looking South Along Marina Way

EXHIBIT

Subject Property Photographs



Looking North on Marina Way



Northwest Portion of Subject Property

HIGHEST AND BEST USE ANALYSIS

Defined

The term "highest and best use," as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.⁷

In general, this definition applies to the highest and best use of a property as though vacant and with improvements in place.

The term "highest and best use – as though vacant," is defined as follows:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.⁸

The term "highest and best use – as improved," is defined as follows:

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.⁹

As indicated in the above definitions, two analyses are typically required for highest and best use. The first analysis is the highest and best use of the land as though vacant. The second stage of the analysis is the highest and best use as improved. Since the subject property represents partially improved land, the second stage of the highest and best use analysis (as proposed) will be included in this report.

⁷ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 135.

⁸ The Dictionary of Real Estate Appraisal 135.

⁹ The Dictionary of Real Estate Appraisal 135.

Highest and Best Use – As Though Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property, as though vacant, as it relates to legally permissible uses, physically possible uses, as well as a use or uses deemed to be financially feasible and maximally productive.

Legal Permissibility

The legal factors influencing the highest and best use of the subject property is primarily government regulations, such as zoning and building codes. The entire Phase I site of the Metro Walk Attached Townhouse Subdivision contains 7.55 acres, of which a portion will be dedicated to a parking garage and an Intermodal transportation terminal, leaving 5.0 acres dedicated to retail, streets, public park areas and 132 townhome units. The subject, and additional land, has received final map approval for multifamily and retail residential development. Based on the proposed development plans, which are included within the proposed boundaries of the California Statewide Communities development Authority Assessment District No. 03-01, the subject will include 132 lots. The subject is zoned CB (Central Business District). The CB zone is intended to create, preserve, and enhance areas for high intensity multiple uses with an urban character. The CB zone permits such uses as commercial, retail, residential, and industrial development. The subject is located within the City Center Specific Plan Area and is intended for high-density residential use.

Based on the difficulties in obtaining existing approvals for the subject property, it is doubtful any significant project changes would be allowed.

Physical Possibility

The physical and locational characteristics of the property have been previously described in this report. In summary, the physical characteristics of the site, terrain and soils are suitable for development.

Locational considerations include the compatibility of the subject's proposed use and location with respect to surrounding uses. The Metro Walk project consists of a townhouse residential use and a small retail component. The subject represents the residential component within the Metro Walk project designated for multifamily development.

There are no known significant easements that would prohibit the development of the property. Overall, the subject property has locational characteristics that support the proposed land use as a townhouse project.

Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. The subject is located in an area that is in need of revitalization. Redevelopment plans are underway. The subject is located adjacent to the BART station as well as an Amtrak station and accordingly, has excellent mass transportation access. There is a lack of affordable residential development throughout the Bay Area and medium to high density residential product is experiencing steady demand.

At this point in our analysis it is necessary to consider whether a for sale townhome project and a for rent multifamily project are generally similar. As eluded to in the *Overview* sections of this report, the subject's market area is in a revitalization stage. Land in the East Bay is scarce and in-fill projects represent the majority of newer construction in the area. The continuous eroding of the affordability housing index in the East Bay has made home ownership more elusive to first-time homebuyers, resulting in an increased demand for high-density, for sale, residential projects.

Hypothetical Townhome Development

Consistent with the underlying land use designation controlling the subject property, either multifamily rental or townhouse development of the site is both legally permissible and physically possible. Thus, we will consider the development of the subject site under both townhouse and multifamily rental scenarios. A discounted cash flow analysis used to derive a residual land value of the subject site based on the townhouse development proposed for the subject property, which is utilized in the valuation section later in this report.

Hypothetical Multifamily Development

In contrast to a hypothetical townhome project, presented on the following facing page is a feasibility analysis, based on market data research, for a hypothetical multifamily project suitable for the subject site. The demand for Class-A multifamily projects in the region has increased during the past few years, which has resulted in in-fill development in the East Bay. Thus, for purposes of our analysis, the subject property, is analyzed as if developed as a Class-A multifamily residential project. The subject property encompasses 5.0 gross acres of land area.

For our analysis we will utilize a density of 26.4 units per acre (the proposed subject density as a for sale townhome development). The average Class-A market rent in the region is \$1,500 per month, which will be used in our analysis. Further, based on the overall market vacancy in the East Bay, a stabilized vacancy factor of 5.0% will also be applied. Market expenses of \$4,000 per unit per year is deducted to provide a derivation of net operating income, which is capitalized at a market derived overall rate of 8.00%, yielding a stabilized value estimate for a proposed multifamily residential project. From the stabilized value, deductions are made for direct and indirect construction costs, as well as developer's profit, which results in a residual land value estimate for the subject property under the multifamily development scenario presented on the facing page.

Conclusion of Financial Feasibility

As demonstrated in the two valuation scenarios presented, development of the subject property as either a for sale townhome project or a for rent multifamily project is feasible. In the paragraph below we will address the Maximum Productivity Use for the subject.

Maximum Productivity Use

Development of the subject property with either a townhome project or as apartments is physically, legally and financially feasible. However, the maximum productive use reflects the highest attributable value to the land. The indicated land value under the townhome development scenario is \$7,960,000, or \$60,303 per unit (based on 132 proposed units), whereas the land value under the multifamily scenario is \$5,500,000, or \$41,667 per unit (based on 132 units), a difference of 44.73%. Thus, as illustrated the subject's development potential under the for sale townhouse project scenario is judged to be the subject's maximally productive use as vacant.

According to the disposition and development agreement (DDA), 50 percent of the units to be developed on the subject property must be sold to purchasers earning less than or equal to 120 percent of the median family income in Contra Costa County. The price point for the affordable units is calculated as total housing costs at less than or equal to 35 percent of 110 percent of Contra Costa County's median income. The calculated price for the affordable units is included in the Addenda to this report for your reference. Based on the calculated affordable prices, when compared to the price points currently achieved for the subject's market rate units, there is nominal difference between the pricing for the affordable units and the market rate units. Considering the information cited, we have concluded that the requirement for 50% of the subject's units to be allocated to affordable housing has no detrimental impact on the subject's market value.

Conclusion of the Highest and Best Use – As Though Vacant

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the property. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the property. The only use that meets the four criteria for determining the highest and best use is a for sale multifamily residential development as proposed. Based on this analysis a high-density residential development (for sale project) is judged to be the highest and best use, as vacant land, for the subject property.

Highest and Best Use – As Partially Improved

As of the date of inspection, September 9, 2003, the subject property had been graded and construction is underway on five of the subject buildings. The contributory value of the buildings under construction is beyond the scope of this appraisal assignment and will therefore not be analyzed. The subject property, as partially improved as of the date of inspection is consistent with our concluded highest and best use as vacant land.

APPRAISAL METHODOLOGY

The following valuation approaches were considered for use in analyzing the subject property. These are the cost, sales comparison and income capitalization approaches, and subdivision development method. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.¹⁰

Due to the market data available for use in the sales comparison approach, we have not utilized the cost approach to value in this valuation analysis.

Sales Comparison Approach

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

¹⁰ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 67.

The definition of the sales comparison approach is offered as follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales are available.¹¹

Income Capitalization Approach

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

Due to the fact the subject property is not income producing in nature, the income capitalization approach to value will not be utilized in this report.

Subdivision Development Method

A method of estimating land values is the subdivision development method. This method is most applicable when subdivision is the highest and best use of the parcel of land being appraised. In the subdivision development method, all direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots (residential units); the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land (improved site).¹²

In the analysis that follows, we will employ the subdivision development method in the market valuation of the subject property.

¹¹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 255.

¹² The Dictionary of Real Estate Appraisal 354.

INTRODUCTION

As indicated previously, this report concerns the hypothetical market value of the subject property assuming prepayment of impact fees to be financed by the California Statewide Communities development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds.

In the valuation of the subject property that follows, we will begin by utilizing the sales comparison approach to value. Similar sales of residential land in the subject's market area and similar market areas are compared to the subject property to determine the subject's hypothetical market value. Next, We will employ the subdivision development method to derive the hypothetical market value of the underlying land utilizing a discounted cash flow analysis. These value estimates will then be reconciled into a final hypothetical market value conclusion.

HYPOTHETICAL MARKET VALUE OF THE SUBJECT PROPERTY

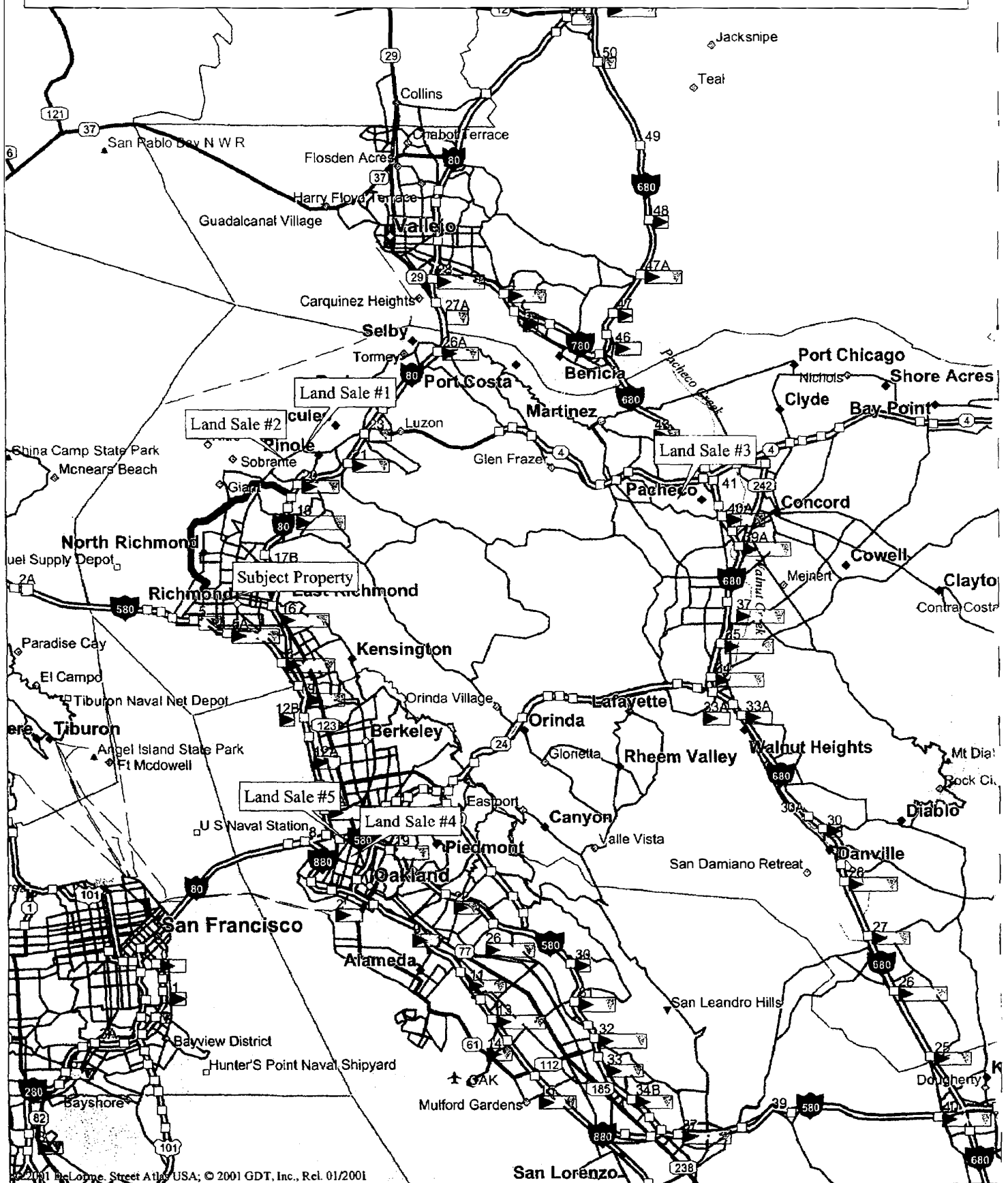
Sales Comparison Approach

In this section we will estimate the hypothetical market value of the subject property. To do so, the subject is compared with sales of similar properties on the basis of price per unit. The value of the underlying land is estimated by market comparison.

Consideration is given to factors such as property rights conveyed, financing, conditions of sale and market appreciation or depreciation since the date of sale. Differences in physical characteristics such as location, parcel size, shape, topography, onsite and offsite improvements, utilities and zoning are considered in the analysis.

The market data investigation considers land sales within the East Bay market areas. Five sales have been identified as being representative of the market and pertinent to the valuation of the subject land. The data from comparable sales is summarized in the table on the next page, followed by detailed sales sheets and a discussion that leads to a conclusion of hypothetical market value for the subject property.

LAND SALES MAP



MULTIFAMILY LAND SALES SUMMARY

Metro Walk Attached Townhouse Subdivision
 Richmond, California

Sale No.	Location/ APN	Sale Date	Size (acres)	Sale Price	No. of Units	Project Density	Sale Price per Unit
1	850 San Pablo Pinole, Contra Costa County, California APN: 402-230-001 thru 004	Dec-02	14.73	\$3,000,000	60	4.07	\$50,000
2	San Pablo Avenue, west of Appian Way San Pablo, Contra Costa County, California APN: 403-080-030 to -052	Mar-02	2.70	\$1,500,000	20	7.42	\$75,000
3	NWC Glacier Drive & Center Street Martinez, Contra Costa County, California APN: 155-370-074 thru -106	Jan-02	3.07	\$1,579,000	33	10.75	\$47,848
4	1089 26th Street Oakland, Alameda County, California APN: 005-0435-001, 005-436-002, -003, -004, -005, -006, -007	Dec-00	2.83	\$3,800,000	79	27.95	\$48,101
5	NWC Magnolia Street & 32nd Street Oakland, Alameda County, California APN: 00-0474-008-2, -008-04	Oct-00	1.18	\$1,400,000	32	27.05	\$43,750
<i>Subject</i>	Metro Walk Attached Townhouse Subdivision Richmond, Contra Costa County, California APN: See Addenda	Appraisal	5.00	N/Av	132	26.40	N/Av

RESIDENTIAL LAND SALE No. 1

Property Identification

Property Type	Residential
Property Name	N/A
Location	850 San Pablo Avenue, Pinole, Contra Costa County, California
APN	402-230-001 thru 004

Sale Data

Grantor	Arley Anthony
Grantee	Pinole Redevelopment Agency
Sale Date	December 24, 2002
Document No.	492867
Property Rights	Fee Simple
Marketing Time	N/Av
Condition of Sale	Market
Sale Price	\$3,000,000
Bonds	\$ <u>0</u>
Total Consideration	\$3,000,000
Financing	All cash to seller

Descriptive Data

Zoning	M-U
Topography	Level
Utilities	All to site
Shape	Irregular

Land Size Information

Gross Land Size	14.730 acres (641,639 SF)
Planned Units	60 units
Front Footage	San Pablo Avenue

Indicators

Total Consideration/Net Acre	\$ 203,666
Total Consideration/Net SF	\$ 4.68
Total Consideration/Unit	\$ 50,000

Remarks

This comparable sale reflects the transaction between the Pinole Redevelopment Agency and Arley E. Anthony. At the time of sale, this comparable included a 2,613± square foot masonry building and an asphalt paved lot. The buyer intends to demolish the structure and parking lot at a cost of \$50,000. The buyer plans to construct a 60-house single family residential subdivision. According to the broker, the property was not on the market at the time of sale. Additionally, an extended escrow period of 18 months was reported due to environmental site assessment.

RESIDENTIAL LAND SALE No. 2

Property Identification

Property Type	Residential
Property Name	N/A
Location	San Pablo Avenue, west of Appian Way, Contra Costa County, California
APN	403-080-030 to -052

Sale Data

Grantor	Dinesh Sawhney Tr., et al
Grantee	Young California Pinole, LP
Sale Date	March 2002
Document No.	N/Av
Property Rights	Fee Simple
Marketing Time	N/Av
Condition of Sale	Market
Sale Price	\$ 1,500,000
Bonds	\$ <u>0</u>
Total Consideration	\$ 1,500,000
Financing	N/Av

Descriptive Data

Zoning	Res.
Topography	Level
Utilities	All to site
Shape	Rectangular

Land Size Information

Gross Land Size	2.6957 acres (117,426 SF)
Planned Units	20
Front Footage	San Pablo Avenue

Indicators

Total Consideration/Net Acre	\$ 556,442
Total Consideration/Net SF	\$ 12.77
Total Consideration/Unit	\$ 75,000

Remarks

This comparable sale represents the purchase of 2.6957± acres of land in San Pablo. The buyer plans to construct a 20-house single family residential subdivision. The property is located on the north line of San Pablo Avenue, west of Appian Way.

MULTIFAMILY LAND SALE No. 3

Property Identification

Property Type	Multifamily
Property Name	N/A
Location	NWC Glacier Drive and Center Street, Martinez, Contra Costa County, California
APN	115-370-074 thru -106

Sale Data

Grantor	Family of Faith Christian, et al
Grantee	Glacier Classics, L.P.
Sale Date	January 29, 2002
Document No.	029782
Property Rights	Fee Simple
Marketing Time	N/Av
Condition of Sale	Market
Sale Price	\$1,579,000
Bonds	\$ 0
Total Consideration	\$1,579,000
Financing	All cash to the seller

Descriptive Data

Zoning	R-6
Topography	Generally level
Utilities	All to site
Shape	Rectangular

Land Size Information

Gross Land Size	3.07 acres (133,729 SF)
Planned Units	33
Front Footage	N/Av

Indicators

Total Consideration/Net Acre	\$ 514,332
Total Consideration/Net SF	\$ 11,81
Total Consideration/Unit	\$ 47,848

Remarks

This comparable sale represents the purchase of 3.07 acres of land in Martinez by Family of Faith Christian, et al and Glacier Classics, L.P. The property is located at the northwest corner of Glacier Drive and Center Avenue, south of Highway 4 and east of Morello Avenue. The selling price was \$1,579,000. An extended escrow period was reported due to the buyer obtaining development approval.

MULTIFAMILY LAND SALE No. 4

Property Identification

Property Type	Multifamily
Property Name	N/A
Location	1089 26th Street, Oakland, Alameda County, California
APN	005-0436-002 thru -007

Sale Data

Grantor	Ronald Zimmerman
Grantee	Bridge Housing
Sale Date	December 2000
Document No.	N/Av
Property Rights	Fee Simple
Marketing Time	N/Av
Condition of Sale	Market
Sale Price	\$3,800,000
Bonds	\$ 0
Total Consideration	\$3,800,000
Financing	N/Av

Descriptive Data

Zoning	M-20 and S-15
Topography	Level
Utilities	Available
Shape	Rectangular

Land Size Information

Gross Land Size	2.8262 acres
Planned Units	79
Front Footage	26 th Street

Indicators

Total Consideration/Net Acre	\$ 1,344,562
Total Consideration/Net SF	\$ 30.87
Total Consideration/Unit	\$ 48,101

Remarks

This comparable represents the December 2000 transfer of 2.8262-acres of land in Oakland for \$3,800,000. The buyer purchased this comparable to construct attached affordable housing. At the time of sale, the property had older cross dock buildings requiring demolition. The seller granted a credit of \$220,000 for toxics. The sale price reflects a "clean" site.

MULTIFAMILY LAND SALE No. 5

Property Identification

Property Type	Multifamily
Property Name	N/A
Location	NWC Magnolia Street & 32 nd Street, Oakland, Alameda County, California
APN	005-0474-008-02 & -04

Sale Data

Grantor	Clausen Project Associates
Grantee	Magnolia Street, LLC
Sale Date	October 2000
Document No.	N/Av
Property Rights	Fee Simple
Marketing Time	N/Av
Condition of Sale	Market
Sale Price	\$1,400,000
Bonds	\$ <u> 0</u>
Total Consideration	\$1,400,000
Financing	N/Av

Descriptive Data

Zoning	R-36, Residential
Topography	Level
Utilities	All to site
Shape	Irregular

Land Size Information

Gross Land Size	1.1831 acres (51,535 SF)
Planned Units	32
Front Footage	Magnolia Street

Indicators

Total Consideration/Net Acre	\$ 1,183,332
Total Consideration/Net SF	\$ 1.1831
Total Consideration/Unit	\$ 43,750

Remarks

This comparable represents the October 2000 transfer of a 1.1831-acre site in Oakland for \$1,400,000. The buyer purchased this comparable to construct a townhouse development. The price includes \$50,000 paid by the buyer to remediate lead on the site.

Conclusion of Value

The preceding sales and our expanded search within a two county area, Contra Costa and Alameda Counties, illustrates the constraints on data in the subject's immediate market area. As previously mentioned, we will analyze the subject property on a price per unit of comparison.

Bonds and Assessments

No Mello-Roos or assessment districts encumber the comparable sales.

Additional Adjustments

In order to value the subject, the comparable transactions were adjusted based on the profile of the subject site with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions (time)
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace.

A detailed analysis involving each of aforementioned factors and the value conclusion for the subject is presented as follows:

Property Rights Conveyed

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

Financing Terms

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

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be non-market and may include the following:

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

All of the comparable transactions were arms-length market transactions; thus no adjustments are needed.

Market Condition (Time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required.

The demand for residential land in the East Bay market area has been increasing due to the lack of available land. Consequently, upward adjustments for changes in market conditions since the dates of sale is considered for Land Sales #2, #3, #4 and #5, which recorded sales between October 2000 and March 2002.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value are discussed on the following pages.

Location

Land sale comparables were collected from Contra Costa and Alameda Counties. Land Sales #1, and #2 are located in Pinole and San Pablo, both areas considered to be similar to the subject property and no adjustment is needed. Land Sales #3, #4, and #5 are located in Martinez and Oakland, both market areas considered to be superior to the subject property warranting downward adjustments.

Parcel Size

The subject comprises 5.0 acres of gross land area. In general, due to economies of scale, the market exhibits an inverse relationship between size and price per unit (acre/sf/unit), such that larger parcels tend to sell for a lower price per unit than smaller parcels, all else being equal. However, with residential land, developers are typically willing to pay a higher price per unit for larger parcels in order to ensure synergy with their product, versus a small, infill project, which does not enjoy project identity. As such, smaller projects generally incur greater costs per unit compared to larger projects. Therefore, in comparison to the subject property, Land Sale #1 requires a slight downward adjustment for discrepancy in size. Conversely, Land Sale #5 warrants an upward adjustment compared to the subject for its smaller land area.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has freeway visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility and positioning. Therefore, in comparison to the subject property, Land Sales #1, #2, and #3 require upward adjustments for inferior visibility and accessibility.

Density

Projects with lower densities offer superior appeal due to additional open space associated with them. Land Comparables #1, #2 and #3 offer a lower project density and are thus superior to the subject property. Therefore, these comparables receive downward adjustments accordingly.

Utility/Topography

Differences in contour, drainage, or soil conditions can affect the utility and therefore the market value of the land. All of the comparable properties offer terrain with similar utility, with the exception of Land Sale #2 that offers a sloping terrain. As such, an upward adjustment is required for this comparable's inferior topography in comparison to the subject property.

Offsite Improvements

The subject property has offsite improvements in place. All of the comparable sales presented possess similar offsite improvements. Thus, no adjustments for offsite improvements are necessary.

Conclusion of Value

For this report, comparable land sales were chosen from Contra Costa and Alameda Counties. The sales indicate an unadjusted range in values from \$43,750 to \$75,000 per developable unit.

Land Sale #1 represents the most recent transaction, which transferred on December 24, 2002 warranting no adjustment for changes in market conditions since the date of sale. Downward adjustments are necessary for the larger parcel area and a significant downward adjustment for the superior lower project density compared to the subject property with a slightly offsetting upward adjustment for inferior visibility. As adjusted Land Sale #1 suggests the market value conclusion should be somewhat similar to the unadjusted purchase price of \$50,000 per unit.

Located in a similar location compared to the subject property, **Land Sale #2** warrants an upward adjustment for changes in market conditions since the date of sale, March 2002. Upward adjustments are needed in comparison to the subject property for the inferior visibility and accessibility of this comparable and the inferior sloping terrain of this comparable requiring an upward adjustment for topography. A significant downward adjustment is needed for the superior lower project density of this comparable in comparison to the subject property. As adjusted, Land Sale #2 suggests the market value conclusion should be less than the unadjusted purchase price of \$75,000 per unit.

Land Sale #3 transferred on January 29, 2002, warranting an upward adjustment for superior market conditions since the date of sale. Located in Martinez, Land Sale #3 is considered to offer a superior location requiring a downward adjustment. Upward adjustments are required for the inferior visibility and accessibility and the lower project density compared to the subject property. As adjusted, Land Sale #3 suggests the market value conclusion should be greater than the unadjusted price of \$47,848 per unit.

Located in Oakland, a superior location compared to the subject property, **Land Sale #4** requires a downward adjustment. A more than offsetting upward adjustment is needed for the changes in market conditions since the date of sale. As adjusted, Land Sale #4 suggests the market value conclusion for the subject should be greater than the unadjusted price of \$48,101 per unit.

Lastly, **Land Sale #5** transferred October 2000 warranting an upward adjustment for the superior market conditions since the date of sale. An additional upward adjustment is necessary for the smaller land area with a slightly offsetting downward adjustment for the superior location of Land Sale #5 in Oakland. As adjusted, land Sale #5 suggests the market value conclusion should be greater than the unadjusted price of \$43,750 per unit.

As adjusted the data set indicates a market value above \$50,000 per unit and below \$75,000 per unit. The upper end of this latter range is market by a single comparable. Therefore, we have trended our value estimate toward the lower end of this range, or \$55,000 per unit.

$$132 \text{ units} \times \$55,000 \text{ per unit} = \mathbf{\$7,260,000}$$

Subdivision Development Method

As an additional indicator of the hypothetical market value of the subject property, the subdivision development method to value will be performed. The subdivision development method is defined as follows:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.¹³

We will employ a discounted cash flow analysis to derive the hypothetical market value of the underlying land under the subdivision development method. The four main components of our discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income generated by the sale of the subject’s townhouse units is presented in this section.
- **Absorption Analysis** – the time frame required to sell-off the individual units. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the construction and sell-off are calculated in this section – including administration, marketing and commission costs, as well as ad valorem taxes, assessments and development costs.
- **Discount Rate** – the appropriate discount rate is derived in this portion of the analysis employing a variety of market data.

Our discussions of these four components begins below, with our discounted cash flow analysis offered at the end of this section.

Revenue

The revenue will be generated by the sale of each of the townhome units. The subject is currently marketing floor plans ranging from 1,408 square feet to 1,558 square feet with respective prices ranging from \$291,990 to \$347,990 with a typical price of \$320,000 per unit. In the following analysis we will utilize \$320,000 per unit, which is also representative of the typical predominate unit. The aggregate retail value of the subject property is estimated as follows.

$$132 \text{ units} \times \$320,000/\text{unit} = \$42,240,000$$

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

Absorption Analysis

In this section of the report, we will discuss the absorption period (time), appreciation factor and summarize the annual disposition of the subject's units.

Phase I of the Metro Walk Townhouse Subdivision is partially improved and will offer 132 units at build out. According to the on-site sales office, the subject has been marketing for approximately one month and has sold the first 12 units released. However, when a new project first comes on line, the sales rate is typically higher and then tends to moderate. The majority of the improvements to the west of the subject are older residential improvements that appear to have been constructed in the 1940's and exhibit fair construction quality. Some newer townhome development and apartments are located along Bissell Street and MacDonald Avenue to the west of the subject. These projects offer affordable housing which is considered to be an excellent addition to the area.

According to the second Quarter 2003 *The Gregory Group* Competitive Housing Market Report, the average sales rate for a new attached home in the Oakland MSA is 5.89 per month. The demand for an affordable housing development in the East Bay area exists. Consistent with the *Market Analysis* section contained in this report, a portion of which is reiterated above, we have anticipated Phase I of the Metro Walk Townhouse Subdivision can achieve a sales rate of 6 units per month, assuming appropriate marketing. As such, in the first period (three months), it is expected the subject property will sell 18 units, resulting in a total absorption period of 21 months.

Annual Appreciation

It is estimated that as the units are sold off during the absorption period (two years), annual appreciation in pricing can be achieved. It is reasonable as the subject develops, it could expect to achieve an upward movement in prices. The absorption rate previously discussed estimates the disposition of the subject's units will occur within two years. To account for potential increases in the market, we will apply an annual increase at the rate of 3.0%, or 0.75% quarterly.

Expenses

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the disposition of the subject's lots are estimated at 3% of the total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends, and includes closing costs.

Administrative Expense - this expense category covers the various administrative costs associated with managing the overall development. This would include management, legal and accounting fees and other professional services common to a development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds. Additionally, however, the developer would likely utilize a few of the proposed units as models for marketing purposes. Typically, the

models are constructed, sold and subsequently leased back through the marketing period. For purposes of our analysis, we have trended the cost for the model units to 0.5% of the total marketing costs, as a percentage of the aggregate retail value, for a total estimated administrative expense of 2.5%.

Thus, we have included an allowance of 5.5% for marketing costs, commissions, closing costs, and administrative expenses.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on and assumes a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.0%). The taxes are anticipated to increase 2.0% annually. The subject's nominal direct levy charges will be addressed in this analysis by the rounding methods employed. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory.

Assessments

With respect to assessments, the subject property is to be encumbered by a proposed assessment district, with an estimated total annual assessment obligation of \$1,379 per unit, based on an assessment lien of \$17,632.61 per unit ($\$2,327,504.34 \div 132$ units), a 6.0% interest rate and a 25-year amortization, which will be considered in our analysis (see Engineer's Report).

Construction Costs

The purpose of this valuation scenario is to derive an estimate of hypothetical market value of the underlying land. Consequently, the vertical construction costs to complete the 132 residential townhome units must be deducted from the aggregate retail value as the homes are sold. According to the developer's construction budget, total costs for construction are \$19,630,980, or \$148,720 per unit ($\$19,630,980 \div 132$ units).

Site Development Costs

The derivation of hypothetical market value estimated in this analysis specifically assumes the public facilities for which impact fees are due, which will be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, are in place.

Category	Cost
Government Fees	\$1,278,032
Professional Fees	\$2,378,302
Onsite Costs	\$3,500,512
Supervision	\$570,756
Construction Mgmt Fee	\$887,500
Other Indirects	\$385,020
Insurance	\$763,515
Other Impact Fees	\$739,821
Total Site Development Costs	\$10,503,458
Construction Fund Proceeds (bonds)	-\$1,857,255
Developer Contribution	\$8,646,203

According to the developer total cost for site development under the assumed condition are \$8,646,203. It is anticipated all site improvements will be completed within the first two periods (six months) of development, with 60 percent of the costs occurring in the first period (three months), and the remaining costs incurred in the second period.

Discount Rate

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*¹⁴, discount rates for land development range from 11.00% to 35.00%, with an average of 20.25%, a modest increase of four basis points over Fourth Quarter 2002. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Furthermore, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates is inclusive of the developer's profit projection. The reader should note the greater the discount rate the lower the computed value for the property. One of the primary reasons for a larger discount rate is the risk associated with the property.

The discount rates are based on a survey that includes residential, office, retail, and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

¹⁴ The Real Estate Investor Survey, Peter F. Korpacz and Associates, Second Quarter, 2003, Volume 16, Number 2

Relatively recent developer surveys have elicited the following responses:

Chris Downey of Hon Development – Minimum IRR requirements are 20 to 25 percent. For an eight to ten year cash flow, the return would be higher, say in the mid to upper 20s. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale, full-integrated master planned community development with a wide variety of user types.

Lyle McCulloch of California Pacific Homes – No less than 20 percent IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development area for the Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.

Gary Gorian of Dale Poe Development – Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian said 25 percent IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separated from the unentitled land.

David Pitts of Newhall Land and Farming – IRRs for land development deals should be in the low 20 percent range to 30 percent on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the city of Valencia. Additionally, Newhall Land has gained approvals for a new community that will be a larger master planned community in California.

Rick Nieman of GFC – Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlements is 18 to 20 percent, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30 percent for raw unentitled land with some entitlement “clean-up” involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec – Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for The Irvine Company and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20 percent to 30 percent. The lower end of the range would reflect those properties close to tentative maps.

Lin Stinson of Providence Realty Group – Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates that a yield rate in the low 20 percent range is required to attract capital to longer-term land holdings.

Dan Boyd of ESE Land Company, and formerly of James Warmington Development, indicated that merchant builder yield requirements were in the 20 percent range for traditionally financed tract developments. Larger land holdings would require 25 to 30 percent depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35 percent IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Beck Properties indicated a total profit margin of 10.4 to 11.7 percent calculated as gross sales less project costs for several products in the community of Brentwood.

A source at Lennar, who did not want to be identified, indicated standard project static profits are in the eight percent range for strong selling products in accepted, non-pioneering locations. IRRs are commonly as low as the low 20 percent range in the absence of price trending.

Higher profits are generally required for longer construction and sellout periods, as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements
- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, and not the current borrower. The profit must be sufficient to attract investment based on the relative risks of the project.

The positive attributes of the subject property include: 1) all entitlements are in place, with final map approval, 2) the strong market acceptance exhibited by the recently negotiated and pending townhome sales in the subject project, and 3) the location adjacent to BART, the population, and employment trends for the area. All of these factors tend to lessen the perceived risk of the subject's proposed development.

Based on the specifics of the subject's project, which have been discussed throughout the report, we have concluded an appropriate discount rate for the subject's multifamily residential lots of 25%.

Using the previously derived revenue estimate and the components of the discounted cash flow analysis discussed previously, presented on the following page is a discounted cash flow analysis for the subject property, which derives the hypothetical market value of the subject property.

Reconciliation of Hypothetical Market Value

Of the two valuation methods utilized, slightly more emphasis is given to the value conclusion derived by the subdivision development method compared to the sales comparison approach. The sales comparison approach indicated there has been a limited market for residential land sales in the City of Richmond and our search for land sales was expanded regionally to incorporate Alameda and Contra Costa Counties. Consequently, there is a locational discrepancy between the majority of the comparable sales and the subject property.

The subdivision development method employed a discounted cash flow analysis to derive the hypothetical market value of the underlying land. The subdivision development method is based on the specifics of the subject property and is a relatively good indicator of market value for the subject property. Therefore, a conclusion of value within the range of these two approaches, but closest to the subdivision development method is considered reasonable.

CONCLUSION OF VALUE

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of the subject property, which is situated within the confines of 37 separate, yet contiguous assessor's parcels. The subject represents 132 unit, partially improved, Metro Walk Attached Townhouse Subdivision, which is a portion (component) of the California Statewide Communities Development Authority Assessment District No. 03-01.

The value estimate cited below is subject to the Extraordinary Assumptions and Limiting Conditions referenced in that section of this report (please refer to pages 9 through 11).

The following estimate represents the hypothetical value of the subject property. The value estimate assumes the completion of the public facilities to be financed by the California Statewide Communities development Authority Assessment District No. 03-01 bond issuance and account for the impact of the Assessment Lien securing the bonds. The hypothetical value of the subject property is offered as follows:

**SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS
(\$7,700,000)**



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

Real Estate Appraisal & Consultation

Seevers
Jordan
Ziegenmeyer

September 19, 2003

Ms. Pam Ehler
Director of Finance & Information Systems
City of Brentwood
708 Third Street
Brentwood, California 94513

RE: Harbor Heights (KB Homes)
Brentwood, California

Dear Ms. Ehler:

We have analyzed market data for the purpose of estimating the hypothetical market value (*fee simple estate*) of the subject property, under the conditions and assumptions set forth in the attached report.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP). This report documents a complete appraisal of the subject property. Further, it is presented in a summary report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraised property, which is situated within the confines of assessor's parcel 013-030-010, comprises 66 proposed detached, single-family residential lots, and is located along the south line of Sycamore Avenue, east of Brentwood Boulevard, city of Brentwood, Contra Costa County, California.

The value estimate assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress.

The following estimate represents the hypothetical market value of the subject property. The value estimate assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. The bond proceeds will provide for a reduction in permits and fees. In short, bond proceeds provided in lieu of permits and fees otherwise due will be used to fund local and regional infrastructure improvements, the costs associated with the design and implementation of the construction of improvements and the costs associated with the formation of the Assessment District.

Ms. Pam Ehler
September 19, 2003
Page 2

The effective date of the value denoted below is September 9, 2003, which was our date of inspection. The value estimate cited is subject to the Assumptions, Significant Factors and Limiting Conditions referenced in that section of this report (please refer to pages 11 through 13). The estimate of hypothetical market value of the subject property is...

TWO MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS


\$2,740,000


This letter must remain attached to the report, which contains 59 pages, plus related tables, exhibits and Addenda, in order for the value opinion set forth to be considered valid.

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

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

Sincerely,


P. Richard SeEVERS, MAI
State Certification No. AG001723
Expiration Date: August 12, 2004


Kevin K. Ziegenmeyer
State Certification No. AG013567
Expiration Date: June 4, 2005



Eric A. Segal
State Certification No. AG026558
Expiration Date: February 18, 2005

/nan

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Project Name:	The appraised property is identified as the proposed Harbor Heights subdivision, which represents a portion (component) of the California Statewide Communities Development Authority Assessment District No. 03-01.
Location:	The subject property, which is situated within the confines of assessor's parcel 013-030-010, comprises 66 proposed detached, single-family residential lots, and is located along the south line of Sycamore Avenue, east of Brentwood Boulevard, city of Brentwood, Contra Costa County, California.
Property Type:	A detached, single-family residential subdivision incorporating 66 proposed single-family residential lots on 5.18 acres.
Ownership Entities:	Title to the subject property is presently vested with Prado de Ospina, et al.
Property Rights Appraised:	Fee simple estate
Assessor's Parcel Number(s):	013-030-010
Zoning/Land Use:	The subject property is encumbered by the PD – 11 (Planned Development 11) zoning designation, which allows for a maximum of 66 detached, single-family residential lots. According to the City of Brentwood, the proposed use of the subject property is legally permissible.
Flood Zone:	According to the City of Brentwood, the subject property is classified as being in Flood Zone C, described as areas of minimal flooding with no flood insurance required. This information is according to Federal Emergency Management Agency Flood Insurance Rate Map (F.I.R.M.) Community Panel Numbers 060439–0355 B, dated July 16, 1987.
Earthquake Zone:	According to the Seismic Safety Commission the subject parcel is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas of major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.
Gross Land Area:	5.18 acres

Number of Proposed Single-Family Lots: 66

Date of Value: September 9, 2003

Date of Report: September 19, 2003

Prepared For: Ms. Pam Ehler, representing the City of Brentwood

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

Conclusion of Value: **\$2,740,000**

The value estimate presented above is subject to the Assumptions, Significant Factors and Limiting Conditions referenced in that section of this report (please refer to pages 11 through 13).

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of the subject property, which is situated within the confines of assessor's parcel 013-030-010 and comprises 66 proposed detached, single-family residential lots. The appraised property represents a portion (component) of the land areas within the proposed boundaries of California Statewide Communities Development Authority Assessment District No. 03-01, and is located along the south line of Sycamore Avenue, east of Brentwood Boulevard, city of Brentwood, Contra Costa County, California.

INTENDED USE OF THE APPRAISAL

It is our understanding the report will be used for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

The client and intended user of the report is the City of Brentwood.

PROPERTY RIGHTS APPRAISED

The estimate of value derived in this report is for the fee simple estate. The definition of this real property interest is offered as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

The rights appraised are also subject to the Extraordinary and General Assumptions, Significant Factors and Limiting Conditions contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise the value estimate reflects prepayment of impact fees to be financed by bonds and accounts for the impact of the Assessment Lien securing the Bonds.

TYPE OF APPRAISAL AND REPORT FORMAT

As you requested, this report documents a complete appraisal of the subject property. The analysis and findings have been presented in a summary appraisal report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

¹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 113.

DATE OF INSPECTION

The subject property was inspected on September 9, 2003.

EFFECTIVE DATE OF VALUE

Our analysis is concerned with the valuation of the subject property, assuming prepayment of impact fees to be financed by the Assessment District. Thus, for purposes of this analysis, the date of value based on the assumed condition is our date of inspection, September 9, 2003.

DATE OF REPORT

This report was finalized and assembled on September 19, 2003.

APPRAISAL PROBLEM

The appraisal problem is to estimate the hypothetical market value of the subject property, which comprises the proposed Harbor Heights residential development, a detached, single-family residential subdivision incorporating 66 proposed single-family residential lots on 5.18 acres of land. The subject property is situated within the confines of a single assessor's parcel identified as 013-030-010, and is located along the south line of Sycamore Avenue, east of Brentwood Boulevard, Brentwood, Contra Costa County, California.

The value contained within this report is based upon a map prepared by Carlson, Barbee & Gibson, Inc., Civil Engineers, Surveyors and Planners, San Ramon, California. At the present time the subject property represents unimproved land designated for detached single-family residential development.

We have been requested to provide the hypothetical market value of the subject property as of our date of inspection, September 9, 2003. To do so, we will employ the extraction technique (residual analysis) as a component of the subdivision development method (discounted cash flow). A hypothetical market value, in bulk, will be derived in this appraisal.

It is noted the indicated market value is subject to a *hypothetical condition*. According to the 2003 edition of USPAP, a hypothetical condition is defined as, "that which is contrary to what exists but is supposed for the purpose of analysis."² The valuation analysis in this report assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds."

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP).

² Uniform Standards of Professional Appraisal Practice, 2003 ed. (Appraisal Standards Board, 2003) 3.

APPRAISAL PREMISE DEFINITIONS

This appraisal of the subject property has been made in accordance with the following definitions:

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.³

Marketing Period

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.⁴

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁵

³ Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 175.

⁵ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 105.

Hypothetical Value Estimate

A value that is contrary to what exists, but is supposed for the purpose of analysis.⁶

Bulk (Discounted) Value

The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under stress.⁷

⁶ USPAP, 2003 Edition, 3.

⁷ Ibid

EXPOSURE TIME AND MARKETING TIME

As previously discussed in the Appraisal Premise Definitions section of this report, there is a distinction between exposure time and marketing time. Exposure time is the period a property interest would have been offered on the market *prior to* the hypothetical consummation of a sale at market value on the effective date of the appraisal. Marketing time reflects the time it might take to sell an interest in real property at its estimated market value during the period *immediately after* the effective date of the appraisal. Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with a market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market, and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends. We will estimate the exposure time and marketing time for the subject property below.

Exposure Time

Inherent in the definition of market value and marketing time is an adequate amount of *exposure* on the open market. Two excerpts from the definitions of both market value and marketing time are listed as follows:

Market Value:

“... a reasonable time is allowed for *exposure* in the open market.”

Marketing Time:

“...the anticipated time required to *expose* the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions.”

Exposure time is defined as the length of time a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate of time based on an analysis of past events assuming a competitive and open market. Based on recent and historical market conditions, an exposure time of **12 months** is considered reasonable for the subject property. This is basically consistent with the average marketing times of other vacant residential properties located in the Brentwood market area and surrounding areas within East Contra Costa County.

Marketing Time

Marketing time is an estimate of the time to sell a property interest at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. Market participants, local commercial real estate brokers and developers indicate that, if appropriately priced, the subject property could be marketed within a 12-month time frame. In our opinion, there is no indication that potential marketing times should differ significantly from historical exposure times. While there is vacant land still in and around the subject's area, the location in the path of growth, and within surrounding, existing residential developments, is a positive influence for the subject property. Consequently, the marketing time is estimated at **12 months** for the subject property on a wholesale (bulk) basis, assuming appropriate pricing and a professional marketing strategy.

SCOPE OF THE APPRAISAL

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

Therefore, in keeping with the above statement, the scope of this assignment is outlined as follows:

- Conducted a physical inspection of the subject property on September 9, 2003;
- Obtained telephone and personal interviews with persons considered knowledgeable regarding the subject property, the comparable market data set and general market conditions;
- Provided verification of information relating to the comparable market data set by telephone conversations with the parties involved in the various transactions, COMPS, Inc., or public information;
- Verified the subject's assessments, zoning, flood zone, earthquake zone and utilities with representatives of the City of Brentwood Community Development Department;
- Estimated the probable marketing time estimate for the subject based on recent sales of similar properties, national real estate market publications and interviews with local real estate professionals;
- Investigated local area land use trends, as well as proposed and/or present construction activity. This information was obtained from various market participants, including brokers, developers and government staffs;
- Determined the highest and best use of the subject as vacant based on the four standard tests (legality of use, physical possibility of use, financial feasibility of use, and maximum productivity of use);
- Derived an estimate of hypothetical market value for the subject property;

The market data contained in this report was obtained from a variety of sources, is considered reliable and has been utilized to document the valuation conclusions.

EXTRAORDINARY ASSUMPTIONS AND SIGNIFICANT FACTORS

Extraordinary Assumptions

1. *A preliminary title report dated February 6, 2002 was provided for use in our analysis. A review of the preliminary title report, along with an inspection of the subject property, revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.*

Significant Factors

2. *The estimate of market value contained within this report assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. A detailed list of all the approved facilities for the bond financing is presented in the Engineer's Report for California Statewide Communities Development Authority Assessment District No. 03-01, dated July 22, 2003. A copy of this document is included in the Addenda to this report for your reference.*
3. *The value contained within this report is based upon a map prepared by Carlson, Barbee & Gibson, Inc., Civil Engineers, Surveyors and Planners, San Ramon, California.*
4. *It is assumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit the development of the subject properties.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

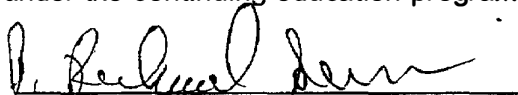
1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.*
4. *The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.*
5. *It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.*
6. *It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.*
7. *It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.*
8. *It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.*
9. *It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.*
10. *Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.*

11. *The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.*
12. *The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.*
13. *Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.*
14. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer.*
15. *The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.*
16. *Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.*
17. *An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.*

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have not made an inspection of the property that is the subject of this report;
- Kevin Ziegenmeyer and Eric Segal, Appraisers, inspected the subject property and provided significant professional assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.



P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2004)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- Eric Segal, Appraiser, also inspected the subject property and provided real property appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



KEVIN K. ZIEGENMEYER, APPRAISER
State Certification No.: AG013567 (Expires: June 4, 2005)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



ERIC A. SEGAL, APPRAISER
State Certification No.: AG026558 (Expires: February 18, 2005)

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The subject property is located along the south line of Sycamore Avenue, east of Brentwood Boulevard, Brentwood, Contra Costa County, California.

Assessor's Parcel Numbers

The subject property is situated within the confines of a single assessor's parcel identified as 013-030-010.

Ownership

Title to the subject property is presently vested with Prado de Ospina, et al.

Assessment and Tax Information

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on ad valorem property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76, or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occur, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978 and any bonds subsequently approved by a two-thirds vote of the district, in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining infrastructure is completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties.

As referenced, the appraised property is located within the boundaries of a proposed Assessment District. With respect to special taxes, we have relied upon the Engineer's Report, prepared by MuniFinancial, for the total assessment lien on the appraised property.

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

Conditions of Title

A preliminary title report dated February 6, 2002 was provided for use in our analysis. A review of the preliminary title report, along with an inspection of the subject property, revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.

Entitlement Status

The subject property, which is situated within the confines of assessor's parcel 013-030-010, has tentative map approval for 66 proposed detached, single-family residential lots. The developer anticipates recording the final map in November 2003.

Land Use Summary

The value contained within this report is based upon a map prepared by Carlson, Barbee & Gibson, Inc., Civil Engineers, Surveyors and Planners, San Ramon, California.

At the present time the subject property represents unimproved land designated for detached, single-family residential development.

General Plan Designation and Zoning

The subject property is encumbered by the PD – 11 (Planned Development 11) zoning designation, which allows for a maximum of 66 detached, single-family residential lots. According to the City of Brentwood, the proposed use of the subject property is legally permissible.

The appraised property is subject to an inclusionary housing plan. According to the inclusionary housing plan for the proposed Harbor Heights residential subdivision, the property is subject to a Mixed-Income Housing Ordinance. The ordinance requires three percent (2) of the units be affordable to Very Low Income Households and seven percent (4) of the units to Low Income Households. According to the City of Brentwood Planning Department the sale prices of the units have been established at \$193,575 for those qualifying under the Very Low Income requirements, and \$221,011 for those qualifying under the Low Income requirements. Though the developer may

opt to fee out of the inclusionary housing requirement at a minimum cost of approximately \$491,194, and a maximum cost of \$636,504, it is not considered financially feasible.

Flood Zone

According to the City of Brentwood, the subject property is classified as being in Flood Zone C, described as areas of minimal flooding with no flood insurance required. This information is according to Federal Emergency Management Agency Flood Insurance Rate Map (F.I.R.M.) Community Panel Numbers 060439–0355 B, dated July 16, 1987.

Earthquake Zone

According to the Seismic Safety Commission the subject parcel is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas of major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

SITE DESCRIPTION

The subject property represents a portion (component) of the land areas within the proposed boundaries of California Statewide Communities Development Authority Assessment District No. 03-01, and is located within the city of Brentwood, Contra Costa County, California. The appraised property comprises the proposed Harbor Heights residential development, a detached, single-family residential subdivision incorporating 66 proposed single-family residential homes on 5.18 acres of land. The hypothetical market value of the subject property will be derived assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds.

The subject property is further discussed as follows.

- Size and Shape:** The appraised property comprises a portion (component) of the proposed California Statewide Communities Development Authority Assessment District No. 03-01, and represents a 5.18-acre site generally rectangular in shape.
- Topography:** The topography of the subject property is generally level.
- Soil:** A soils study of the subject property was not provided for this analysis. This appraisal assumes the soil and subsoil conditions are suitable for residential development.
- Drainage:** Upon completion of any proposed improvements, it is expected adequate drainage will be provided.
- Frontage:** The subject property offers frontage along the south line of Sycamore Avenue.
- Offsite Improvements:** The subject property is accessible from Sycamore Avenue via Brentwood Boulevard (State Highway 4). As part of the capital improvements funded through prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, various public facilities improvements will be completed.
- As of our date of inspection, offsite improvements for the subject property have not been completely installed. Upon completion of site development, all offsite improvements, including concrete curb, gutter, sidewalk, asphalt-paved street and street lighting, will be in place and in good condition.
- Access:** As previously indicated, access to the subject property is provided from Sycamore Avenue via Brentwood Boulevard (State Highway 4), located west of the subject property. The proposed State Highway 4 Bypass, which is located approximately three miles west, will include four lanes and

begin at the confluence of State Highways 160 and 4, at the city of Oakley, and extend southward through the city of Brentwood and eventually merge with Vasco Road. A portion of the Bypass, a two-lane component, is in place from Lone Tree Way, south to Balfour Road. The subject's detached residential lots will be accessible from proposed interior project streets that have yet to be constructed.

Utilities:

Public utilities, including electricity, natural gas, water, and telephone service, are available to the subject properties. Public utilities that will serve the subject are listed below.

Water:	City of Brentwood
Sewer:	City of Brentwood
Drainage:	City of Brentwood
Electricity:	Pacific Gas and Electric
Gas:	Pacific Gas and Electric
Telephone:	Pacific Bell
Fire District:	City of Brentwood
Police:	City of Brentwood

Unusual Seismic Hazards:

According to the Seismic Safety Commission the subject parcel is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas of major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Hazardous Waste:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them

Conclusion:

The configuration and size of the subject property is considered adequate for residential development. The demand for entry-level single-family residential product bodes well for this project.

FACILITIES TO BE FUNDED BY THE DISTRICT

As previously indicated, this report will address the value of the subject property, assuming the completion of the public facilities for which impact fees are paid and financed by the California Statewide Communities Development Authority Assessment District (AD) No. 03-01. The improvements to be funded by the AD are detailed in the California Statewide Communities Development Authority Assessment District No. 03-01 Engineer's Report, dated July 24, 2003, a copy of which is included in the Addenda to this report for your reference. In short, the primary facilities authorized through AD Assessment Lien proceeds include: (1) Prepayment of Roadway Fees and (2) Prepayment of Park Fees. Bond proceeds from the AD will also be used to fund the costs associated with the formation of the AD.

The cited list of facilities are proposed to include incidental expenses associated with the formation of the assessment district, including, but not limited to, the cost of planning, engineering, and designing the facilities; cost associated with the creation of the District; issuance of bonds thereof; determination of the amount of the assessment; collection of the assessment; payment of the assessment; or costs otherwise incurred in order to carry out the authorized purposes of the District; and any other expenses incidental to the construction, completion and inspection of the facilities.

SALES HISTORY

The subject property has not been involved in an arm's-length transaction within the last three years; however, according to the developer, as of April 2002 the appraised property has been the subject of a pending purchase agreement between Prado de Ospina, et al, grantor, and KB Home South Bay, Inc., grantee, for an as yet unspecified price. The developer (grantee) indicates the purchase price will be approximately \$1,000,000 for the 66 tentatively approved detached, single-family residential lots. However, the negotiated purchase price was determined based on the property's prior zoning designation, which allowed a maximum of 66 attached, or multifamily, residential units. Therefore, the pending sale price is not necessarily indicative of the current market value of the subject property. The terms of the sale are to be all cash to the seller at the close of escrow, which is scheduled for October 20, 2003.

TIME TO COMPLETE

According to the developer, site development work is anticipated to be complete by June 2004.

SUBJECT PHOTOGRAPHS

Pictures of the subject property are presented on the following exhibit pages.

EXHIBIT

Subject Property Photographs



Subject Property



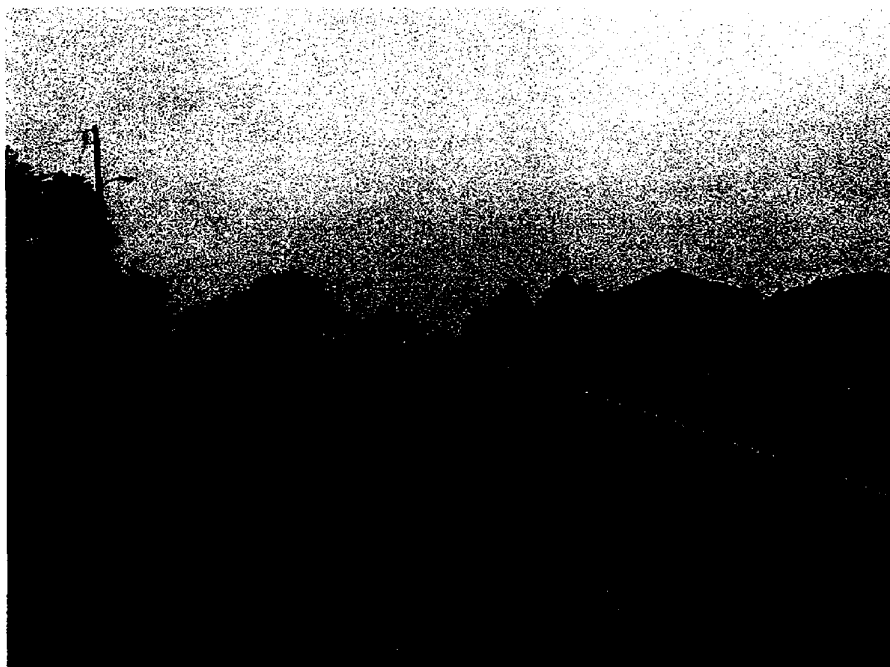
Subject Property

EXHIBIT

Subject Property Photographs



Looking West along Sycamore Avenue



Looking East along Sycamore Avenue

HIGHEST AND BEST USE ANALYSIS

Defined

The term "highest and best use," as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.⁹

In general, this definition applies to the highest and best use of a property as though vacant and with improvements in place.

The term "highest and best use – as though vacant," is defined as follows:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.¹⁰

The term "highest and best use – as improved," is defined as follows:

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.¹¹

As indicated in the above definitions, two analyses are typically required for highest and best use. The first analysis is the highest and best use of the land as though vacant. The second stage of the analysis is the highest and best use as improved. Since the subject property represents unimproved land, the second stage of the highest and best use analysis, the highest and best use as improved, is not presented.

⁹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 135.

¹⁰ The Dictionary of Real Estate Appraisal, 135.

¹¹ The Dictionary of Real Estate Appraisal, 135.

Highest and Best Use – As Though Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property, as though vacant, as it relates to legally permissible uses, physically possible uses, as well as a use or uses deemed to be financially feasible and maximally productive.

Legal Permissibility

The legal factors influencing the highest and best use of the subject property is primarily government regulations such as zoning and building codes. The subject property represents approximately 5.18 acres tentatively approved for detached, single-family residential development. The land use designation is consistent with the City of Brentwood General Plan and the PD – 11 zoning ordinance. Based on the proposed development plan, the subject property will be developed as 66 detached, single-family residential lots. Based on the difficulties in obtaining the subject's existing approvals, it is doubtful any significant project changes inconsistent with the zoning ordinance would be allowed.

Physical Possibility

The physical and locational characteristics of the properties have been previously described in this report. In summary, the physical characteristics of the site, terrain and soils are suitable for the proposed uses.

Locational considerations include the compatibility of the subject's proposed use(s) and location with respect to surrounding uses. As indicated previously, the subject represents land designated for detached, single-family residential development. The proposed and/or intended use is consistent with the General Plan designations for the City of Brentwood, which have been carefully designed to include an appropriate mix of land uses compatible with adjacent uses and property uses throughout the area.

There are no known significant easements that would prohibit the development of the property. Furthermore, the surrounding uses consist primarily of existing and proposed residential development. Overall, the subject property has locational characteristics that support single-family residential development.

Financial Feasibility

The feasibility of the allowable uses is dependent on the supply and demand conditions that influence the competitive position of the proposed type of property use for the subject property, which is single-family residential development.

The feasibility of single-family development is dependent on the regional supply and demand conditions, which were previously described in the regional analysis and market overview sections

of this report. Sales of new homes in Brentwood improved significantly during the past few years, as illustrated in the *Housing Market Overview* section. Further, the continuing merchant builder demand for single-family lots should increase the demand for the complementary land uses within the area.

Maximum Productivity Use

There is only one land use, which is legally permissible, physically possible and financially feasible; to develop the subject property as detached single-family residential units. The proposed predominant lot configuration for the subject property, which provides for an average lot size of 2,150 square feet, lends itself towards the entry-level, or first-time homebuyer, segment of the new home single-family residential market.

Conclusion of the Highest and Best Use – As Though Vacant

Legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the properties. The only use that meets the four criteria for determining the highest and best use is single-family residential development as proposed. The subject property, which represent a portion (component) of California Statewide Communities Development Authority Assessment District No. 03-01, should be developed according to the single-family residential land use designation. Based on this analysis, residential development is judged to be the subject's highest and best use as vacant land.

APPRAISAL METHODOLOGY

The valuation process is a systematic procedure employed to provide the answer to a client's question about the value of real property.¹² This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison, and income capitalization approaches. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.¹³

Sales Comparison Approach

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

¹² The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 305.

¹³ The Dictionary of Real Estate Appraisal, 67.

The definition of the sales comparison approach is offered as follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales are available.¹⁴

Income Capitalization Approach

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

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

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step – either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate income factor.¹⁵

Yield capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change and yield rate.¹⁶

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

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.¹⁷

¹⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 255.

¹⁵ The Dictionary of Real Estate Appraisal, 83.

¹⁶ The Dictionary of Real Estate Appraisal, 315.

¹⁷ The Dictionary of Real Estate Appraisal, 143.

Extraction (Residual Analysis)

A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land; most effective when the improvements contribute little to the total sale price of the property.¹⁸

Subdivision Development Method

The subdivision development method is defined as follows:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.¹⁹

¹⁸ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 106.

¹⁹ The Dictionary of Real Estate Appraisal, 279.

INTRODUCTION

As indicated previously, this report is concerned with the subject's hypothetical market value assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds.

Given the lot configuration (size) proposed for the subject property, 2,150 square foot lots, a search of recent lot sales within the East Contra Costa County market area revealed no comparable lot transactions; thus, the sales comparison approach will not be utilized in the valuation of the subject property. Instead, in the following analysis we will utilize the residual analysis (extraction technique) as a component of the subdivision development method (discounted cash flow) to derive an estimate of lot value for the subject's residential lots, which will serve as the revenue component of the discounted cash flow analysis.

SUBDIVISION DEVELOPMENT METHOD

This portion of our analysis is concerned with estimating the hypothetical market value of the subject property. As previously indicated, this valuation assumes the impact fees to be funded by California Statewide Communities Development Authority Assessment District No. 03-01 are paid.

The best way to derive this value is to employ the subdivision development method of valuation. The definition of the subdivision development method is reiterated below:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.²⁰

We will employ a discounted cash flow analysis to value the subject under the subdivision development method.

The four main components of the discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income generated by the sale of the subject's residential lots is derived in this section.
- **Absorption Analysis** – the time frame required to sell-off the lots. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off are calculated in this section – including administration, marketing and commission costs, as well as ad valorem taxes and special taxes.
- **Discount Rate** – the appropriate discount rate is derived in this portion of the analysis employing a variety of market data.

Our discussions of these four components begin below, with our discounted cash flow analysis offered at the end of this section.

Revenue – Extraction Technique (Residual Analysis)

The revenue component will be generated by the sale of the single-family residential lots comprising the subject property. This is derived by using the extraction technique for a standard, base interior lot. The extraction technique considers the likely selling price of a home on the subject property's lot and reduces that value by the direct costs, indirect costs and developer's profit for the construction of the home as well as permits and fees and site development costs. The result of these computations represents an estimate of the residual lot value for an unimproved lot.

²⁰ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 279.

Based on the profile of the subject's residential market, and considering the subject's approved lot sizes, the subject property could be developed with a range of new homes that would target the entry-level homebuyer segment of the market. The appraiser's survey of recent transactions within the subject's submarket area substantiates this assertion. Considering our survey results, we have profiled a likely new production home for the subject's standard lot size (2,150 square feet).

Using the subject's standard lot as cited, and our survey results of the subject's market area, we will estimate the sale price of a typical new production home. The developer is proposing three floor plans with sizes of 1,243 square feet, 1,521 square feet and 1,659 square feet. For the purposes of our extraction technique we will utilize a 1,521 square foot floor plan. After review of the active subdivisions currently marketing homes in the Brentwood market area, sale prices for detached, single-family product typically ranges from \$150 to \$200 per square foot, for a typical lot size of more than 6,000 square feet. There is generally an inverse relationship between home size and price per square foot, such that larger homes tend sell for a lower price per square foot than smaller homes, all else being equal. Therefore, since the floor plans are the smallest proposed in the Brentwood market area, it is reasonable a sale price towards the upper end of the range is appropriate. However, the developer is proposing to construct the homes on an average lot size of 2,150 square feet, which is substantially smaller than that predominantly found in the market. Thus, a corresponding sale price of \$275,000, or approximately \$180 per square foot, is considered reasonable for the proposed 1,521 square foot hypothetical floor plan used in this analysis. The direct costs for constructing the profiled single-family home is based on the costs of similar product within the subject's market area. A total profit factor of 20% of the home sale price will also be deducted. This factor is considered consistent with profit margins achieved within existing projects offering floor plans similar to the product expected within the subject project. The developer indicates site development costs necessary to deliver an improved lot for the subject \$35,348 per lot. Permits and fees for the subject property average \$46,983 per lot. The extraction technique is offered below.

Typical Lot Size of 2,150 Square Feet

Square Footage	1,521
Sale Price	\$275,000
Bonds	\$13,833
Total Consideration	\$288,833
Less:	
Direct Costs of Building (1,521 SF @ \$52.00/SF)	(\$79,092)
Indirect costs @ 25% of direct costs	(\$19,773)
Developer's profit @ 20% of sales price	(\$55,000)
Loaded Lot Value	\$134,968
Site Improvement Costs	(\$35,348)
Permits & Fees	(\$46,983)
Unimproved (Paper) Lot Value	\$52,637
Rounded	\$53,000

As discussed under the highest and best use section, the subject is considered most profitable as a new home production development, geared towards first time, entry-level new homebuyers. Correspondingly, the extraction procedure performed in this analysis does not require an absorption analysis or any further discounting. The extraction technique would be similar to an analysis performed by a merchant builder.

The subject property will include six lots, or ten percent of the total units, designated for affordable housing units. The corresponding sale price for the units will be limited to a below-market amount. Therefore, an extraction method will once again be used to value the six lots. As discussed in the *Property Identification and Legal Data* section, the inclusionary housing requirement for the subject is two Very Low Income units and four Low Income units. Sale and occupancy of the inclusionary units will be restricted to households qualifying under these programs. According to the City of Brentwood Planning Department the maximum selling price for a Very Low Income unit is \$193,575, and \$221,011 for the Low Income unit, which will be used in our analysis. Based on the preset sale price, the smallest proposed floor plan will be applied in this analysis.

Inclusionary Housing Requirement (6 lots)

	Very Low Income	Low Income
Square Footage	1,243	1,243
Sale Price	\$193,575	\$221,011
Bonds	\$13,833	\$13,833
Total Consideration	\$207,408	\$234,844
Less:		
Direct Costs of Building (1,243 SF @ \$54.00/SF)	(\$67,122)	(\$67,122)
Indirect costs @ 25% of direct costs	(\$16,781)	(\$16,781)
Developer's profit @ 20% of sales price	(\$41,482)	(\$44,202)
Loaded Lot Value	\$82,023	\$106,739
Site Improvement Costs	(\$35,348)	(\$35,348)
Permits & Fees	(\$46,983)	(\$46,983)
Unimproved (Paper) Lot Value	(\$308)	\$24,408
Rounded	\$0	\$24,000

Based on the per lot values concluded, the revenue component of the discounted cash flow analysis is estimated as follows:

60 lots at \$53,000 per lot	=	\$3,180,000
2 lots at \$0 per lot	=	\$ 0
4 lots at \$24,000 per lot	=	<u>\$ 96,000</u>
Total		\$3,276,000

Absorption Analysis

In this section of the report, we will discuss the absorption period (time), appreciation factor and summarize the annual disposition of the revenue components.

Absorption Period

In attempting to estimate the marketing time, which would be required for the disposition of the lots, we have looked at both the historical marketing times of a number of sales, as well as current and projected economic conditions. For the most part, the sales, which have been used in this report, sold in a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period.

A clear indication of the market demand for developable residential land is evident in the fact that in the past several years all of the near ready for development land in the Brentwood area has either been under some form of purchase agreement or option agreement to purchase. As a result of the substantial demand for developable land in the East Contra Costa County area, the nearby Central Valley, just east of Contra Costa County, has been experiencing significant increases in single-family residential prices. California's Central Valley, which includes both the Sacramento and San Joaquin Valleys, has achieved significant absorption of near ready for development residential lots in Sacramento, San Joaquin and Stanislaus Counties. For instance, most recently, in the city of Lathrop, in San Joaquin County, just south of the city of Stockton, Pacific Union Homes is developing the Mossdale Landing master planned community, which, at build-out, will include 998 detached single-family residences. In terms of market acceptance, all of Phase I of the Mossdale Landing development, which includes 550 proposed single-family lots, has a signed purchase contract or letter of intent to purchase. It should be noted none of the purchase contracts have closed escrow at this time; though, all of the purchase agreements were scheduled to close in June/July 2003, in conjunction with the close of escrow on the land between the master developer and the current property owners.

In western Stanislaus County, in the city of Patterson, south of the Interstate 5/580 interchange, the Keystone Corporation, a North Carolina developer, is developing the Patterson Gardens master planned community, a 985-lot residential community with adjoining commercial component. The demand for the single-family residential lots within the Patterson Gardens development is illustrated by the fact Patterson Gardens has a signed purchase contract or letter of intent to purchase five of the six residential communities comprising the development, which totals 938 of the 985 proposed single-family residential lots, and includes Grupe Homes, Ranchwood Homes and William Lyon Homes.

Just north of the Patterson Gardens development, KB Homes, as of the 1st Quarter 2003, had only 16 lots remaining of a 1,028-lot subdivision known as Heartland Ranch. The community opened in October 1997, reflecting an average absorption of approximately 15 homes per month, and represented the only active subdivision in the city of Patterson. According to the sales agent, a significant portion of the buyers represented Bay Area commuters. Adjacent to the Heartland Ranch development, Walker Ranch I and II represents 813 single-family residential lots currently under development, all of which are under a pending purchase agreement by merchant builders, including KB Homes and Richmond American Homes. Just north of Walker Ranch, California Homes recently acquired 151 lots and intends to construct a single-family residential subdivision offering nine floor plans.

Considering the information presented above, in particular the level of market acceptance the Central Valley communities have enjoyed, which is directly related to the demand for single-family product by Bay Area homebuyers, we have concluded an absorption period of six months for the subject property is considered reasonable, assuming marketing and sale to a merchant builder. Given the demand for developable single-family residential land in the East Contra Costa County market area, coupled with the lack of entry-level product currently available in the market, further suggests the absorption period for the subject lots could occur within six months of marketing.

Annual Appreciation

As discussed throughout this report, the market for residential land in the region has been strong over the past few years, with signs of stabilizing. Although the activity over the past several years was at levels not commonly experienced, it should also be noted the supply of residential lots is relatively limited in the East Contra Costa County market area. Thus, it is also reasonable to assume as the area develops, and commercial services become more readily available, the market area will continue to enjoy upward movement in prices. Considering the subject property could likely transfer within a six month period, an appreciation factor is not warranted.

Expenses

Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the disposition of the subject's lots are estimated at 4% of the total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends, and includes closing costs.

Administrative Expense - This expense category covers the various administrative costs associated with managing the overall development. This would include management, legal and accounting fees and other professional services common to a large-scale development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds.

Thus, we have included an allowance of 6% for marketing costs, commissions, closing costs, and administrative expenses.

Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on and assumes a sale of the appraised property. Interim ad valorem real estate taxes are based on a 1.00% tax rate. As the parcels are sold off, the average tax liability is estimated and then applied on a semi-annual basis.

Assessment District

With respect to special taxes, we have relied upon the Engineer's Report, prepared by MuniFinancial, for calculating the annual assessment lien on the appraised properties. Similar to our discussion above regarding ad valorem real estate taxes, as the parcels are sold off, the average annual debt service is estimated and then applied to the unsold inventory.

Site Development

The subject property represents unimproved land proposed for single-family residential development. The costs for site improvements, both offsite improvements and on-site, or in-tract, improvements were deducted in the revenue component of the discounted cash flow analysis to reflect the condition of the lots as of the hypothetical date of value.

Discount Rate

According to a leading publication within the appraisal industry, *The Korpacz Real Estate Investor Survey*²¹, discount rates for land development range from 11.00% to 35.00%, with an average of 20.25%, a modest increase of four basis points over Fourth Quarter 2002. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Furthermore, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly, the range of rates is inclusive of the developer's profit projection. The reader should note the greater the discount rate the lower the computed value for the property. One of the primary reasons for a larger discount rate is the risk associated with the property.

The discount rates are based on a survey that includes residential, office, retail, and industrial land 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 that they expect slightly lower returns when approvals/entitlements are already in place.

²¹ The Real Estate Investor Survey, Peter F. Korpacz and Associates, Second Quarter, 2003, Volume 16, Number 2

Relatively recent developer surveys elicited the following responses:

Chris Downey of Hon Development – Minimum internal rate of return (IRR) requirements is 20 to 25 percent. For an eight to ten year cash flow, the return would be higher – say in the mid to upper 20 percent range. Factors to consider in the estimation of the IRR include the upside potential, such as the potential to increase density, cut costs, etc. Hon Development has participated in both smaller scale residential community development and very large scale; full-integrated master planned community development with a wide variety of user types.

Lyle McCulloch of California Pacific Homes – No less than 20 percent IRR for land development, either entitled or unentitled. California Pacific Homes is the residential development arm for The Irvine Company and has participated in master planned community development in Irvine, Northern California and San Diego County.

Gary Gorian of Dale Poe Development – Dale Poe Development is the master land developer for Stevenson Ranch. They are in the business of buying, selling and developing land. Mr. Gorian said 25 percent IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR. He would look at an entitled piece of land, ready to go, separately from the unentitled land.

David Pitts of Newhall Land and Farming – IRRs for land development deals should be in the low 20 percent to 30 percent range on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia.

Rick Nieman of GFC – Mr. Nieman is involved with the purchase of Talega in San Clemente. Their IRR requirements for land with some entitlement are 18 percent to 22 percent, unleveraged. This return would be for developing and marketing the pads to merchant builders. They would anticipate an IRR of 30 percent for raw unentitled land with some entitlement “clean-up” involved. A recent example of this was the purchase of an industrial subdivision where they changed the entitlements to residential.

Roy Robertson of Ekotec – Mr. Robertson is an engineer and consultant to master plan developers. He previously worked for the Irvine Co. and has a great deal of experience of all levels of a master plan. For an unentitled property, the IRR requirements would be 20 percent to 30 percent. The lower end of the range would reflect those properties close to tentative map

Lin Stinson of Providence Realty Group – Mr. Stinson works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest. He indicates a yield rate in the low 20 percent range is required to attract capital to longer-term land holdings.

Dan Boyd of ESE Land Company and formerly of James Warmington Development indicated merchant builder yield requirements were in the 20 percent range for traditionally financed tract developments. Larger land holdings would require 25 percent to 30 percent depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of 35 percent IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

Beck Properties indicated a total profit margin of 10.4 percent to 11.7 percent calculated as gross sales less project costs for several products in the city of Brentwood.

A source at Lennar, who did not want to be named, indicated standard project static profits are in the eight percent range for strong selling products in accepted, non-pioneering locations. IRRs are commonly as low as the low 20 percent range in the absence of price-trending.

Higher profits are generally required for longer construction and sellout periods as well as riskier projects. Profit is site specific with a number of factors to consider. These include, but are not limited to, the following:

- Entitlements
- Physical status of the property (raw/improved/partially improved)
- Moratoriums
- Endangered species
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition

Profit is estimated based on the perspective of a new buyer, and not the current borrower. The profit must be sufficient to attract investment based on the relative risks of the project.

The subject property is considered to exhibit a minimum degree of risk, due to their positive attributes, including: 1) the subjects existing entitlements, 2) the strong market acceptance exhibited by other single-family residential developments in the region and 3) the forecasts for strong population and employment growth for the area. All of these factors tend to lessen the perceived risk of the subject projects.

Considering the previous discussion, we have chosen an appropriate discount rate consistent with the average of the survey respondents, or 20 percent, in this analysis.

DISCOUNTED CASH FLOW ANALYSIS

California Statewide Communities Development Authority Assessment District No. 03-01
 Harbor Heights Subdivision
 Brentwood, California

Aggregate Values and Assumptions

Description	Lots	Value per lot	Aggregate Value
Harbor Heights	66	\$49,636	\$3,276,000
Sub-total	66	\$49,636	\$3,276,000

Marketing Costs	4% of sales
Administrative Expense	2% of sales
Annual Taxes	\$415 / lot
Bond Debt Service	\$1,082 / lot
Discount Rate (IRR)	20.0%

Income and Expense Analysis

Period (6 months)	1	2	Total
Inflation Factor:	1.000	1.000	
Sales (lots):	66	0	
Inventory (lots):	0	0	
Sales Revenue			
Residential Lot Sales	\$ 3,276,000	\$ -	\$ 3,276,000
Total Sales Revenue	\$ 3,276,000	\$ -	\$ 3,276,000
Expenses			
Administrative	\$ (65,520)	\$ -	\$ (65,520)
Marketing/Commissions	\$ (131,040)	\$ -	\$ (131,040)
Real Estate Taxes	\$ (13,700)	\$ -	\$ (13,700)
AD Assessments	\$ (35,706)	\$ -	\$ (35,706)
Total Expenses	\$ (245,966)	\$ -	\$ (245,966)
Total Cash Flow	\$ 3,030,034	\$ -	\$ 3,030,034
Present Value Factor	0.90558	0.82008	
Discounted Cash Flow	\$ 2,743,949	\$ -	\$ 2,743,949
Total Net Present Value	\$ 2,743,949		

SONOMA COUNTY OFFICIAL POSSESSION OF THIS DOCUMENT FOR ANALYSIS (RD)

2/7/2000

FINAL OPINION OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of approximately 5.18 gross acres of land comprising the proposed Harbor Heights detached, single-family residential subdivision in Brentwood, Contra Costa County, California.

The value estimate cited below is subject to the Extraordinary Assumptions and Significant Factors, General Assumptions and Limiting Conditions referenced in that section of this report (please refer to pages 11 through 13).

The following estimate represents the hypothetical market value of the subject property. The value estimate assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. For your reference the subject's hypothetical market value, as of September 9, 2003, which was our last date of inspection, is presented below:

TWO MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS

\$2,740,000



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

Real Estate Appraisal & Consultation

Seevers
Jordan
Ziegenmeyer

September 15, 2003

Mr. Randy Graham, Financial Director
City of Lincoln
640 Fifth Street
Lincoln, California 95648

RE: The Village at Lincoln Hills, a portion of
California Statewide Communities Development
Authority Assessment District No. 03-01
Lincoln, California

Dear Mr. Graham:

We have analyzed market data for the purpose of estimating the hypothetical market value (*fee simple estate*) of the subject property, which represents a portion (component) of California Statewide Communities Development Authority Assessment District No. 03-01, under the conditions and assumptions set forth in the attached report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP). This report documents a complete appraisal of the subject property. Further, it is presented in a summary report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject property is situated within the confines of a single assessor's parcel identified as assessor's parcel 021-273-064, which encompasses approximately 16.49 acres of land proposed for development of a 146,616 square foot retail center. The property is located at the northeast corner of State Highway 65 and Sterling Parkway, south of the proposed West Lincoln Parkway, within the city of Lincoln, Placer County, California.

The value estimate provided herein assumes a transfer would reflect a cash transaction or terms considered equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress. The following estimate represents the hypothetical market value of the subject property. The value estimate assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. The bond proceeds will provide for a reduction in permits and fees. In short, bond proceeds provided in lieu of permits and fees otherwise due will be used to fund local and regional infrastructure improvements, the costs associated with the design and implementation of the construction of improvements and the costs associated with the formation of the Assessment district.

Mr. Randy Graham
September 15, 2003
Page 2

The effective date of the value denoted below is September 11, 2003, which was our date of inspection. The value estimate cited is subject to the Assumptions, Significant Factors and Limiting Conditions referenced in that section of this report (please refer to pages 10 through 12). The estimate of hypothetical market value for the subject property is...

SEVEN MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS

(\$7,180,000)

This letter must remain attached to the report, which contains 68 pages, plus related tables, exhibits and Addenda, in order for the value opinion set forth to be considered valid.

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

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

Sincerely,



P. Richard Seevers, MAI
State Certification No. AG001723
Expiration Date: August 12, 2004



Kevin K. Ziegenfuss
State Certification No. AG013567
Expiration Date: June 4, 2005



Eric A. Segal
State Certification No. AG026558
Expiration Date: February 18, 2005

/nan

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Project Name:	The subject property is identified as the proposed Village at Lincoln Hills retail site, which represents a portion (component) of the California Statewide Communities Development Authority Assessment District No. 03-01.
Location:	The appraised property is located at the northeast corner of State Highway 65 and Sterling Parkway, south of the proposed West Lincoln Parkway, within the city of Lincoln, Placer County, California.
Property Type:	Commercial land encompassing 16.49 acres of land.
Ownership Entities:	Title to the subject property is presently vested with California Sun Holdings.
Property Rights Appraised:	Fee simple estate
Assessor's Parcel Number:	The subject property is situated within the confines of a single assessor's parcel number identified as 021-273-064.
Zoning/Land Use:	The City of Lincoln Planning Department indicates the subject property is located within a PD, Planned Development, and is designated for commercial land use.
Flood Zone:	The subject property is classified as being in Flood Zone X, described as areas of 500-year flood. This information is according to Federal Emergency Management Agency F.I.R.M. Map Community Panel No. 060610-0403 F, dated June 8, 1998.
Earthquake Zone:	According to the Seismic Safety Commission, the subject property is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas near major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.
Gross Land Area:	16.49 acres
Current Use:	Unimproved land
Highest and Best Use:	Retail development, as proposed

Date of Value: September 11, 2003
Date of Report: September 15, 2003
Prepared For: Mr. Randy Graham, representing the City of Lincoln
Prepared By: P. Richard Seevers, MAI
Kevin K. Ziegenmeyer, Appraiser
Eric A. Segal, Appraiser
Conclusion of Hypothetical Value: **\$7,180,000**

The value estimate presented above is subject to the Assumptions, Significant Factors and Limiting Conditions referenced in that section of this report (please refer to pages 10 through 12).

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of 16.49 acres of land identified as assessor's parcel 021-273-064, which is proposed for development of a 146,616 square foot retail center. The appraised property represents a portion (component) of the land areas within the proposed boundaries of California Statewide Communities Development Authority Assessment District No. 03-01, and is located at the northeast corner of State Highway 65 and Sterling Parkway, south of the proposed West Lincoln Parkway, within the city of Lincoln, Placer County, California.

INTENDED USE OF THE APPRAISAL

It is our understanding the report will be used for bond underwriting purposes.

CLIENT AND INTENDED USER OF THE APPRAISAL

The client and intended user of the report is the City of Lincoln.

PROPERTY RIGHTS APPRAISED

The estimate of value derived in this report is for the fee simple estate. The definition of this real property interest is offered as follows:

Fee Simple Estate: absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

The rights appraised are also subject to the Extraordinary and General Assumptions, Significant Factors and Limiting Conditions contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise the value estimate reflects prepayment of impact fees to be financed by bonds and accounts for the impact of the Assessment Lien securing the Bonds.

TYPE OF APPRAISAL AND REPORT FORMAT

As you requested, this report documents a complete appraisal of the subject property. The analysis and findings have been presented in a summary report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP).

¹ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 140.

DATE OF INSPECTION

The subject property was inspected on September 11, 2003.

EFFECTIVE DATE OF VALUE

Our analysis is concerned with the valuation of the subject property, assuming prepayment of impact fees to be financed by the Assessment District. Thus, for purposes of this analysis, the date of value based on the assumed condition is our date of inspection, September 11, 2003.

DATE OF REPORT

This report was finalized and assembled on September 15, 2003.

APPRAISAL PROBLEM

The appraisal problem is to estimate the hypothetical market value of the subject property, which comprises 16.49 acres of land designated, and proposed, for commercial development. The appraised property is situated within the confines of a single assessor's parcel identified as assessor's parcel 021-273-064, which is proposed for development of a 146,616 square foot retail center, and is located at the northeast corner of State Highway 65 and Sterling Parkway, south of the proposed West Lincoln Parkway, within the city of Lincoln, Placer County, California.

At the present time the subject property represents unimproved land designated for commercial development.

We have been requested to provide the hypothetical market value of the subject property as of our date of inspection, September 11, 2003. Because the subject property represents vacant land, only one of the three traditional approaches to valuation, the sales comparison approach, will be utilized to estimate the market value of the property. By comparing the subject site to recent land sales and taking into account differences in site characteristics, we will arrive at a conclusion of hypothetical market value for the subject property.

It is noted the indicated market value is subject to a **hypothetical condition**. According to the 2003 edition of USPAP, a hypothetical condition is defined as, "that which is contrary to what exists but is supposed for the purpose of analysis."² The valuation analysis in this report assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds."

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP).

² Uniform Standards of Professional Appraisal Practice, 2003 ed. (Appraisal Standards Board, 2003) 3.

APPRAISAL PREMISE DEFINITIONS

This appraisal of the subject property has been made in accordance with the following definitions:

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.³

Marketing Time

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.⁴

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.⁵

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis.⁶

³ Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229.

⁴ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 175.

⁵ The Dictionary of Real Estate Appraisal, 105.

⁶ Uniform Standards of Professional Appraisal Practice, 2003 ed. (Appraisal Standards Board, 2003) 3.

EXPOSURE TIME AND MARKETING TIME

As previously discussed in the Appraisal Premise Definitions section of this report, there is a distinction between exposure time and marketing time. Exposure time is the period a property interest would have been offered on the market *prior to* the hypothetical consummation of a sale at market value on the effective date of the appraisal. Marketing time reflects the time it might take to sell an interest in real property at its estimated market value during the period *immediately after* the effective date of the appraisal. Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with a market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market, and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends. We will estimate the exposure time and marketing time for the subject property below.

Exposure Time

Inherent in the definition of market value and marketing time is an adequate amount of *exposure* on the open market. Two excerpts from the definitions of both market value and marketing time are listed as follows:

Market Value:

“... a reasonable time is allowed for *exposure* in the open market.”

Marketing Time:

“...the anticipated time required to *expose* the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions.”

Exposure time is defined as the length of time a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate of time based on an analysis of past events assuming a competitive and open market. The commercial land market in the south Placer County market area has been strong during the past few years. A transfer of commercial land in the area typically occurs within 12 months of exposure. It is estimated the exposure time for the subject property would be **12 months** on a wholesale (bulk) basis.

Marketing Time

Marketing time is an estimate of the time to sell a property interest at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. Market participants, local commercial real estate brokers and developers indicate that, if appropriately priced, the subject property could be marketed within a 12-month time frame. In our opinion, there is no indication that potential marketing times should differ significantly from historical exposure times. While there is vacant land still in and around the subject's area, the location in the path of growth, and within surrounding, existing residential developments, is a positive influence for the subject property. Consequently, the marketing time is estimated at **12 months** for the subject property on a wholesale (bulk) basis, assuming appropriate pricing and a professional marketing strategy.

SCOPE OF THE APPRAISAL

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

Therefore, in keeping with the above statement, the scope of this assignment is outlined as follows:

- Conducted an inspection of the subject property on September 11, 2003, and the comparable market data;
- Performed telephone and personal interviews with persons considered knowledgeable regarding the subject property, the comparable market data set, and general market conditions;
- Verified information relating to the comparable market data set by telephone conversations with the parties involved in the various transactions, and/or public information;
- Verified the subject's assessments, zoning, flood zone, earthquake zone and utilities with the applicable government agencies;
- Estimated the probable exposure and marketing time estimates for the subject property based on recent sales of similar properties, national real estate market publications and interviews with local real estate professionals;
- Investigated local area land use trends, and/or present construction activity. This information was obtained from various market participants, including brokers, developers, and government staffs;
- Analyzed and documented regional, county, and neighborhood data from information available in our office and various public agencies compiling demographic and economic information. The neighborhood description was based on a physical inspection of the area and conversations with owners and occupants within the neighborhood;
- Determined the highest and best use of the subject property as vacant, based on the four standard tests (legal permissibility of use, physical possibility of use, financial feasibility of use, and maximum productivity of use); and
- Estimated the hypothetical market value (fee simple estate) of the subject property as of the date of inspection, which was September 11, 2003. The valuation phase of the appraisal process relates to the analysis of market data relative to the physical and economic characteristics of the subject property.

The market data contained in this report was obtained from a variety of sources, is considered reliable and has been utilized to document the valuation conclusions.

EXTRAORDINARY ASSUMPTIONS AND SIGNIFICANT FACTORS

Extraordinary Assumptions

1. *A preliminary title report was not provided for use in our analysis. However, an inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. Please obtain a current preliminary title report for additional details. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.*

Significant Factors

2. *The estimate of market value contained within this report assumes prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds. A detailed list of all the approved facilities for the bond financing is presented in the Engineer's Report for California Statewide Communities Development Authority Assessment District No. 03-01, dated July 22, 2003. A copy of this document is included in the Addenda to this report for your reference.*
3. *It is assumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property.*

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions:


1. *No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.*
2. *No responsibility is assumed for matters of law or legal interpretation.*
3. *The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.*
4. *The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.*
5. *It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.*
6. *It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.*
7. *It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.*
8. *It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.*
9. *It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.*
10. *Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.*

11. *The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.*
12. *The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.*
13. *Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.*
14. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer.*
15. *The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.*
16. *Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.*
17. *An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.*

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- I have made an inspection of the property that is the subject of this report;
- Kevin Ziegenmeyer and Eric Segal, Appraisers, also inspected the subject property and provided significant professional assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.

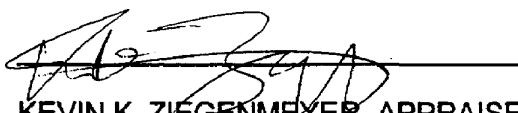


P. RICHARD SEEVERS, MAI
State Certification No.: AG001723 (Expires August 12, 2004)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- Eric Segal, Appraiser, also inspected the subject property and provided real property appraisal assistance in the preparation of this report. This assistance included the collection and confirmation of data, and the analysis necessary to prepare a draft report with a preliminary estimate of value;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



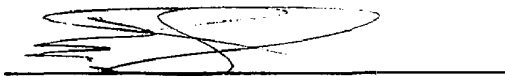
KEVIN K. ZIEGENMEYER, APPRAISER

State Certification No.: AG013567 (Expires: June 4, 2005)

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.



ERIC A. SEGAL, APPRAISER
State Certification No.: AG026558 (Expires: February 18, 2005)

PROPERTY IDENTIFICATION AND LEGAL DATA

Location

The appraised property is located at the northeast corner of State Highway 65 and Sterling Parkway, south of the proposed West Lincoln Parkway, within the city of Lincoln, Placer County, California.

Assessor's Parcel Numbers

The subject property is situated within the confines of a single assessor's parcel number identified as 021-273-064.

Ownership

Title to the subject property is presently vested with California Sun Holdings.

Assessment and Tax Information

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on ad valorem property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76, or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occur, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978 and any bonds subsequently approved by a two-thirds vote of the district, in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the 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 property.

As referenced, the appraised property is located within the boundaries of a proposed Assessment District. The proposed District is identified as California Statewide Communities Development Authority Assessment District No. 03-01. We have relied upon the Engineer's Report, prepared by MuniFinancial, for the total assessment lien applicable to the subject property.

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

Conditions of Title

A preliminary title report was not provided for use in our analysis. However, an inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. Please obtain a current preliminary title report for additional details. The exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in the preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed the easements noted in any current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value.

Land Use Summary

The subject property represents land encompassing 16.49 acres designated for commercial development. The developer has submitted to subdivide the property into 14 separate assessor's parcels that will support each of the proposed buildings; however, as of the date of value, tentative map approval has not been received.

General Plan Designation and Zoning

The City of Lincoln Planning Department indicates the subject property is located within a PD, Planned Development, and is designated for commercial land use.

Flood Zone

The subject property is classified as being in Flood Zone X, described as areas of 500-year flood. This information is according to Federal Emergency Management Agency F.I.R.M. Map Community Panel No. 060610-0403 F, dated June 8, 1998.

Earthquake Zone

According to the Seismic Safety Commission, the subject property is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California. Zone 4 is assigned to areas near major faults. Zone 3 is assigned to areas with more moderate seismic activity. In addition, the subject is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

SITE DESCRIPTION

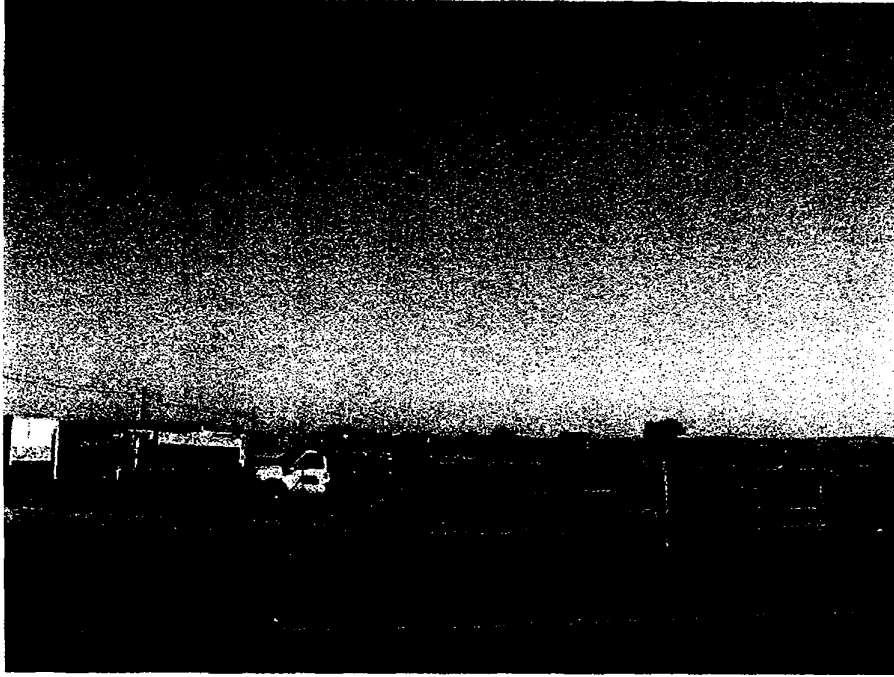
The subject property represents a portion (component) of the land areas within the proposed boundaries of California Statewide Communities Development Authority Assessment District No. 03-01, and is located within the city of Lincoln, Placer County, California. The appraised property comprises 16.49 acres of land designated, and proposed, for commercial development, identified as The Village at Lincoln Hills, a 146,616 square foot retail center. The hypothetical market value of the subject property will be derived, assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities, and accounts for the impact of the Assessment Lien securing the bonds.

The subject property is further discussed as follows.

- Size and Shape:** The subject property comprises a portion (component) of the land areas within the proposed boundaries of California Statewide Communities Development Authority Assessment District No. 03-01, and represents 16.49 acres of land irregularly shaped.
- Topography:** The topography of the subject property is generally level.
- Soil:** A soils study of the subject property was not provided for this analysis. This appraisal assumes the soil and subsoil conditions are suitable for commercial development based on nearby, compatible uses.
- Drainage:** Upon completion of the proposed improvements, it is expected adequate drainage will be provided.
- Adjacent Land Uses:** Adjacent land uses can generally be described as follows:
- North:** West Lincoln Parkway (proposed)
- East:** Sun City Lincoln Hills (single-family residential development)
- South:** Sterling Parkway, which separates the subject property from vacant land.
- West:** State Highway 65
- Frontage:** The subject property offers significant frontage along the east line of State Highway 65, the north line of Sterling Parkway and the southern edge of West Lincoln Parkway (proposed).
- Offsite Improvements:** A portion of the offsite improvements is in place along the north line of Sterling Parkway. Upon completion of site development, all offsite improvements, including concrete

EXHIBIT

Subject Property Photographs



Subject Property



Subject Property

EXHIBIT

Subject Property Photographs



Subject Property



Looking West long Sterling Parkway – Subject Property on the Right

HIGHEST AND BEST USE ANALYSIS

Defined

The term "highest and best use," as used in this report, is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.⁸

In general, this definition applies to the highest and best use of a property as though vacant and with improvements in place.

The term "highest and best use – as though vacant," is defined as follows:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.⁹

The term "highest and best use – as improved," is defined as follows:

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.¹⁰

As indicated in the above definitions, two analyses are typically required for highest and best use. The first analysis is the highest and best use of the land as though vacant. The second stage of the analysis is the highest and best use as improved. Since the subject property represents vacant land, the second stage of the highest and best use analysis (as improved) is not required for this report.

⁸ The Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 1993) 171.

⁹ The Dictionary of Real Estate Appraisal 171.

¹⁰ The Dictionary of Real Estate Appraisal 171.

Highest and Best Use – As Though Vacant

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site, as though vacant, as it relates to legally permissible uses, physically possible uses, as well as a use or uses deemed to be financially feasible and maximally productive.

Legal Permissibility

As discussed in the Property Identification and Legal Data section of this report, the subject property is zoned PD, Planned Development – Commercial. This zone provides the means for greater creativity and flexibility in environmental design than is provided under the strict application of the zoning and subdivision ordinances, while at the same time protecting the public health, safety and welfare and property values. Various land uses may be combined in a planned development zone including combinations of residential, commercial, industrial, utility, institutional, educational, cultural, recreational and other uses, provided the combination of uses results in a balanced and stable environment.

Based on the zoning ordinance encumbering the subject, some form of commercial development is considered to be the primary legally permissible use of the property.

Physical Possibility

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage (visibility), size, shape, street access, availability of utilities, easements, soil and subsoil conditions and topography.

The subject site possesses good street frontage, visibility, and accessibility along Sterling Parkway and significant visibility from State Highway 65. Upon completion of development, West Lincoln Parkway will provide direct access to the subject property from the developing Lincoln Crossing master planned residential community, situated just west of the subject property, across State Highway 65. State Highway 65 is a primary thoroughfare within the city of Lincoln, and provides a direct link to the cities of Rocklin and Roseville, also in south Placer County. The subject site consists of a single assessor's parcel containing a total of 16.49± acres of land area. The site is level and is irregular in shape, but not so irregular so as to impede development of the site. Additionally, all utility services are available to the site.

Based on a visual inspection of the subject, roadway and utility easements exist, but these do not adversely affect the subject's potential for development. The site is located in Flood Zone X – identified as areas determined to be outside of the 500-year flood plain. Soil and subsoil conditions are typical of the area and are not considered to adversely affect the development potential of the site.

It should be noted at the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate herein is predicated on the assumption there is no material on or in the property that would cause a loss of value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

In conclusion, it appears as if the legally permissible uses of the subject site are physically possible.

Financial Feasibility

Based on the legal and physical constraints discussed above, the potential development has been limited to commercial utilization of the subject site. The financial feasibility of such development is discussed as follows:

A determination of financial feasibility is dependent primarily upon demand. The subject is located within the Roseville/Rocklin/Lincoln submarket of the Sacramento Metropolitan Statistical Area (MSA), which is comprised primarily of new residential and commercial development. Second Quarter 2003 retail vacancy statistics, as published in the CB Richard Ellis Retail Market Index Brief, indicate the entire Sacramento MSA has a 6.5% vacancy rate, while the Roseville/ Rocklin/Lincoln submarket was 3.0%. Both of these figures are low, indicating demand for retail space, particularly in the subject's submarket, is strong. Further, the subject is located in an area undergoing substantial single-family residential development, with demand in the immediate area strong for supporting retail development. Based upon the current market demand for retail properties and the relatively low vacancy rate of retail projects in the immediate area of the subject, it is our opinion some form of retail usage, consistent with allowable uses under the PD-commercial zone, is the highest and best use of the subject site.

Maximum Profitability – Conclusion

As defined, the highest and best use of a vacant site is the use that yields the highest present land value. Given the legal, physical and financial characteristics discussed above, the highest and best use of the subject site – as though vacant, is for retail development.

APPRAISAL METHODOLOGY

The following valuation approaches were considered for use in analyzing the subject property. These are the cost, sales comparison and income capitalization approaches and subdivision development method. Each approach to value is briefly discussed and defined as follows:

Cost Approach

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

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.¹¹

Sales Comparison Approach

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

¹¹ The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 67.

The definition of the sales comparison approach is offered as follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales are available.¹²

Income Capitalization Approach

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

Due to the fact the subject property is not income producing in nature, the income capitalization approach to value will not be used in this report.

¹² The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2002) 255.

INTRODUCTION

As indicated previously, this report is concerned with the subject's hypothetical market value assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities.

In our analysis, we will estimate the hypothetical value of the subject by employing the sales comparison approach to value.

SALES COMPARISON APPROACH

In the sales comparison approach, the market value of the subject property's residential lots is estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract. We will compare the recent land sales to the subject's proposed lots. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

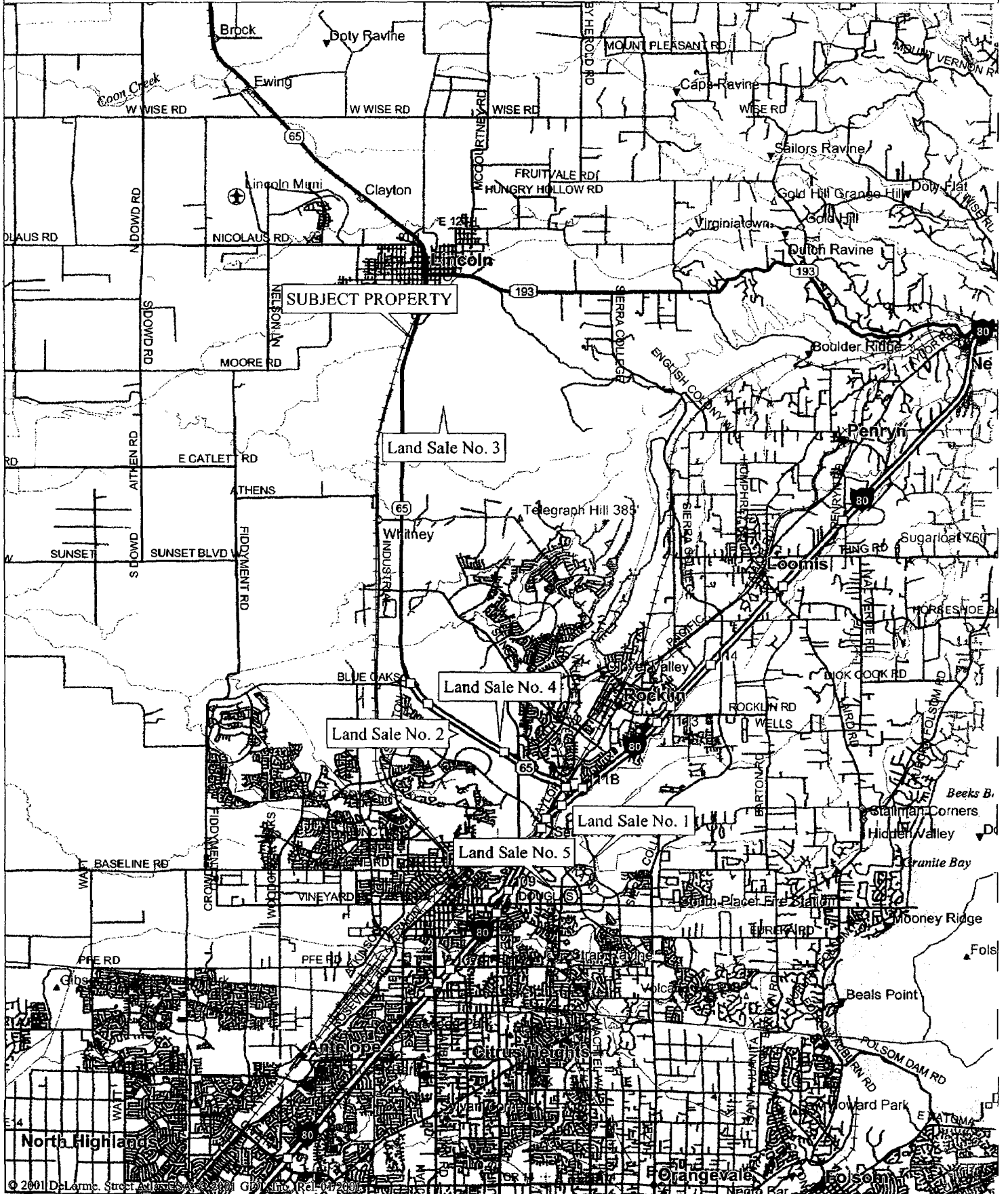
This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 12th Edition, published by the Appraisal Institute, 2001 – "*The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market.*"

The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

Consideration is given to factors such as property rights conveyed, financing, conditions of sale, and market appreciation or depreciation since the date of sale. Differences in physical characteristics, such as location, parcel size, visibility/accessibility, corner orientation and topography/shape are considered in the analysis. The entire data set will then be used to value the subject's parcels.

The market data investigation considers land sales within the south Placer County market area. Five sales have been identified as being representative of the market and pertinent to the valuation of the subject land. The data from the comparable sales is summarized in the table on the following page, with a facing location map. Detailed sales sheets and a discussion of each sale follow this summary.

COMPARABLE LAND SALES MAP



COMMERCIAL LAND SALES SUMMARY

The Village at Iron Hills
 California Statewide Communities Development Authority Ad. No. 03-01 (portion)
 Lincoln, California

Sale No.	Location	Sale Date	Sale Price (incl. bonds)	Parcel Size Acre / Sq. Ft.	\$ / Sq. Ft.	Zoning / Land Use
1	NWC East Roseville Parkway & Rocky Ridge Roseville, Placer County, California APN: 048-460-007 (portion)	May-03	\$5,671,098	15.27 665,161	\$8.53	PD-178 Office/Retail
2	SEC Pleasant Grove Blvd. & Highway 65 Roseville, Placer County, California APN: 363-020-041	Jan-03	\$9,353,254	23.26 1,013,118	\$9.23	BP/SA-NC Office/Retail
3	SEC Twelve Bridges Drive & Fieldstone Drive Lincoln, Placer County, California APN: 329-020-021 (portion)	Late-02	\$2,328,463	5.36 233,549	\$9.97	C Commercial
4	South Side Fairway Dr, West of Stanford Ranch Roseville, Placer County, California APN: 017-122-021	May-02	\$6,391,994	14.50 631,620	\$10.12	Commercial Retail
5	SWC Rocky Ridge Dr. & Lead Hill Blvd. Roseville, Placer County, California APNs: 048-520-020, -021	Apr-01	\$11,473,704	19.90 866,844	\$13.24	Commercial Retail

COMMERCIAL LAND SALE #1

Property Identification

Property Type:	Commercial land
Address:	Northwest corner of East Roseville Parkway and Rocky Ridge Drive, Roseville, Placer County, California
Thomas Brothers Map Coordinates:	240-D1
Assessor's Parcel Number:	048-460-024, 025, 026 (portions of the former APN 048-460-007)

Sale Data

Grantor:	Richland Roseville, L.P.
Grantee:	Opus West Corporation
Sale Date:	May 2003
Deed Book/Page:	086649
Property Rights Conveyed:	Fee Simple
Exposure Time:	N/Av.
Conditions of Sale:	Market
Financing:	All cash to the seller
Sale Price:	\$5,537,833
Bond Indebtedness:	<u>\$ 133,265</u>
Total Consideration:	\$5,671,098

Land Data

Zoning:	PD-178, Planned Development
Topography:	Slightly sloping
Utilities:	Available
Shape:	Irregular
Offsite Improvements:	In place
Street Frontage:	1,080 linear feet (est.) along Rocky Ridge Drive; 220 linear feet (est.) along East Roseville Parkway

Land Size Information

Size:	15.27 acres (665,161 square feet)
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Indicators

Total Consideration/Acre	\$371,388
Total Consideration/SF	\$8.53

Remarks

This comparable land sale is situated along the north side of Rocky Ridge Drive, between Eureka Rod and East Roseville Parkway, in the city of Roseville, in south Placer County. The three assessor's parcels were recently split from an approximate 129-acre larger parcel and sold for a total consideration of \$8.53 per square foot, which included approximately \$0.20 per square foot of bond indebtedness.

COMMERCIAL LAND SALE #2

Property Identification

Property Type:	Commercial land
Address:	Southeast corner of Pleasant Grove Boulevard and State Highway 65, Roseville, Placer County, California
Thomas Brothers Map Coordinates:	219-H4
Assessor's Parcel Number:	363-020-041

Sale Data

Grantor:	Roseville Investments, LLC
Grantee:	Mourier Land Investment Corporation
Sale Date:	January 2003
Deed Book/Page:	008453
Property Rights Conveyed:	Fee Simple
Exposure Time:	N/Av.
Conditions of Sale:	Market
Financing:	All cash to the seller
Sale Price:	\$7,588,254
Bond Indebtedness:	<u>\$1,765,000</u>
Total Consideration:	\$9,353,254

Land Data

Zoning:	BP/SA-NC
Topography:	Generally level
Utilities:	Available
Shape:	Irregular
Offsite Improvements:	In place
Street Frontage:	974 linear feet (est.) along Pleasant Grove Boulevard; 1,872 linear feet (est.) along State Highway 65

Land Size Information

Size:	23.26 acres (1,013,118 square feet)
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Indicators

Total Consideration/Acre	\$402,152
Total Consideration/SF	\$9.23

Remarks

This comparable land sale is situated at the southeast corner of State Highway 65 and Pleasant Grove Boulevard, in the city of Roseville, in south Placer County. The 23.26-acre parcel sold in January 2003 for a total consideration of \$9.23 per square foot, which includes approximately \$1.74 per square foot of bond indebtedness. The buyers intend to develop an office park, which recently began site development.

COMMERCIAL LAND SALE #3

Property Identification

Property Type:	Commercial land
Address:	Southeast corner of Twelve Bridges Drive and Fieldstone Drive, Lincoln, Placer County, California
Thomas Brothers Map Coordinates:	199-J2
Assessor's Parcel Number:	329-020-021 (portion)

Sale Data

Grantor:	Sierra Olympus Construction
Grantee:	Confidential
Sale Date:	Late 2002
Deed Book/Page:	N/Av.
Property Rights Conveyed:	Fee Simple
Exposure Time:	N/Av.
Conditions of Sale:	Market
Financing:	All cash to the seller
Sale Price:	\$2,043,536 (approximate)
Bond Indebtedness:	<u>\$ 284,927</u>
Total Consideration:	<u>\$2,328,463</u>

Land Data

Zoning:	C, General Commercial
Topography:	Generally level
Utilities:	Available
Shape:	Irregular
Offsite Improvements:	In place
Street Frontage:	Twelve Bridges Drive (partial); Fieldstone Drive

Land Size Information

Size:	5.362 acres (233,547 square feet)
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Indicators

Total Consideration/Acre	\$434,253
Total Consideration/SF	\$9.97

Remarks

This comparable land sale represents the late 2002 sale of a grocery anchor tenant site located within the proposed Lincoln Village Shopping Center. The owner of the property (Steven Brown) reported the sale price was \$8.75 per square foot, plus the assumption of bonds of approximately \$1.22 per square foot. The seller stated he site was transferred with all offsite improvements in place.

COMMERCIAL LAND SALE #4

Property Identification

Property Type:	Commercial land
Address:	South side of Fairway Drive, west of Stanford Ranch Road, Roseville, Placer County, California
Thomas Brothers Map Coordinates:	220-A1
Assessor's Parcel Number:	017-122-021

Sale Data

Grantor:	Highland Reserve North Limited Partnership
Grantee:	Kobra Properties
Sale Date:	May 2002
Deed Book/Page:	N/Av.
Property Rights Conveyed:	Fee Simple
Exposure Time:	N/Av.
Conditions of Sale:	Market
Financing:	All cash to the seller
Sale Price:	\$5,444,564
Bond Indebtedness:	<u>\$ 947,430</u>
Total Consideration:	\$6,391,994

Land Data

Zoning:	Commercial
Topography:	Generally level
Utilities:	Available
Shape:	Irregular
Offsite Improvements:	In place
Street Frontage:	300 linear feet (est.) along Fairway Drive

Land Size Information

Size:	14.50 acres (631,620 square feet)
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Indicators

Total Consideration/Acre	\$440,827
Total Consideration/SF	\$10.12

Remarks

This comparable land sale represents the May 2002 sale of a 14.5-acre commercial site located along the south line of Fairway Drive, just west of Stanford Ranch Road, within the city of Roseville, south Placer County. The property has since been subdivided into six separate parcels, and is currently being developed with a retail center.

COMMERCIAL LAND SALE #5

Property Identification

Property Type:	Commercial land
Address:	Southwest corner of Rocky Ridge Drive and Lead Hill Boulevard, Roseville, Placer County, California
Thomas Brothers Map Coordinates:	240-C2
Assessor's Parcel Number:	048-520-020 and 021

Sale Data

Grantor:	Patterson/Cobbler I
Grantee:	Wal-Mart, Inc.
Sale Date:	April 2001
Deed Book/Page:	N/Av.
Property Rights Conveyed:	Fee Simple
Exposure Time:	N/Av.
Conditions of Sale:	Market
Financing:	All cash to the seller
Sale Price:	\$ 10,606,860
Bond Indebtedness:	<u>\$ 866,844</u>
Total Consideration:	\$ 11,473,704

Land Data

Zoning:	Commercial
Topography:	Generally level
Utilities:	Available
Shape:	Irregular
Offsite Improvements:	In place
Street Frontage:	1,510 linear feet (est.) along Lead Hill Boulevard; 496 linear feet (est.) along Rocky Ridge Drive

Land Size Information

Size:	19.90 acres (866,844 square feet)
-------	-----------------------------------

Indicators

Total Consideration/Acre	\$576,568
Total Consideration/SF	\$13.24

Remarks

This comparable land sale is located at the southwest quadrant of Rocky Ridge Drive and Lead Hill Boulevard, in the city of Roseville, south Placer County. The 19.9-acre site was acquired by Wal-Mart in April 2001 for \$10,606,860, or approximately \$12.24 per square foot, plus the assumption of bonds of \$1.00 per square foot. A substantial portion of the property has since been developed with a Wal-Mart retail store.

Analysis and Conclusion

The preceding sales indicate there have been a number of lot sales during the past 12 months reflecting an active market for residential land throughout the south Placer County market area.

Bonds and Assessments

Mello-Roos or assessment districts encumber the comparables utilized for this analysis, as well as the subject property (proposed). The land sale comparables are adjusted based on the impact of bond indebtedness on value.

Additional Adjustments

In order to value the subject site, the comparable transactions were adjusted based on the profile of the subject site with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward.

In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property Rights Conveyed
- Financing Terms
- Conditions of Sale (motivation)
- Market Conditions (time)
- Location
- Physical Features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, as a result of the limited data present in the market, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for the subject is presented below.

Property Rights Conveyed

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

Financing Terms

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

Conditions of Sale (motivation)

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

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

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

Market Condition (time)

Market conditions generally change over time, but the date of this appraisal is for a specific point in time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no time adjustment is required. In analyzing the five sales that comprise the data set, all of the comparables were completed or negotiated since April 2001. Based on the data set presented, an appreciation of value due to changes in market conditions is not considered warranted.

Location

All of the comparables are located within the south Placer County market area, and are considered to offer similar locational attributes to the subject property; thus, adjustments for location are not warranted.

Physical Features

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

Land Area

The comparables represent transfers of commercial sites between 5.36 acres and 23.26 acres. The subject property is 16.49 acres of land. Based on the discrepancy in parcel size, an adjustment for land area is not considered necessary.

Visibility/Accessibility

The visibility and accessibility of a property can have a direct impact on value. For example, a property with limited access is considered to be an inferior position compared to a property with open accessibility. Conversely, if a property has freeway visibility, or is situated in proximity to major linkages, this is considered to be a superior site amenity in comparison to a property with limited visibility and positioning. Each of the comparable sales has similar visibility and accessibility characteristics as the subject. Thus, no adjustments are required.

Offsite Improvements

The subject property has offsite improvements in place. All of the comparable sales possessed similar offsite improvements; thus, an adjustment for offsite improvements is not necessary.

Topography

Differences in contour, drainage or soil conditions can affect the utility and therefore the market value of the lots. The comparable properties all offer terrain with similar utility. No adjustments are required for topography or functional utility.

Conclusion of Hypothetical Market Value

The unadjusted value range presented by the comparables sales is \$8.53 to \$13.24 per square foot, which is relatively narrow, with the data requiring only nominal adjustments when compared to the subject property. Based on our analysis of the sales data, we have concluded a per square foot value indicator for the subject site of \$10.00 (inclusive of bond indebtedness), which is near the midpoint of the range. As a result, the value of the subject site is calculated as follows:

$$16.49 \text{ acres} \times 43,560 \text{ sf/acre} \times \$10.00 \text{ psf} = \$7,183,044$$

\$7,180,000 (Rd.)

FINAL OPINION OF HYPOTHETICAL MARKET VALUE

The purpose of this appraisal is to estimate the hypothetical market value (*fee simple estate*) of 16.49 acres of land comprising the subject property, assuming prepayment of impact fees to be financed by the California Statewide Communities Development Authority Assessment District No. 03-01 bond issuance, which will facilitate the completion of public facilities.

The value estimate cited below is subject to the Assumptions, Significant Factors and Limiting Conditions referenced in that section of this report (please refer to pages 10 through 12).

The following value estimate accounts for the impact of the Assessment Lien securing the California Statewide Communities Development Authority Assessment District No. 03-01 bonds. For the reader's reference the subject's hypothetical market value is presented below:

SEVEN MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS

\$7,180,000

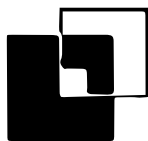
APPENDIX H

EXCERPTS FROM ENGINEER'S REPORTS

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**ENGINEER'S REPORT
CALIFORNIA STATEWIDE
COMMUNITIES
DEVELOPMENT AUTHORITY
ASSESSMENT DISTRICT NO. 03-01
FOR THE COUNTY OF CONTRA COSTA**

SEPTEMBER 23, 2003



**California Statewide Communities Development Authority
Statewide Community Infrastructure Program**



MuniFinancial

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Phoenix, AZ
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Seattle, WA

www.muni.com

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Contra Costa, California

ENGINEER'S REPORT

MuniFinancial/Willdan, Assessment Engineer for the California Statewide Communities Development Authority (the "Authority") Assessment District No. 03-01 (County of Contra Costa, California) hereinafter referred to as "District," makes this report, as directed by the Commission of the Authority, in accordance with the Resolution of Intention, Resolution No. 03S-1 and pursuant to Section 10204 of the Streets and Highways Code (Municipal Improvement Act of 1913) and Article XIIIID of the California Constitution.

DESCRIPTION OF WORK

The improvements, which are the subject of this report, are briefly described as follows:

- A. **PREPAYMENT OF IMPACT FEES**
1. Prepayment of Roadway Fees – Prepayment of roadway facilities fees to fund Capital Improvements to the City of Brentwood's Roadway System.
 2. Prepayment of Park Fees – Prepayment of park fees to fund Capital Improvements to the City of Brentwood's Park System.
 3. Prepayment of Metro Walk Impact Fee – Prepayment of the City of Richmond Metro Walk Impact Fees which include the following: sanitary sewer, storm drain, water system, erosion control, perimeter walls, street and sidewalk improvements, street lightning and trenching.

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Contra Costa, California

EXHIBIT B - COST ESTIMATE

Summary Cost Estimate

The estimated costs of the fees have been calculated and are shown below along with other bond financing costs.

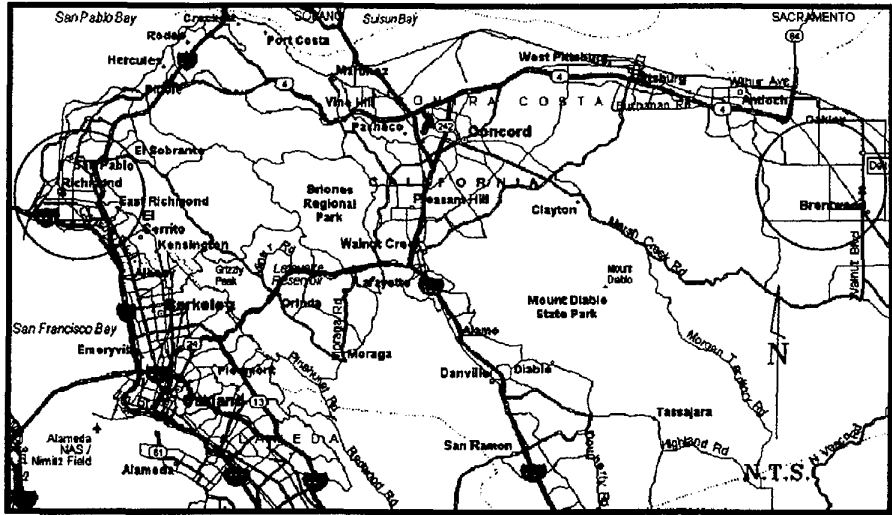
Description	Total
Prepayment of City of Brentwood Roadway Fees	\$681,931
Prepayment of City of Brentwood Park Fees	45,989
Prepayment of City of Richmond Metro Walk Impact Fees	1,857,255
Subtotal Improvements	\$2,585,175
Bond Reserve Fund (8.0%)	262,106
Underwriters Discount (2.0%)	65,526
Capitalized Interest (6.25%)	204,770
Legal Fees (1.0%)	32,763
CSCDA (1.0%)	32,763
Appraisal, Engineering, Printing, Etc	52,556
Miscellaneous/Rounding	4,825
Preliminary Assessment	\$3,240,484

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Contra Costa, California

EXHIBIT E - ASSESSMENT DIAGRAM

A Diagram showing the Assessment District; the boundaries and the dimensions of the subdivisions of land within the Assessment District as they existed at the time of the passage of the Resolution of Intention is filed with and made a part of this Report and part of the assessment. Each of the subdivisions of land, parcels, or lots has been given a separate number on the Assessment Diagram that corresponds with the assessment number shown on the Assessment Roll (Exhibit C).

The Assessment Diagram in a reduced-scale format follows.



VICINITY MAP

FILED THIS _____ DAY OF _____, 2003, AT THE HOUR OF _____ O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF CONTRA COSTA

RECORDED IN THE OFFICE OF THE SECRETARY DESIGNATED AS THE SUPERINTENDENT OF STREETS OF THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____, 2003.

SECRETARY DESIGNATED AS THE SUPERINTENDENT OF STREETS
CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY

I HEREBY CERTIFY THAT THE WITHIN MAPS SHOWING PROPOSED BOUNDARIES OF ASSESSMENT DISTRICT NO. 03-1, (COUNTY OF CONTRA COSTA), CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY/CITY OF RICHMOND / BRENTWOOD, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, WAS APPROVED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, BY ITS RESOLUTION NO. _____

SECRETARY OF THE AUTHORITY
CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY

NOTE: REFER TO THE CONTRA COSTA COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF RICHMOND / BRENTWOOD

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	013-030-010
	540-480-001
	540-480-002
	540-480-003
	540-480-004
	540-480-005
	540-480-006
	540-480-007
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	540-480-021
	540-480-022
	540-480-023
540-480-024	

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	540-480-027
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540-480-049	

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540-480-123	

ASMT. NO.	ASSESSOR'S PARCEL NO.
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	540-480-131
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	540-480-133
540-480-134	

ASMT. NO.	ASSESSOR'S PARCEL NO.
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	540-480-138
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	540-480-142
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	540-480-144
540-480-145	



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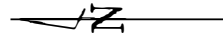
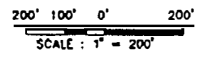
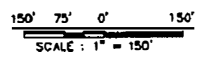
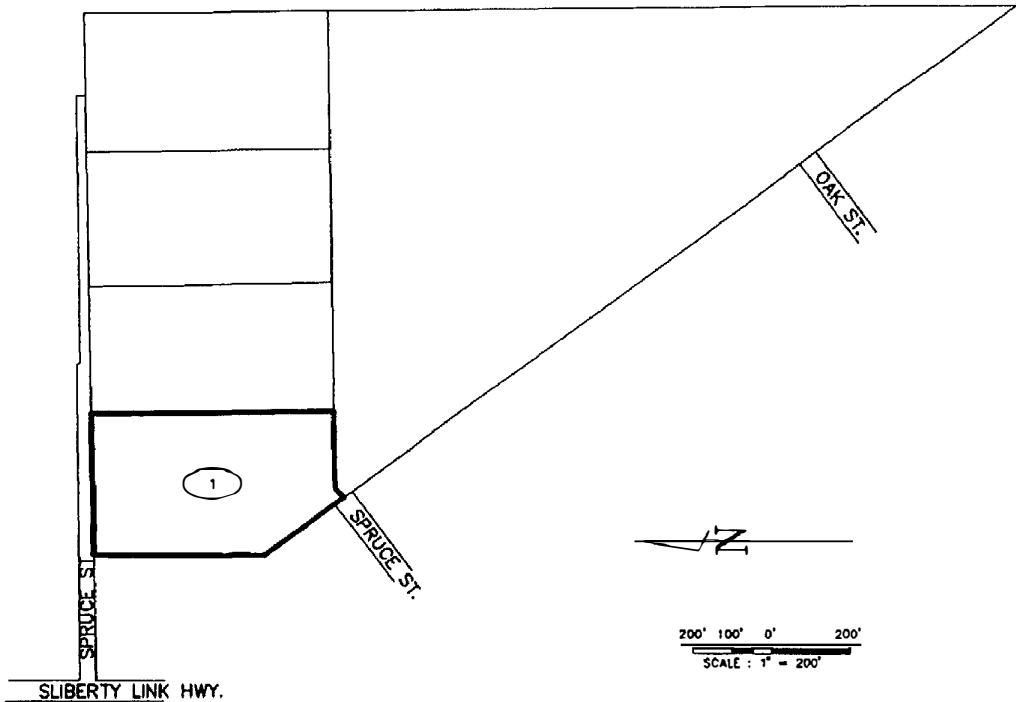
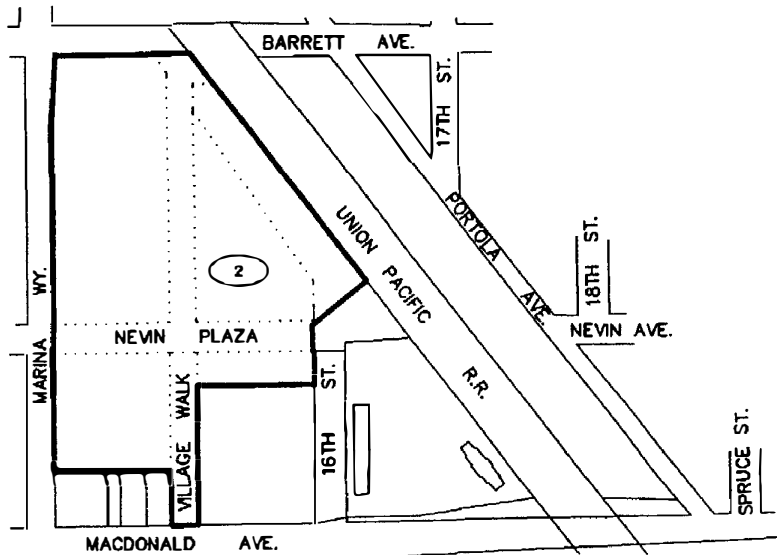
27366 Via Industria
Suite 110
Tracy, California 95290-3661
Phone (909) 587-3500 Fax (909) 587-3510

**PROPOSED BOUNDARIES OF
ASSESSMENT DISTRICT NO. 03-1
CALIFORNIA STATEWIDE COMMUNITIES
STATEWIDE DEVELOPMENT AUTHORITY**

CITY OF RICHMOND / BRENTWOOD
COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA

CITY OF RICHMOND

CITY OF BRENTWOOD



MuniFinancial

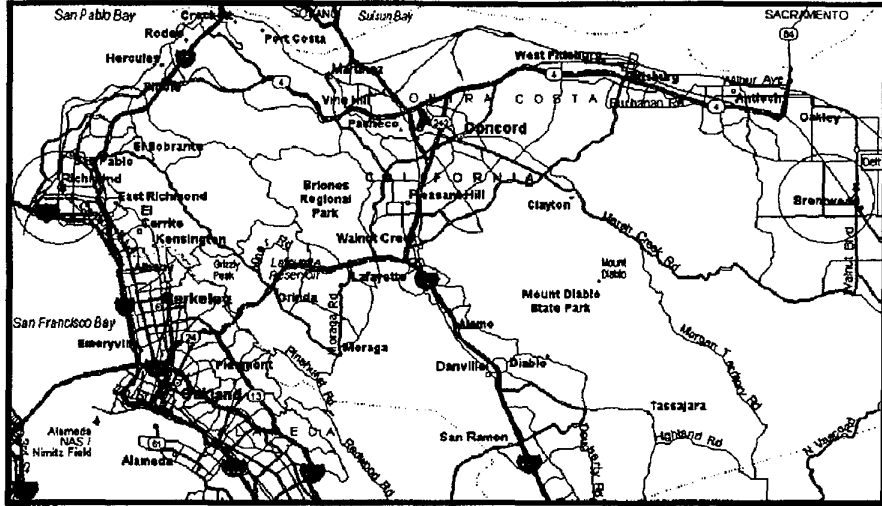
27368 Via Industria
 Suite 110
 Fremont, California 94590-3661
 Phone (909) 667-3500 Fax (909) 667-3610

LEGEND

	PROPOSED BOUNDARY
	ASSESSMENT NUMBER

PROPOSED BOUNDARIES OF
 ASSESSMENT DISTRICT NO. 03-1
 CALIFORNIA STATEWIDE COMMUNITIES
 STATEWIDE DEVELOPMENT AUTHORITY

CITY OF RICHMOND / BRENTWOOD
 COUNTY OF CONTRA COSTA
 STATE OF CALIFORNIA



VICINITY MAP

FILED THIS _____ DAY OF _____, 2003, AT THE HOUR OF _____ O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF CONTRA COSTA

FILED IN THE OFFICE OF THE SECRETARY OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____, 2003.

SECRETARY
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

AN ASSESSMENT WAS LEVIED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE _____ DAY OF _____, 2003. SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SECRETARY, DESIGNATED AS THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, ON THE _____ DAY OF _____, 2003. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND ON THIS ASSESSMENT DIAGRAM.

SECRETARY OF THE AUTHORITY
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY, THIS _____ DAY OF _____, 2003.

SUPERINTENDENT OF STREETS OF THE CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY

NOTE: REFER TO THE CONTRA COSTA COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITIES OF RICHMOND AND BRENTWOOD.

ASMT. NO.	ASSESSOR'S PARCEL NO.
125	540-480-124
126	540-480-125
127	540-480-126
128	540-480-127
129	540-480-128
130	540-480-129
131	540-480-130
132	540-480-131
133	540-480-132

Christopher R. Wurz
R.C.E. #50558

**ASSESSMENT DIAGRAM
ASSESSMENT DISTRICT NO. 03-01
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

CITIES OF RICHMOND AND BRENTWOOD
COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	010-030-010
2	540-480-001
3	540-480-002
4	540-480-003
5	540-480-004
6	540-480-005
7	540-480-006
8	540-480-007
9	540-480-008
10	540-480-009
11	540-480-010
12	540-480-011
13	540-480-012
14	540-480-013
15	540-480-014
16	540-480-015
17	540-480-016
18	540-480-017
19	540-480-018
20	540-480-019
21	540-480-020
22	540-480-021
23	540-480-022
24	540-480-023
25	540-480-024

ASMT. NO.	ASSESSOR'S PARCEL NO.
26	540-480-025
27	540-480-026
28	540-480-027
29	540-480-028
30	540-480-029
31	540-480-030
32	540-480-031
33	540-480-032
34	540-480-033
35	540-480-034
36	540-480-035
37	540-480-036
38	540-480-037
39	540-480-038
40	540-480-039
41	540-480-040
42	540-480-041
43	540-480-042
44	540-480-043
45	540-480-044
46	540-480-045
47	540-480-046
48	540-480-047
49	540-480-048
50	540-480-049

ASMT. NO.	ASSESSOR'S PARCEL NO.
51	540-480-050
52	540-480-051
53	540-480-052
54	540-480-053
55	540-480-054
56	540-480-055
57	540-480-056
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73	540-480-072
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79	540-480-078
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82	540-480-081
83	540-480-082
84	540-480-083
85	540-480-084
86	540-480-085
87	540-480-086

ASMT. NO.	ASSESSOR'S PARCEL NO.
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89	540-480-088
90	540-480-089
91	540-480-090
92	540-480-091
93	540-480-092
94	540-480-093
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103	540-480-102
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105	540-480-104
106	540-480-105
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117	540-480-116
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123	540-480-122
124	540-480-123

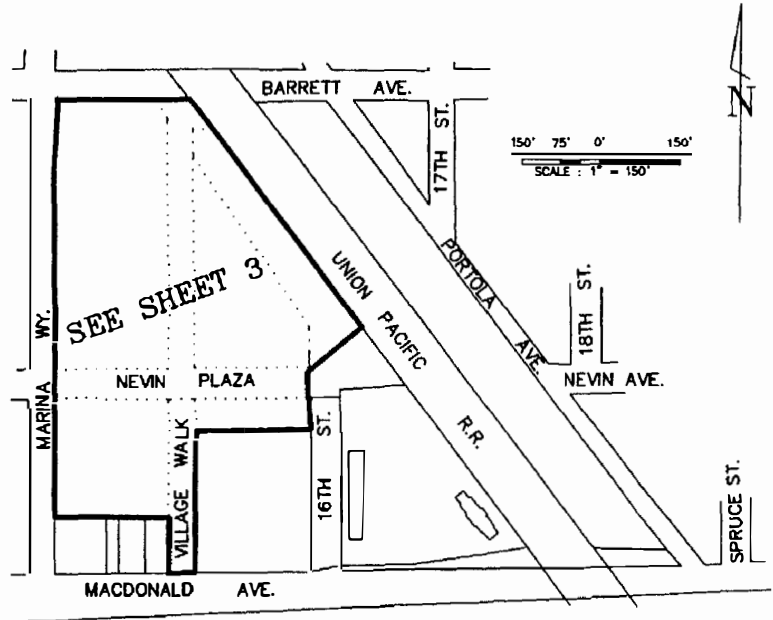
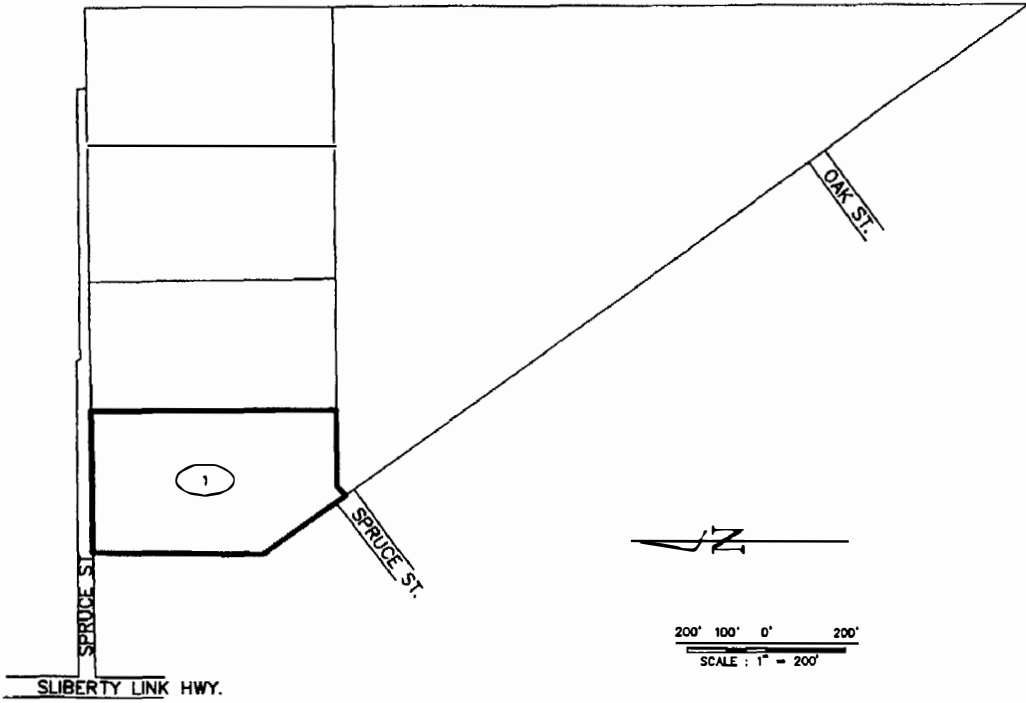


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CITY OF BRENTWOOD



CITY OF RICHMOND



SEE SHEET 3

200' 100' 0' 200'
SCALE : 1" = 200'

150' 75' 0' 150'
SCALE : 1" = 150'

- LEGEND
-  ASSESSMENT BOUNDARY
 -  ASSESSMENT NUMBER

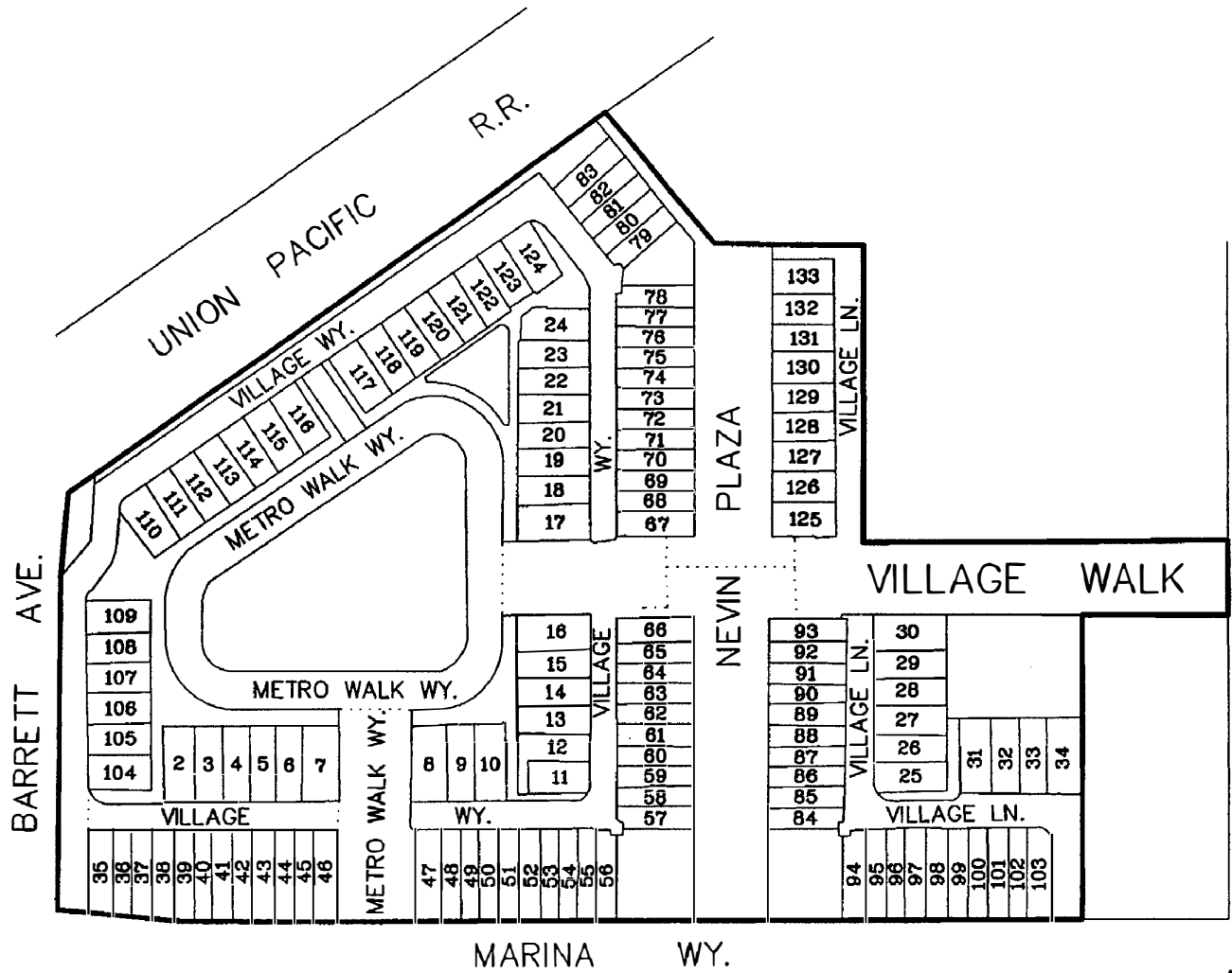
ASSESSMENT DIAGRAM
 ASSESSMENT DISTRICT NO. 03-01
 CALIFORNIA STATEWIDE COMMUNITIES
 DEVELOPMENT AUTHORITY

CITIES OF RICHMOND AND BRENTWOOD
 COUNTY OF CONTRA COSTA
 STATE OF CALIFORNIA



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150' 75' 0' 150'
SCALE: 1" = 150'

LEGEND
 — ASSESSMENT BOUNDARY
 2 ASSESSMENT NUMBER



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(03-033) JULY 2003

ASSESSMENT DIAGRAM
 ASSESSMENT DISTRICT NO. 03-01
 CALIFORNIA STATEWIDE COMMUNITIES
 DEVELOPMENT AUTHORITY

CITIES OF RICHMOND AND BRENTWOOD
 COUNTY OF CONTRA COSTA
 STATE OF CALIFORNIA

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**ENGINEER'S REPORT
CALIFORNIA STATEWIDE
COMMUNITIES
DEVELOPMENT AUTHORITY
ASSESSMENT DISTRICT NO. 03-01
FOR THE COUNTY OF PLACER**

SEPTEMBER 23, 2003



**California Statewide Communities Development Authority
Statewide Community Infrastructure Program**



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ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Placer, California

ENGINEER'S REPORT

MuniFinancial/Willdan, Assessment Engineer for the California Statewide Communities Development Authority (the "Authority") Assessment District No. 03-01 County of Placer hereinafter referred to as "District," makes this report, as directed by the Commission of the Authority, in accordance with the Resolution of Intention, Resolution No. 03S-2 and pursuant to Section 10204 of the Streets and Highways Code (Municipal Improvement Act of 1913) and Article XIID of the California Constitution.

DESCRIPTION OF WORK

The improvements, which are the subject of this report, are briefly described as follows:

- A. **PAYMENT OF IMPACT FEES**
 - 1. **Prepayment of City Transportation Fees – Prepayment of roadway facilities fees to fund Capital Improvements to the City of Lincoln's Transportation System.**

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Placer, California

EXHIBIT B - COST ESTIMATE

Summary Cost Estimate

The estimated costs of the fees have been calculated and are shown below along with other bond financing costs.

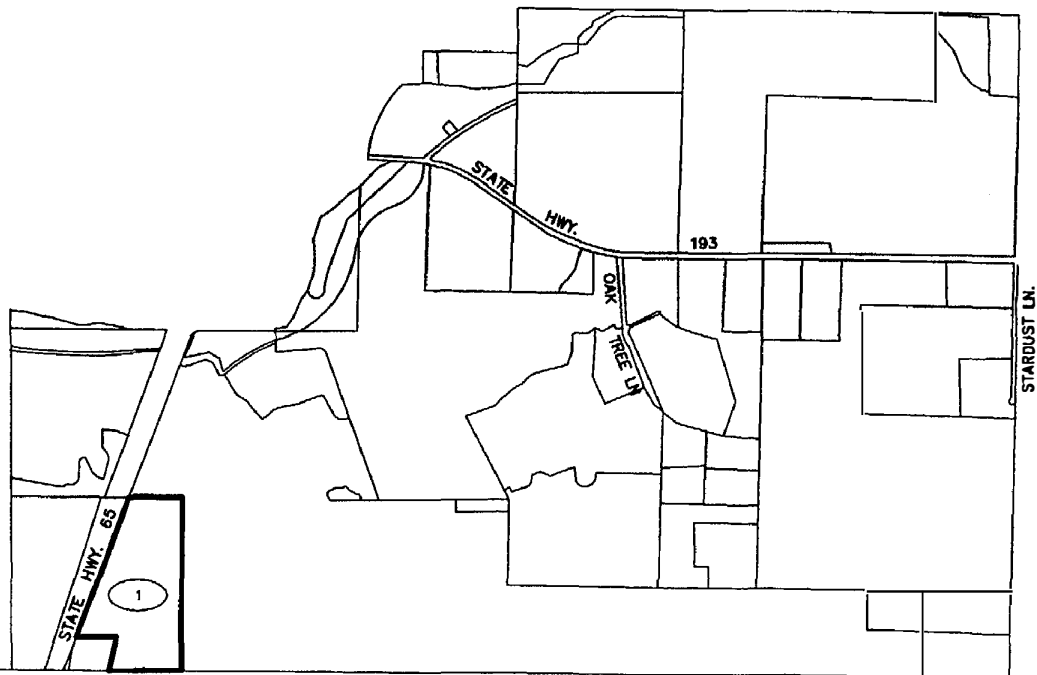
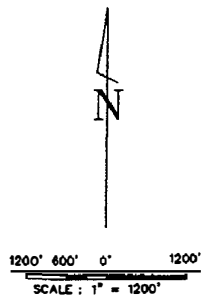
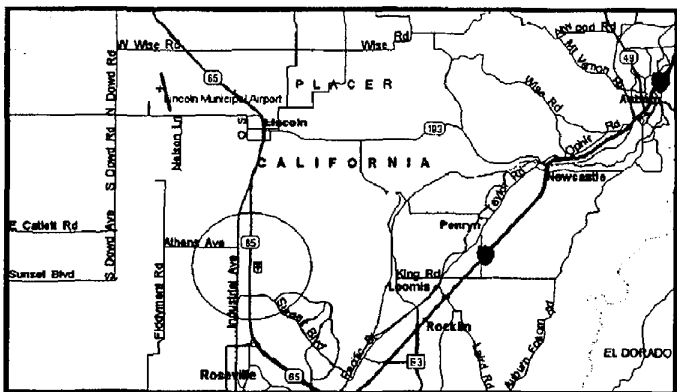
Description	Total
City of Lincoln Transportation Fees	\$824,630
Subtotal Improvements	\$824,630
Bond Reserve Fund (8%)	83,554
Underwriters Discount (2%)	20,888
Capitalized Interest (6.25%)	65,276
Legal Fees (1%)	10,444
CSCDA (1%)	10,444
Appraisal, Engineer, Printing, etc.	16,754
Miscellaneous/Rounding	371
Preliminary Assessment	\$1,032,361

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Placer, California

EXHIBIT E - ASSESSMENT DIAGRAM

A Diagram showing the Assessment District; the boundaries and the dimensions of the subdivisions of land within the Assessment District as they existed at the time of the passage of the Resolution of Intention is filed with and made a part of this Report and part of the assessment. Each of the subdivisions of land, parcels, or lots has been given a separate number on the Assessment Diagram that corresponds with the assessment number shown on the Assessment Roll (Exhibit C).

The Assessment Diagram in a reduced-scale format follows.



FILED THIS _____ DAY OF _____ 2003, AT THE HOUR OF _____
 O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES
 DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF
 PLACER, STATE OF CALIFORNIA.

COUNTY RECORDER
 COUNTY OF PLACER

RECORDED IN THE OFFICE OF THE SECRETARY DESIGNATED AS THE SUPERINTENDENT
 OF STREETS OF THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE
 DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____ 2003

SECRETARY DESIGNATED AS THE SUPERINTENDENT OF STREETS
 CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY

I HEREBY CERTIFY THAT THE WITHIN MAPS SHOWING PROPOSED BOUNDARIES OF
 ASSESSMENT DISTRICT NO. 03-01, CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE
 DEVELOPMENT AUTHORITY, CITY OF LINCOLN, COUNTY OF PLACER, STATE OF CALIFORNIA,
 WAS APPROVED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE
 COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY AT A REGULAR MEETING THEREOF,
 HELD ON THE _____ DAY OF _____ 200____ BY ITS
 RESOLUTION NO. _____

SECRETARY OF THE AUTHORITY
 CALIFORNIA STATEWIDE COMMUNITIES
 STATEWIDE DEVELOPMENT AUTHORITY

THIS AMENDED BOUNDARY MAP AMENDS THE ORIGINAL BOUNDARY MAP FOR
 ASSESSMENT DISTRICT NO. 03-01, CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE
 DEVELOPMENT AUTHORITY, CITY OF LINCOLN, COUNTY OF PLACER, STATE OF CALIFORNIA,
 PRIOR RECORDED ON AUGUST 7TH, 2003 IN BOOK 7 OF MAPS OF ASSESSMENTS
 AND COMMUNITY FACILITIES DISTRICTS AT PAGE 22, IN THE OFFICE OF THE COUNTY
 RECORDER FOR THE COUNTY OF PLACER, STATE OF CALIFORNIA.

NOTE: REFER TO THE PLACER COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL
 MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS.
 SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS
 OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF
 LINCOLN.

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	Portion of 021-273-064-000 (Lot A & B of PM 2000-140 "Sterling Point" being a portion of the SW 1/4 of Section 22, T. 12 No., R. 6E., M.D.M., City of Lincoln, County of Placer, State of California, Filed in Book 31 of Parcel Maps, page 75, Placer County Records on August 23, 2003.)

AMENDED BOUNDARY MAP OF
 ASSESSMENT DISTRICT NO. 03-01
 CALIFORNIA STATEWIDE COMMUNITIES
 STATEWIDE DEVELOPMENT AUTHORITY

CITY OF LINCOLN
 COUNTY OF PLACER
 STATE OF CALIFORNIA

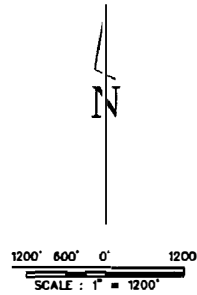
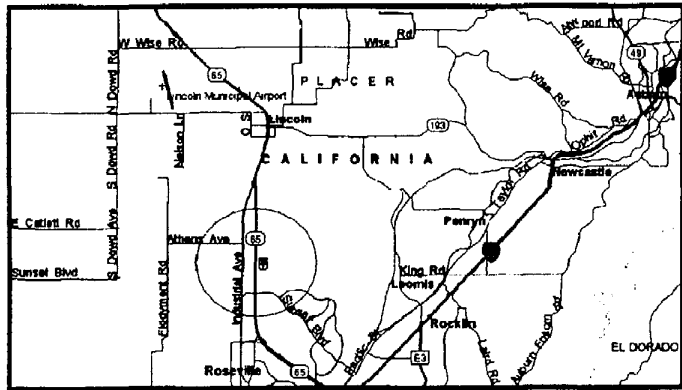


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LEGEND

- PROPOSED BOUNDARY
- ASSESSMENT NUMBER



FILED THIS _____ DAY OF _____, 2003, AT THE HOUR OF _____ O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF PLACER

FILED IN THE OFFICE OF THE SECRETARY OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____, 2003.

SECRETARY
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

AN ASSESSMENT WAS LEVIED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE _____ DAY OF _____, 2003; SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SECRETARY, DESIGNATED AS THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, ON THE _____ DAY OF _____, 2003. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND ON THIS ASSESSMENT DIAGRAM.

SECRETARY OF THE AUTHORITY
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

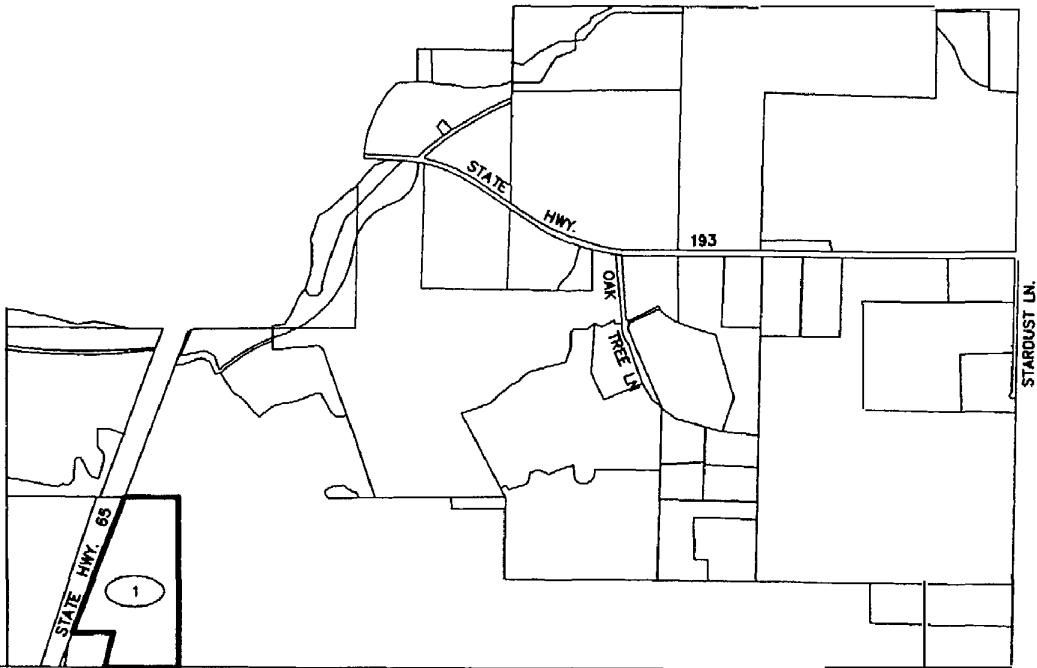
RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY, THIS _____ DAY OF _____, 2003.

SUPERINTENDENT OF STREETS OF THE
CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY

NOTE: REFER TO THE PLACER COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF LINCOLN.

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	Portion of 021-273-064-000 (Lot A & B of PM 2000-140 "Sterling Point" being a portion of the SW 1/4 of Section 22, T. 12 No. R. 6E., M.O.N., City of Lincoln, County of Placer, State of California, Filed in Book 31 of Parcel Maps, page 75, Placer County Records on August 23, 2003.)



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LEGEND
 PROPOSED BOUNDARY
 ASSESSMENT NUMBER

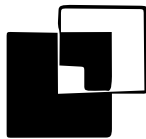
Christopher R. Wuerz
R.C.E. #50558

**ASSESSMENT DIAGRAM
ASSESSMENT DISTRICT NO. 03-01
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

CITY OF LINCOLN
COUNTY OF PLACER
STATE OF CALIFORNIA

**ENGINEER'S REPORT
CALIFORNIA STATEWIDE
COMMUNITIES
DEVELOPMENT AUTHORITY
ASSESSMENT DISTRICT NO. 03-01
FOR THE COUNTY OF SAN MATEO**

SEPTEMBER 23, 2003



**California Statewide Communities Development Authority
Statewide Community Infrastructure Program**



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Sacramento, CA
San Diego, CA
Seattle, WA

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ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of San Mateo, California

ENGINEER'S REPORT

MuniFinancial/Willdan, Assessment Engineer for the California Statewide Communities Development Authority (the "Authority") Assessment District No. 03-01 (County of San Mateo, California) hereinafter referred to as "District," makes this report, as directed by the Commission of the Authority, in accordance with the Resolution of Intention, Resolution No. 03S-3 and pursuant to Section 10204 of the Streets and Highways Code (Municipal Improvement Act of 1913) and Article XIID of the California Constitution.

DESCRIPTION OF WORK

The improvements, which are the subject of this report, are briefly described as follows:

A. PREPAYMENT OF IMPACT FEES

1. Prepayment of fees to fund Capital Improvements to the City of Millbrae's Station Area Specific Plan – The City has developed the Station Area Specific Plan concurrently with its General Plan to provide direction for projects in the BART/Caltrans station area. The Specific Plan sets policies to help transform the approximately 116 acres of the Millbrae Redevelopment Project Area into a vital, transit-oriented center for the community and region.
2. Prepayment of Park In-Lieu Fees – Prepayment of fees to fund the City of Millbrae's Regional Park Systems.
3. Prepayment of Storm Drain Surcharge Fees – Prepayment of storm drain surcharge fees to fund Capital Improvements to the City of Millbrae's Storm Drainage System.
4. Prepayment of Improvements along El Camino – Prepayment of fees for street , landscaping, lighting, sidewalk and parking improvements.

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of San Mateo, California

EXHIBIT B - COST ESTIMATE

Summary Cost Estimate

The estimated costs of the fees have been calculated and are shown below along with other bond financing costs.

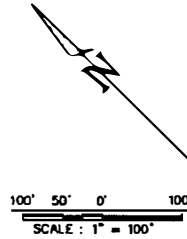
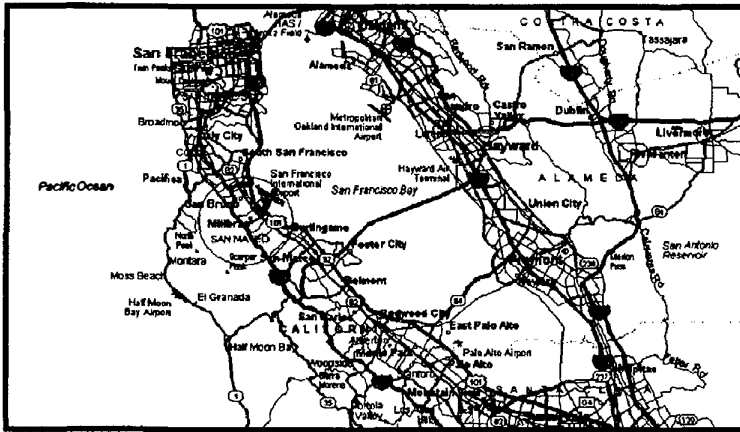
Description	Total
Millbrae Station Area Specific Plan Fee	\$850,410
Park In-Lieu Fee	199,500
Storm Drain Surcharge	315,000
Street, Landscaping, Lighting, Sidewalk & Parking - El Camino	136,500
Subtotal Improvements	\$1,501,410
Bond Reserve Fund (8%)	149,840
Underwriters Discount (2%)	37,460
Capitalized Interest (6.25%)	117,063
Legal Fees (1%)	18,730
CSCDA (1%)	18,730
Appraisal, Engineer, Printing, etc.	27,720
Miscellaneous/Rounding	2,135
Preliminary Assessment	\$1,873,088

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of San Mateo, California

EXHIBIT E - ASSESSMENT DIAGRAM

A Diagram showing the Assessment District; the boundaries and the dimensions of the subdivisions of land within the Assessment District as they existed at the time of the passage of the Resolution of Intention is filed with and made a part of this Report and part of the assessment. Each of the subdivisions of land, parcels, or lots has been given a separate number on the Assessment Diagram that corresponds with the assessment number shown on the Assessment Roll (Exhibit C).

The Assessment Diagram in a reduced-scale format follows.



FILED THIS _____ DAY OF _____ 2003, AT THE HOUR OF _____ O'CLOCK _____ M. BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA.

 COUNTY RECORDER
 COUNTY OF SAN MATEO

FILED IN THE OFFICE OF THE SECRETARY OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____, 2003.

 SECRETARY
 CALIFORNIA STATEWIDE COMMUNITIES
 DEVELOPMENT AUTHORITY

AN ASSESSMENT WAS LEVIED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE _____ DAY OF _____ 2003; SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SECRETARY, DESIGNATED AS THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, ON THE _____ DAY OF _____ 2003. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND ON THIS ASSESSMENT DIAGRAM.

 SECRETARY OF THE AUTHORITY
 CALIFORNIA STATEWIDE COMMUNITIES
 DEVELOPMENT AUTHORITY

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY, THIS _____ DAY OF _____, 2003.

 SUPERINTENDENT OF STREETS OF THE
 CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY

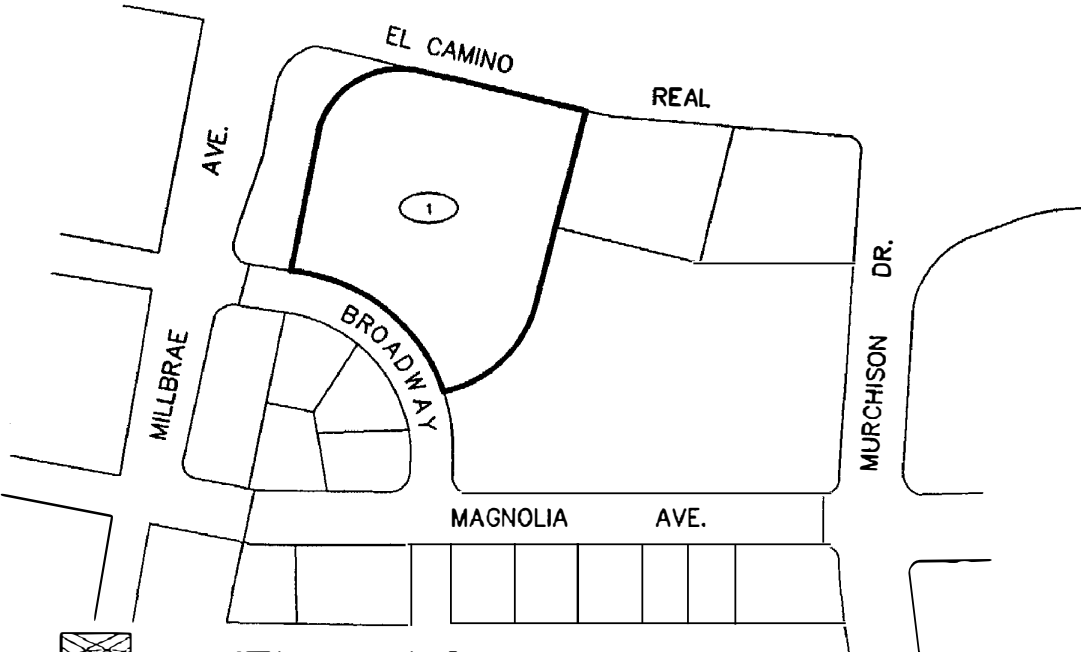
NOTE: REFER TO THE SAN MATEO COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF MILLBRAE.

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	024-344-020

ASSESSMENT DIAGRAM
 ASSESSMENT DISTRICT NO. 03-01
 CALIFORNIA STATEWIDE COMMUNITIES
 DEVELOPMENT AUTHORITY

CITY OF MILLBRAE
 COUNTY OF SAN MATEO
 STATE OF CALIFORNIA



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LEGEND

———— ASSESSMENT BOUNDARY

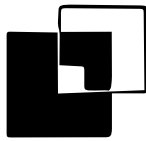
① ASSESSMENT NUMBER

Christopher R. Wurz
 R.C.E. #50556

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**ENGINEER'S REPORT
CALIFORNIA STATEWIDE
COMMUNITIES
DEVELOPMENT AUTHORITY
ASSESSMENT DISTRICT NO. 03-01
FOR THE COUNTY OF VENTURA**

SEPTEMBER 23, 2003



**California Statewide Communities Development Authority
Statewide Community Infrastructure Program**



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San Diego, CA
Seattle, WA

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ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Ventura, California

ENGINEER'S REPORT

MuniFinancial/Willdan, Assessment Engineer for the California Statewide Communities Development Authority (the "Authority") Assessment District No. 03-01 (County of Ventura, California) hereinafter referred to as "District," makes this report, as directed by the Commission of the Authority, in accordance with the Resolution of Intention, Resolution No. 03S-4 and pursuant to Section 10204 of the Streets and Highways Code (Municipal Improvement Act of 1913) and Article XIID of the California Constitution.

DESCRIPTION OF WORK

The improvements, which are the subject of this report, are briefly described as follows:

A. PREPAYMENT OF IMPACT FEES

1. Prepayment of Wastewater Facilities Fees – Prepayment of wastewater facilities fees to fund Capital Improvements to the City of Oxnard's Wastewater Treatment System.
2. Prepayment of Water Facilities Fees – Prepayment of water improvement fees to fund Capital Improvements to the City of Oxnard's Water Distribution System.
3. Prepayment of Traffic Circulation Fees – Prepayment of traffic circulation fees to fund Capital Improvements to the City of Oxnard's Traffic Circulation System.
4. Prepayment of the Growth Requirement Circulation Fees – Prepayment of growth requirement circulation fees to fund Capital Improvements to the City of Oxnard's Traffic Circulation System.
5. Prepayment of Commercial Refuse Truck Fees – Prepayment of commercial refuse truck fees to fund Capital Improvements to the City of Oxnard's Refuse Distribution System.

B. DISCHARGE OF PREVIOUS ASSESSMENT LIENS

The proposed boundaries of the District overlap the existing City of Oxnard, California, Assessment District No. 2001 Rice Avenue/Highway 101 Interchange and Reassessment District 97-1R Pacific Commerce Center Refunding assessments. As a result, the District will discharge a proportionate share of the Assessment District No. 2001 Rice Avenue/Highway 101 Interchange and Reassessment District 97-1R Pacific Commerce Center Refunding liens that are benefiting the properties in the Authority District.

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Ventura, California

EXHIBIT B - COST ESTIMATE

Summary Cost Estimate

The estimated costs of the fees have been calculated and are shown below along with other bond financing costs.

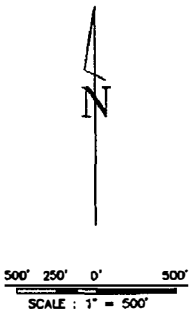
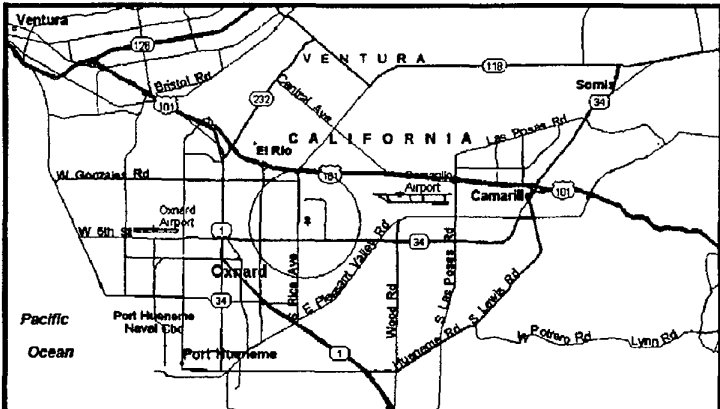
Description	Total
Prepayment of Wastewater Facilities Fees	\$11,187
Prepayment of Water Facilities Fees	2,760
Prepayment of Traffic Circulation Fees	47,271
Prepayment of Growth Requirement Circulation Fee	9,750
Prepayment of Commercial Refuse Truck Fee	298
Subtotal Fees	\$71,266
DISCHARGE OF AD NO. 2001 RICE AVENUE/HIGHWAY 101 INTERCHANGE LIENS	66,400
DISCHARGE OF REASSESSMENT DISTRICT 97-1R PACIFIC COMMERCE CENTER REFUNDING LIENS	17,480
Bond Reserve Fund (8.0%)	16,111
Underwriters Discount (2.0%)	4,028
Capitalized Interest (6.25%)	12,587
Legal Fees (1.0%)	2,014
CSCDA (1.0%)	2,014
Appraisal, Engineer, Printing, Etc	3,231
Miscellaneous/Rounding	3,936
Preliminary Assessment	\$199,067

ENGINEER'S REPORT
California Statewide Communities Development Authority
Assessment District No. 03-01
County of Ventura, California

EXHIBIT E - ASSESSMENT DIAGRAM

A Diagram showing the Assessment District; the boundaries and the dimensions of the subdivisions of land within the Assessment District as they existed at the time of the passage of the Resolution of Intention is filed with and made a part of this Report and part of the assessment. Each of the subdivisions of land, parcels, or lots has been given a separate number on the Assessment Diagram that corresponds with the assessment number shown on the Assessment Roll (Exhibit C).

The Assessment Diagram in a reduced-scale format follows.



FILED THIS _____ DAY OF _____, 2003, AT THE HOUR OF _____ O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF VENTURA, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF VENTURA

RECORDED IN THE OFFICE OF THE SECRETARY DESIGNATED AS THE SUPERINTENDENT OF STREETS OF THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____, 2003

SECRETARY DESIGNATED AS THE SUPERINTENDENT OF STREETS
CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY

I HEREBY CERTIFY THAT THE WITHIN MAPS SHOWING PROPOSED BOUNDARIES OF ASSESSMENT DISTRICT NO. 03-01, CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY, CITY OF OXNARD, COUNTY OF VENTURA, STATE OF CALIFORNIA, WAS APPROVED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2003, BY ITS RESOLUTION NO. _____

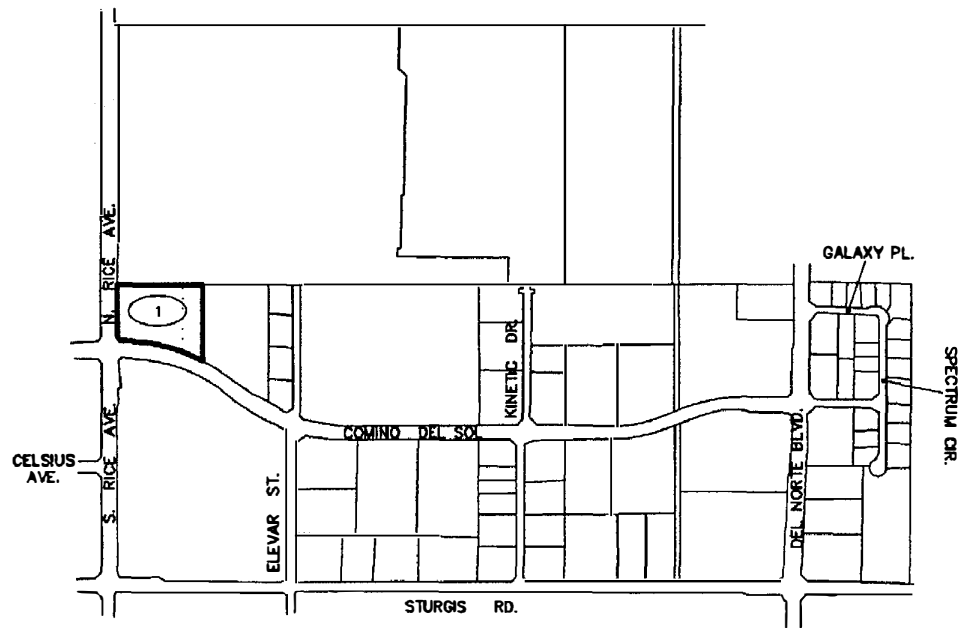
SECRETARY OF THE AUTHORITY
CALIFORNIA STATEWIDE COMMUNITIES
STATEWIDE DEVELOPMENT AUTHORITY

THIS AMENDED BOUNDARY MAP AMENDS THE ORIGINAL BOUNDARY MAP FOR ASSESSMENT DISTRICT NO. 03-01, CALIFORNIA STATEWIDE COMMUNITIES STATEWIDE DEVELOPMENT AUTHORITY, CITY OF OXNARD, COUNTY OF VENTURA, STATE OF CALIFORNIA, PRIOR RECORDED ON SEPTEMBER 3RD, 2003 IN BOOK 18 OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE 87, IN THE OFFICE OF THE COUNTY RECORDER FOR THE COUNTY OF VENTURA, STATE OF CALIFORNIA.



NOTE: REFER TO THE VENTURA COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF OXNARD.

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	218-0-151-375

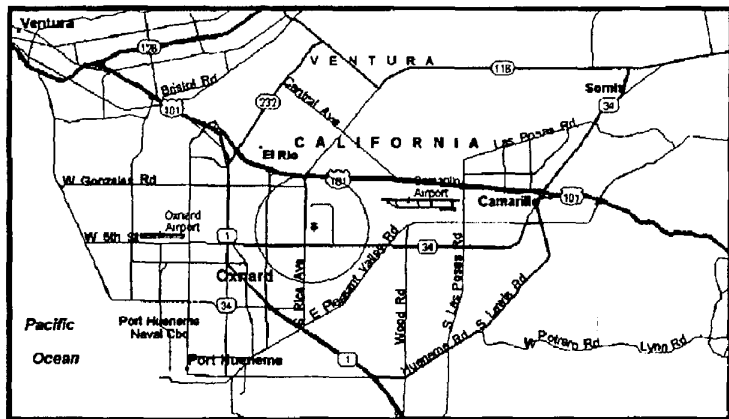


 **MuniFinancial**
27365 Via Industriaria
Suite 110
Temecula, California 92590-3661
Phone (909) 567-3500 Fax (909) 567-3510

LEGEND
 PROPOSED BOUNDARY
 ASSESSMENT NUMBER

AMENDED BOUNDARY MAP OF
ASSESSMENT DISTRICT NO. 03-01
CALIFORNIA STATEWIDE COMMUNITIES
STATEWIDE DEVELOPMENT AUTHORITY

CITY OF OXNARD
COUNTY OF VENTURA
STATE OF CALIFORNIA



500' 250' 0' 500'
SCALE: 1" = 500'

FILED THIS _____ DAY OF _____ 2003, AT THE HOUR OF _____ O'CLOCK _____ M., BOOK _____ OF MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____ IN THE OFFICE OF THE RECORDER OF THE COUNTY OF VENTURA, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF VENTURA

FILED IN THE OFFICE OF THE SECRETARY OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE _____ DAY OF _____ 2003.

SECRETARY
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

AN ASSESSMENT WAS LEVIED BY THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE _____ DAY OF _____ 2003; SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SECRETARY, DESIGNATED AS THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, ON THE _____ DAY OF _____ 2003. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND ON THIS ASSESSMENT DIAGRAM.

SECRETARY OF THE AUTHORITY
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, OF THE CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY, THIS _____ DAY OF _____ 2003.

SUPERINTENDENT OF STREETS OF THE
CALIFORNIA STATEWIDE DEVELOPMENT AUTHORITY

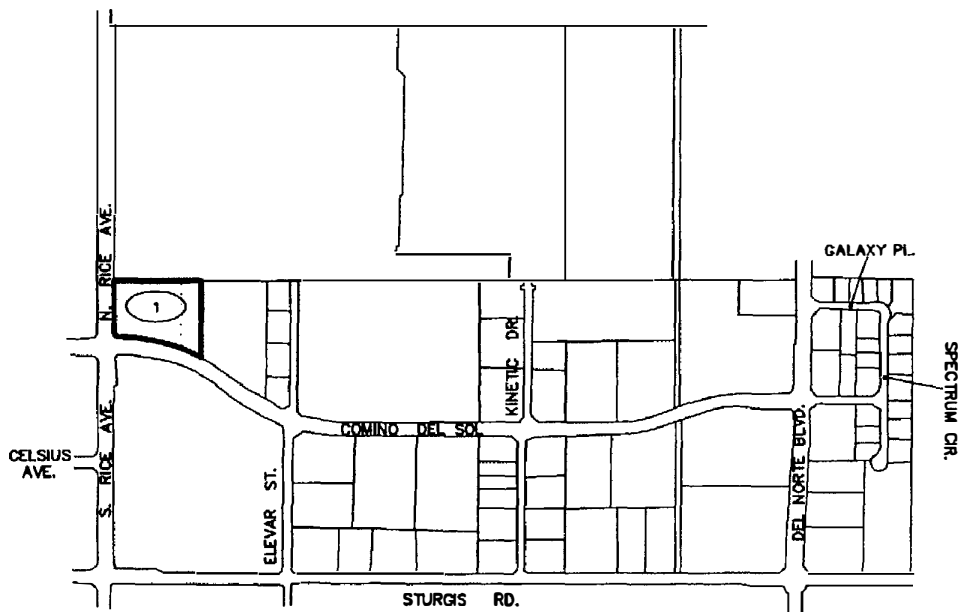
NOTE: REFER TO THE VENTURA COUNTY ASSESSOR'S LATEST ASSESSOR PARCEL MAPS FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS. SAID MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF THE PARCELS.

FOR DETAILS ON UTILITIES, REFER TO THE UTILITY PLANS ON FILE WITH THE CITY OF OXNARD.

ASMT. NO.	ASSESSOR'S PARCEL NO.
1	216-0-151-373

ASSESSMENT DIAGRAM
ASSESSMENT DISTRICT NO. 03-01
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

CITY OF OXNARD
COUNTY OF VENTURA
STATE OF CALIFORNIA



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Tombaca, California 92590-3601
Phone (909) 587-3500 Fax (909) 587-3510

LEGEND

— PROPOSED BOUNDARY

① ASSESSMENT NUMBER

Christopher R. Wuerz
R.C.E. #00558

